

# Out with the old...

Electronic documentation has been talked about for 20 years or more, but little progress has been made in the liner business, despite the serious delays and higher costs associated with processing inaccurate and incomplete paperwork. Electronic Shipping Solutions is the latest company to try its luck at changing this. **John Fossey** reports

**T**he liner shipping industry is characterised by a labyrinth of paper documents and cumbersome piece-meal processes,' said Alexander Goulandris, the ceo and founder of Valletta-based Electronic Shipping Solutions (ESS).

'The existing system raises transport costs, slows down the transfer of cargo and causes tension between ocean carriers and their customers.

'It is a cost to everyone in the industry as incomplete and/or incorrect paperwork causes ships, cargo or money, possibly all three at the same time, to be held up.'

Citing a World Bank report, he said that paper documents wasted up to 7% of the total value of world trade, which in 2010 totalled an estimated USD14.1 trillion. 'There has to be a better way of doing things,' he stressed.

The executive is not the first to criticise existing systems and processes. Only recently, Eivind Kolding, ceo of Maersk Line, in a keynote speech delivered at TOC Europe in Antwerp, called on the industry to adopt higher levels of transparency and easier ways of doing business.

Launching Maersk's the 'New Normal' manifesto, Kolding said that it was vital that after 50 years of doing basically the same thing (competing on price), a fundamental and structural rethink was needed if the industry was to move on and grasp the opportunities of the next 50 years.

On the communications front, he said: 'Today, there are 19 touch points between the customers and carriers, and we need to keep that complication within our industry rather than transfer it to customers.

'Think of the revolution in aviation; 20 years ago you could hardly book an airline ticket without using a travel agent, but today there are hardly any intermediaries. It is far simpler and far more efficient and container shipping needs this too.'

## EXECUTIVE SUMMARY

- Paper-based processes are costing the liner shipping industry time and money
- Stakeholders are generally conservative and reluctant to change
- 30-40% of b/l contain inaccuracies
- ESS's CargoDocs are straightforward and legally compliant
- ESS has an experienced container team in place
- 90-95% of b/l will be electronic in 20 years' time



Paper documents could be a thing of the past

Goulandris is keen to oblige. He set up ESS in 2003 and has been striving to put in place the necessary IT systems and legal frameworks to allow shipping documents to be sent and approved electronically by all parties involved in a shipping transaction.

His mission, as he put it, is 'to drive out inefficiencies that result from the use of paper documentation in international shipping and trade'.

Prior to this he had been a member of SITPRO's eBusiness and Standards Policy Group. The organisation, which was charged with facilitating and simplifying trade with the UK, was abolished in 2010. He is a lawyer by training and has served spells as a maritime attorney at companies such as Holman Fenwick and Willan (London, Greece and Hong Kong) and the New York-headquartered Freehill, Hogan and Mahar.

## The holy grail

Having achieved recent success in the European tanker and Amsterdam – Rotterdam – Antwerp petroleum/refined products barge markets, Goulandris and his team are moving to the 'holy grail' of e-documents (e-docs); that of electronic b/l in the liner business.

While admitting that liner shipping has many more touch points and document transfers than other sectors of the industry and is also highly conservative in its thinking, he appeared confident that ESS's strategy to date put it in a strong position to succeed.

He told *CI*: 'In coming up with the solution for the tanker market, we decided to set up a user association of oil majors, traders, agents and industry bodies such as Unctad and Bimco.

'We then took a long-term view spending two-and-a-half years or so developing the best paper products for the industry, converting them into electronic formats and then rigorously testing the process to also ensure their legal complicity. In 2007 and 2008 we completed pilot projects

with the oil majors BP and Shell.

'This is the backbone of our Cargodoc solutions, which cover b/l, certificates of origin, cargo manifest, quality and quantity certificates and Master's receipts.

'It demonstrates the robust nature of our IT platform, ESS-Databridge eDocs Exchange, which guarantees the instant delivery and receipt of original trade and shipping documents that are the equivalent of the paper versions, in a safe and secure environment.'

According to Goulandris, exchanges normally take place via the internet although clients can request a secure e-mail connection if they desire.

He added that the company's eDocs had already received accreditation from several leading industry bodies, including the International Group of P&I Clubs, Leadership in Energy Automated Processes and Her Majesty's Revenue and Customs.

ESS's first live CargoDocs were issued in January 2010 and the solution is now regularly used by Shell, BP, Conoco, Morgan Stanley, Brostrom Tankers Teekay Tankers and Hellespont.

ESS's non-executive chairman, Barry Williams (who is also chairman of Management Dynamics, the provider of global trade management services) has spent more than 35 years in container shipping, mainly with P&O Containers/P&O Nedlloyd, and is also confident of success in the liner environment.

However, there have been numerous attempts, with Williams himself involved in several of them, including projects such as Data Interchange for Shipping and Ediship, over the past 30 years. However, each one has



Alexander Goulandris: A man on a mission

## Key players at Electronic Shipping Solutions (ESS)

Electronic Shipping Solutions (ESS) has put in place four new executives that it hopes will spearhead its expansion into the container shipping sector and enable it to automate many of the paper documents currently used, thereby reducing transactional costs, raising efficiency levels and helping generate additional trade.

The recently appointed new board members comprise:

Noel Buttigieg-Scicluna, a consultant with Valletta-based EMD Advocates and an expert in legal and financial matters. He has also served in the Maltese Government and has been an ambassador in several European countries, including Denmark.

Robert Mai has joined ESS as the non-executive director responsible for shareholder interests. He has considerable experience in corporate finance and mergers and acquisitions, having started at Citigroup.

He is vice-president of the investment advisory company Klingenstein, Fields & Co, where he looks after the firm's alternative investments portfolio and fixed income

trading platforms. He replaces James Fields who is stepping down

Andre Toet, a 25-year veteran of the container shipping industry who joined Nedlloyd Lines in 1986 and then held senior management positions at P&O Nedlloyd and Maersk Line when it acquired the group in 2006. Toet also has experience in the ports sector having been coo of the Port of Rotterdam since 2007 and recently



Nigel Pusey, one of four recently-hired executives

nominated to take up the position of ceo of Sohar Industrial Port Company in Oman by the end of 2011.

Nigel Pusey also worked for P&O Containers, P&O Nedlloyd and most recently the AP Moller-Maersk Group where he was ceo of the Container Inland Services division. He has worked extensively overseas and been involved in a wide range of general management and financial positions and has broad-based IT experiences. He has served as a non-executive chairman of INTTRA, the largest multi-carrier e-commerce platform for the liner shipping industry.

Commenting on the appointments, Alexander Goulandris, founder, ceo and executive director of ESS, said: 'I am delighted to welcome Andre, Nigel, Noel and Robert to the ESS board and I would also like to thank James for his time and commitment to us.'

'Our next big push is to have e-cargodocs in the liner business. We have been talking to many of the main ocean carriers in the sector and hope to have some pilot programmes in place in the latter half of 2011.'

failed and, according to Goulandris, it has not been for the lack of money, with upwards of USD250 million invested in schemes to develop paperless documentation processes.

'The container trades are extremely complex as there are so many parties involved in a typical supply chain move,' said Goulandris.

'And in the shipping industry you don't have a big company like Facebook to take a leadership role and develop such a system.'

He pointed to other reasons for the lack of progress too, including the inability of many masters on containerships to send electronic signatures. 'There are only about 5% of ships in the world that have internet browser connections, despite e-mail services being more widely available,' he told *CI*. 'Where there is full internet access, it usually involves cruise ships and LNG carriers.'

Yet the potential savings are enormous, with the ESS executive alluding to estimated 100 million b/l being issued annually, equivalent to 65% of all b/l generated in global maritime trade. Moreover, between 30% and 40% of current bills contain errors.

Principally, this stems from the need to re-enter most of the information/data every time a document changes hands and/or another party comes into the equation.

The situation has always been compounded by the proprietary nature of many companies' IT systems such that 90% of information overlapping documents has had to be rekeyed.

ESS is keen to roll out its eDocs programme to the liner industry. Williams explained:

'Everyone recognises that there is the need for change and a desire to smooth the transactional process and reduce the number of errors involved.

'It's a case of getting everybody together, and in the case of container shipping, that probably means convincing shippers of the commercial advantages of automation. Once the industry as a whole is aware of the scale of savings that can be achieved then critical mass will start to build very quickly.'

He alluded to several liner companies and big shippers as already having been visited by ESS with 'everybody expressing interest'.

In addition to the lines and beneficial cargo owners, ESS has been working with logistics groups, freight forwarders, banks, trade finance houses and the SWIFT banking network.

The hope is to close deals with a few clients so that pilot tests can be conducted

### Airlines show the way forward

Goulandris pointed to the airline industry as a measure of just how quickly things can change. Nine years ago e-ticketing probably accounted for no more than 10% of transactions but now it is at 90%.

He hopes to have some customers in place during the second half of this year and boldly pronounced that 90-95% of all b/l would be electronic in 20 years' time.

Williams has been instrumental in strengthening the company's non-executive board members as it makes that push into the liner domain.

He has recruited several highly experienced executives with whom he has worked closely in the past and who have a clear and detailed understanding of the transactional and documentary aspects of the container shipping business.

They include former senior management executives at P&O Containers/P&O Nedlloyd and Maersk Line. Nigel Pusey and Andre Toet between them have about 50 years' experience in the maritime field. Until the end of last year, Pusey was ceo of Container Inland Services, which now sits within the APM Terminals' arm of the AP Moller-Maersk Group (see panel).

Williams said: 'These appointments, together with the strength of the existing management team led by Goulandris, reveal ESS's commitment to rolling out its suite of CargoDocs solutions both geographically and into the liner shipping sector.'

ESS may not be the first company to automate shipping documentation and it certainly will not be the last, but its experience in other sectors and its recruitment of a team with immense container liner shipping knowledge puts it in a strong position to move forward on this front.

But changing the way the industry thinks and has been practising its business for more than 50 years will be immensely challenging, as Kolding will probably also find with the response to his company's 'New Normal' manifesto.

Ultimately, it will come down to costs, efficiency and sustainability, all of which eDocs ought to deliver. **CI**