Lloyd's List

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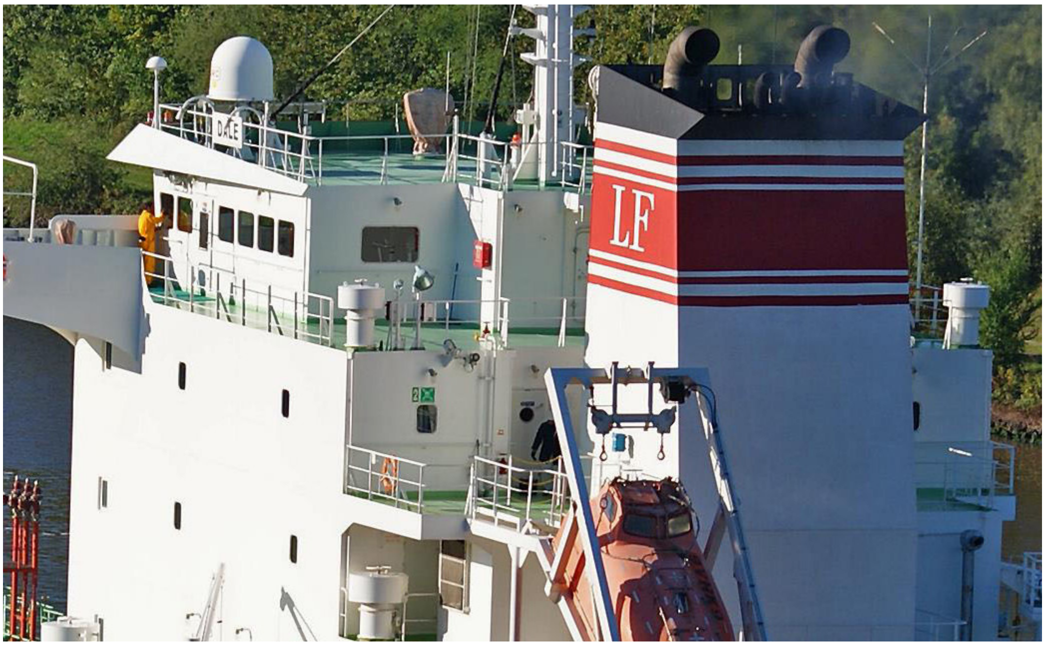
EXCLUSIVE

Lloyd Fonds wants to buy up dozens of KGs

But lack of bank support has held back plan so far, admits Teichert



Some banks — particularly HSH Nordbank — have not had a positive reaction to Lloyd Fonds' proposal.

THERE probably is no silver bullet solution for Germany's in effect kaput KG system, which has seen hundreds of single-vessel entities declared insolvent since the onset of the shipping downturn, *writes David Osler*.

But Lloyd Fonds' plan to buy out investors with equity in a new listed vehicle — devised by chief executive Torsten Teichert — is probably the closest thing we have seen yet.

If the idea pans out, the implications for German shipping could be revolutionary, with listed companies muscling out the family concerns that have dominated for centuries.

On the other hand, as the gag runs, nailing a dozen jellyfish together doesn't give you a shark, and some banks — particularly HSH Nordbank — have not had a positive reaction to the proposal, Mr Teichert revealed in an exclusive interview with Lloyd's List.

"The idea is an old idea, but we have really worked for a long time on this and now we are trying to put this in place and start collecting KGs and making former KG investors into shareholders of Lloyd Fonds," Mr Teichert said.

"I always make the pun that 'we take over the vessels and the owners of the vessels take over us'.

"We don't intend to stop at 11 vessels. We intend to take over many more vessels, so we are fully prepared to increase the balance sheet of Lloyd Fonds even further, double or three times the size.

"This means that from the perspective of the existing shareholders, there will be a huge process of dilution. But it is as it is, and we think it is time to move forward."

Many key players — including advisory boards of the KGs and Lloyd Fond shareholders — have been sounded out and in most cases have given the thumbs up, giving Mr Teichert confidence that this is going to happen. The acid test is that matters now have to go to the vote.

Mr Teichert said that the quality of the 11 KGs that will form the first tranche is at the upper end of the Lloyd Fonds portfolio.

"I always say it is very hard to find a KG vessel which is absolutely not in trouble. But you always distinguish between the very bad ones, the bad ones and not-so-bad bad ones," he said.

Some of the portfolio includes tankers that no longer carry any debt and containerships that have decent charters for 18 months ahead.

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"We are not talking about existentially endangered vessels. They are all performing as far as the banks are concerned. I would say they belong to the first tier of KG vessels right now, not the last tier."

But crucially, the equity swap idea could potentially be rolled out further down the food chain. The loan-to-value ratio on the initial tranche is 43%, and Lloyd Fonds has decided that it could take that figure to 65% if need be.

Originally, it was thought that up to 30 ships could be included in the first batch. However, it was subsequently decided that the best way to start things rolling was to launch with a strong portfolio and prove that the plan works.

"Of course the system doesn't work if you only take the very bad [single ship entities]. Then there is no way of crossing over and helping each other.

"This was a big argument with the advisory board, because we've seen 'good' KGs that six months later turned out to be bad KGs, because something happened. It can happen, as we all know, very quickly.

"There is no sponsor in the KG system any more. The banks don't put money in there any more, the shipmanagers don't put money in there any more, the issuing houses don't put money in there any more and investors also don't like to put in any money any more.

"The only chance for a vessel is constantly to have a good time charter and good revenues. Once there is a lack of liquidity, even if the vessel has performed beautifully over the last six years, suddenly it turns into a nightmare."

Of course, the change of legal ownership for the ship has implications for the loan contracts, and Mr Teichert hinted that not all banks have always been helpful on this point.

"Unfortunately, HSH said it would not touch one single KG loan contract because 'our ambition is to sell all these vessels and to bring down our balance sheet, so we will not be of any help to you'. Twelve vessels we would have liked to talk to HSH about didn't work out, because they said no.

"I still do believe that we have a good chance, in the second stage, to find more open ears with the banks than we did at the first step. First we have to prove that it works. We will see."

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Goal to build fleet to 20-30 by the end of 2017, says Torsten Teichert
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MOL's car carrier business could benefit from weaker yen and lower oil price

However, actual impacts remain far from certain, says senior executive

A WEAKER yen and lower oil price could benefit Mitsui OSK Lines' vehicle shipping business, according to a top executive, but their actual impacts are far from certain, *writes Max Tingyao Lin*.

The Japanese company, one of the world's largest car carriers, has sought to expand its non-Japan services in recent years, as Japanese car makers move more production from home to emerging consuming countries such as Mexico and Thailand.

However, as the yen's value against the US dollar has nearly halved since mid-2010, talks of manufacturers relocating production back to Japan have persisted, due to the obvious advantage of lower domestic costs.

In an interview with Lloyd's List, MOL's senior managing executive officer Junichiro Ikeda said such a phenomenon, if it occurred in the automotive industry, would be positive for his company's car carrier business. But he would not bet on it happening.

"Although we've been developing non-Japan services, we still maintain a big presence in Japan. Higher exports from Japan would help us increase the utilisation of our car carrier fleet," said Mr Ikeda, who is in charge of MOL's vehicle transport business.

However, while exchange rates fluctuate instantly, moving manufacturing from one country to another is a much longer-term decision and may need the yen to stay depressed for years. No Japanese car makers have made definite plans to move their production home so far.

In its fiscal years 2013 and 2014, MOL's annual shipments of Japanese exports were both around 1m car-equivalent units, and Mr Ikeda expected a similar level of shipments in the 2015 fiscal year.

"I don't believe there will be a change of trend [of moving car production to consuming nations]," he said.

Ikeda: "Overall, I have mixed feelings as to whether lower oil prices will be beneficial for car carrier business."

"I hope to see increasing Japanese export volume... [but] that really depends on manufacturers."

Smaller vehicles

Another industry development, namely the lower oil price, could give a short-term boost to MOL's car carrier business, but its long-term impact could be mixed, according to Mr Ikeda.

While lower bunker costs are obviously a positive factor, he pointed out that falling gasoline prices might not push up Japanese manufacturers' sales much, as they produce smaller vehicles compared to American rivals.

"Lower gasoline prices are good for consumer confidence for more, larger cars, but I don't know if that can translate

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to more seaborne trade," Mr Ikeda said.

He cited the US, the world's second-largest auto market, as an example: lower fuel prices tends to favour big gas-guzzling cars built by US manufacturers, who don't need maritime transport services to sell to consumers at home.

Moreover, Middle Eastern countries could see their car imports slow from the current strong pace if their economies are adversely impacted by weak oil prices, Mr Ikeda added.

"Overall, I have mixed feelings as to whether lower oil prices will be beneficial for the car carrier business," he said.

Challenges for mature sector

Automotive shipping has matured in recent years, as increased car sales are balanced out by the industry trend of moving production to consuming countries.

MOL has forecast its annual shipment will stay at 3.9m units in its 2014 and 2015 fiscal years, similar to the level of its 2013 fiscal year.

"We see balanced supply-demand fundamentals. There is neither surplus nor shortage of tonnage," Mr Ikeda said.

Based on the market view, MOL has been cautious in placing newbuilding orders. For one, its main goal is to maintain the current shipping capacity. Moreover, MOL's fleet of 123 car carriers, mostly 6,400 ceu ships, has a relatively young age of 7.5 years, against the industry average of 9.8 years.

That should give MOL some time before it needs to renew its fleet, said Mr Ikeda.

However, MOL's car carrier business faced lower profitability in April-December compared with the year-ago level, partly due to start-up costs in expanding services to more countries.

"In the past, it was easier to fill up our ships [in one port]. Now we need to have multiple load operations at different ports," Mr Ikeda said. "We need to set up optimal feeder networks."

With more dispersed production bases in different countries, Mr Ikeda suggested transhipment requirements have been increasing. However, the only developed hub so far, Singapore, is reaching its handling capacity.

"Capacity in Singapore is becoming limited," Mr Ikeda said. "Sooner or later, we'll need to find other places [in Southeast Asia], or Singapore will need to enhance its capacity."

Shipowners pledge help for Greece if industry's legal status preserved

Veniamis says Greeks are 'daily' target of other EU and non-EU countries

GREEK shipowners are constantly being wooed by other countries but want to stay in Greece and help the country out of its present economic and social crisis, the president of the Union of Greek Shipowners, Theodore Veniamis, has said, *writes Nigel Lowry*.

"It's no coincidence that, especially in recent years, we have become a daily target for tempting proposals from third countries, both in the European Union and outside, to relocate there so that their economies could benefit from a strong maritime community," Mr Veniamis told the annual UGS assembly.

"But Greek shipowners have chosen to be connected with their homeland and with Greek society," he said.

Mr Veniamis was speaking as Greece's debt drama remains under a global microscope and the country's new left-wing prime minister, Alexis Tsipras, and iconoclastic finance minister, Yanis Varoufakis, conducted a whistle-stop tour of key European capitals seeking a new deal for the country.

The newly-elected Syriza-led coalition government has not shown its hand yet with regard to how it will treat the shipping industry, but Mr Veniamis seized the chance to emphasise owners' contribution to the country.

The industry's presence benefited the country in three main ways, he said, "an inflow of foreign currency, jobs and prestige in the international political and economic arena".

Shipping had never been "part of the problem" for Greece, he said. On the contrary, from the onset of the economic crisis, shipping had "declared its readiness to help address the problem".

Shipping has a special status under the Greek constitution but "all major national shipping communities enjoy similar regimes from their governments in order to meet tough international competition", said Mr Veniamis.

However, the industry needed "political stability and legal certainty".

A voluntary deal to temporarily boost tonnage tax contributions was "mistreated"

Veniamis: "Greek shipowners have chosen to be connected with their homeland and with Greek society."

by the previous administration just over a year ago, when the agreement was abruptly replaced by an unheralded new tax on shipping.

That was abolished as recently as last October, enabling the reinstatement of an agreement whereby companies will pay an additional €420m ($480m) over the 2014-2017 period.

Shipping wanted to remain in Greece, but this required it to be free of political

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entanglements and for the government of the day to "fully respect the institutional framework".

Mr Veniamis welcomed statements last week by the new minister of economy, infrastructure, shipping and tourism, George Stathakis, and alternate minister of shipping, Theodore Dritsas.

Despite the absorption of the shipping ministry into a 'mega-ministry' of the economy, remarks made by both ministers suggested they recognised the importance of the industry as a pillar of the economy.

Assurances that the day-to-day autonomy of the shipping ministry would be preserved also showed that the new government had "a genuine interest" in the industry, said Mr Veniamis.

Turning to the shipping markets, Mr Veniamis said despite the adverse conditions, Greek owners had endured and had even strengthened their presence.

They entered 2015 with collectively a "steady lead" in terms of capacity controlled compared with other nationalities.

Currently the Greek-owned fleet represented 16% of world tonnage. As much as 23% of the world [crude oil] tanker fleet and 18.5% of the dry bulk fleet are in Greek hands, he said.

Veniamis elected to lead Greek owners for third term
Unprecedented four women voted on to shipowners' ruling council
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Seaco targets further acquisitions

Container lessor has plans for further growth following the acquisition of Cronos

CONTAINER lessor Seaco Group will target further growth through acquisitions following the completion of its purchase of Cronos Ltd, *writes Damian Brett*.

At the end of last month, Seaco parent Bohai Leasing purchased an 80% stake in Cronos. In July, when a memorandum of understanding for the deal was signed, it said it would pay Yuan3.7bn ($593m) in cash, as well as taking over $25.9m of the Cronos debt.

Seaco chief executive Jeremy Matthew said it would concentrate on the integration of the two companies over the next 12 months but beyond that time period, it would look for further acquisitions, as growing organically remained a challenge in current market conditions.

He said: "It's fair to say there won't be any acquisitions from Seaco in 2015; the focus for the next seven months to a year is integration and digesting this acquisition appropriately.

"But the thing to understand with Chinese owners is, when it comes to growth, I have never seen a desire to grow quite like it.

"They will support us in that acquisition phase and we have [growth] targets, but the key for us is to grow."

Matthew: "In the near term... we will be entirely looking at the container space." *Seaco*

Acquisition targets would not necessarily be restricted to container lessors, he said, pointing out that rivals had diversified into rail cars.

"In the near term, though, the next two to three years, we will be entirely looking at the container space.

"But would we rule looking outside the container space? Absolutely not. Will it be rail car? Maybe, but time will tell."

In the immediate future, though, the two companies would concentrate on integration with announcements on "office footprint and people footprint" expected during the second quarter.

In terms of synergy savings, Mr Matthew said the two companies had combined overhead costs of around $72m, from which savings could be generated.

Seaco global vice-president of sales Nigel Lawton gave further details on the rationale behind the acquisition of Cronos.

He said the deal would create economies of scale and reduce the cost base relative to inventories. The two companies' fleets were a good match, he added.

Also, Cronos had a strong market presence in Europe and Americas, whereas Seaco's strongest presence was in Asia. It would also gain access to Australia and Scandinavia.

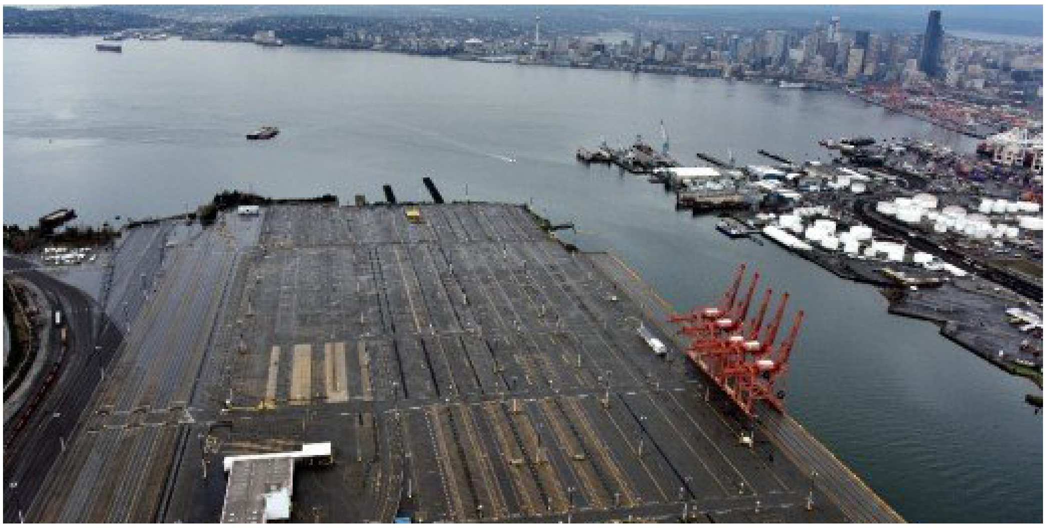
Seaco has also slipped down the list of leading lessors over the past few years and the acquisition would help on that front, he said.

The two companies will have a combined fleet of 2.2m teu. Based on third-quarter figures, market leader Textainer has a 3.2m teu fleet and TAL's fleet measures just over 2.2m teu.

Triton's fleet is estimated at around 2.5m teu.

Maersk drops Oakland calls as crisis deepens on US west coast

ILWU plays 'working class' card and names foreign employers in angry riposte to pay offer



The ILWU has issued a series of photos purporting to show empty berths and container yards, rather than gridlock.

MAERSK Line has stopped taking bookings for cargo bound for Oakland on two of its services because of severe congestion at the Californian port, *writes Janet Porter*.

Instead, containers will be discharged at Los Angeles or Long Beach, the line has told customers as conditions continue to deteriorate at ports along the Pacific seaboard, and as relations between employers and dockworkers worsen.

Through the 2M alliance, Mediterranean Shipping Co ships are also omitting Oakland, with the MSC Renee and MSC Flavia both about to be re-routed.

The International Longshore and Warehouse Union has now taken aim at 'foreign' companies such as Maersk in its latest tirade against the Pacific Maritime Association, which represents ocean carriers, terminal operators and stevedores in labour contract negotiations. There are 72 members altogether, including Maersk, MSC, and most other global carriers.

Far from moving to closer to settlement with its "all-in" offer on Wednesday, the PMA seems to have driven a further wedge between the two sides, with the ILWU issuing a series of photos purporting to show empty berths and container yards rather than gridlock. It is unclear when the pictures were taken.

Their publication was accompanied by an angry riposte from ILWU president Robert McEllrath, who rounded on the PMA for threatening to shut down west coast ports, bargaining in the media, and allegedly distorting the facts.

"What the ILWU heard yesterday is a man who makes about $1m a year telling the working class that we have more than our share," Mr McEllrath said of PMA chief executive James McKenna.

"Intensifying the rhetoric at this stage of bargaining, when we are just a few issues from reaching an agreement, is totally unnecessary and counterproductive."

He went on to accuse the PMA of "leaving ships at sea and claiming there's no space on the docks", when in fact "there are acres of asphalt just waiting for the containers on those ships, and hundreds of longshore workers ready to unload them".

He claimed that employers were "deliberately worsening the existing congestion crisis to gain the upper hand at the bargaining table".

Mr McEllrath then raised the fact that many of the PMA members are foreign companies, listing Denmark's Maersk, Taiwan's Evergreen Marine, Korean's Hanjin Shipping, Philippines-based ICTSI, plus NYK, OOCL and Cosco "and other employers based in France, Norway, and worldwide".

Most ports in the US are landlord owners, with concessions granted to private terminal operators. AP Moller-Maersk's APM Terminals operates Pier 400 in Los Angeles, the largest facility in the port complex.

Maersk's US arm operates the largest US-flag fleet, with more than 20 containerships, as well tankers and ro-ro vessels, and employs around 5,000 seafarers.

The company is also a major employer in the US, with a long-established presence in the country, and recently revived the Sealand brand for regional trades.

But with problems at the mid-California port of Oakland reaching what Maersk Line describes as "critical", Maersk Line has followed up last week's omission of two calls with further schedule changes.

Two more calls are to be skipped this week, while Maersk Line has now decided to terminate all Oakland cargo in Los Angeles or Long Beach. Ships in its TP2 and TP6 services that are currently on the water will bypass Oakland, and new rotations are being prepared.

Earlier in the week, Oakland issued a plea to settle the labour impasse as soon as possible because of the damage being caused to businesses in the region.

More containers

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Tankers: Here's what you'll be earning in 2015

All routes can expect higher earnings compared with last year, some significantly so, McQuilling's data shows

VERY large crude carriers hauling Middle Eastern crude to Asia on the spot market will see average earnings of $59,200 per day in 2015, a huge rise of 132% over 2014, McQuilling Services forecasts, *writes Hal Brown*.

Suezmaxes carrying crude from the Black Sea to the Mediterranean Sea will earn $43,200 per day, up 80% on 2014's figure, the broker and consultancy forecasts in its newly-published data in its Tanker Market Scorecard.

Suezmaxes on the other key route from West Africa to Europe are forecast to earn $39,300, a climb of 35% over 2014, the data shows.

All the crude tanker routes covered in the study show significant rises in earnings compared with last year.

Limited fleet growth is helping to boost the earning power of tankers, say experts. In addition, cheaper crude is encouraging buying, spurring demand for tankers.

Asia is known to be stockpiling crude, tanker analysts observe.

Floating storage is also becoming a factor, traders buying cheap oil to store and sell later, as Lloyd's List has reported. VLCCs are being used for this purpose, cutting excess vessel capacity from the spot market.

Cheaper crude is creating cheaper oil products such as gasoline. As a result, oil products are being traded, generating demand for product tankers.

McQuilling's forecast data shows rises in earnings for product tankers in 2015.

Medium range product tankers carrying cargoes from Europe to the US will see average earnings of $9,500 per day in 2015, up 25% on 2014's figure.

Long range two product tankers hauling Middle Eastern cargoes to Asia are forecast to earn $22,500 per day, a 53% rise. Long range one tankers on the same route are projected to earn $20,000 per day, a 55% rise.

McQuilling says its methodologies have generated accurate spot rate projections, with most forecast cycles within +/- 15% of actuals for the reporting year.

Cheaper crude is encouraging buying, spurring demand for tankers, say experts. *iurii/Shutterstock.com*

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Nigeria gears up to receive six new $1.6bn LNG carriers

New vessels set to join Nigeria LNG's fleet in 2015 and 2016 as the country expands its LNG export operation to maintain market share

NIGERIA LNG is gearing up to receive newbuildings being delivered this year from shipyards, as it targets expansion of its exports at the plant in Bonny, aiming to keep one step ahead of its ambitious rivals in resource-rich Africa, *writes Hal Brown*.

Four new LNG carriers will join Nigeria LNG's 13-strong owned fleet in 2015, with two more in 2016 — all delivered from South Korea, at a cost of $1.6bn.

With another 11 vessels chartered by Nigeria LNG, the company now operates the largest fleet in any shipping sector in Nigeria.

With LNG revenues that are 4% of national GDP, and LNG production that is 4%-7% of global LNG production, Nigeria's gas fleet expansion is understandable.

The 22m tonnes per year plant at Bonny produces enough LNG to place Nigeria at the top of the Atlantic Basin producers and among the world's largest producers, according to Lloyd's List Intelligence.

However, not everything has run smoothly over the past couple of years, to say the least.

Detained

In June 2013, the Nigerian Maritime Administration and Safety Agency detained all LNG carriers located at the Bonny terminal, demanding outstanding levies from Nigeria LNG, as Lloyd's List reported at the time.

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Four new LNG carriers will join Nigeria LNG's 13-strong owned fleet in 2015.

This caused unprecedented disruption to Nigeria's LNG exports and to the operations of the ships assigned to haul cargoes out of the country.

"Substantial losses" in the hundreds of millions of dollars occurred, Nigeria LNG's public affairs manager Tony Okonedo tells Lloyd's List, speaking from the company's Port Harcourt head office.

"These are some of the vagaries of our operational environment," he says.

The issue of levies is currently going through legal channels, with Nigeria LNG challenging Nimasa, claiming it was granted waivers when it was set up in the late-1990s.

"This challenge was something that arose out of varying interpretations of the law," says Mr Okonedo.

As Nigeria LNG awaits a resolution on the matter, its LNG export operation is back at full strength. And expansion is on the horizon: new cargoes, new ships.

Competition

The plant's six trains currently have production capacity of 22m tonnes per year, but the idea is to add a seventh train to take production to around 30m tonnes per year, increasing Nigeria's share of global LNG supply.

There is no firm timeline on when the seventh train might be operational; a final investment decision is still being sought.

The new ships being delivered this year and in 2016 are key to facilitating expansion of exports.

And competition from other LNG suppliers around the world puts expansion into even sharper focus.

Cargoes from the US will hit the market in the next couple of years, Australia is boosting production to become the world's biggest producer by 2020, and East Africa will be a force once it builds the infrastructure to export its abundant natural gas discoveries.

"We're mindful of the changes in our industry and the global market," says Mr Okonedo.

The company is not sitting back waiting for others to snatch market share, he says. The aim is to maintain market share and make advances where possible.

"We want to keep our current customer base happy and grow that base," he says.

Buyers of Nigerian LNG include China, Singapore, Malaysia and, increasingly, Turkey.

Politics

No discussion on Nigeria, however, can avoid the difficult issue of politics.

With just a week to go before the general election, Nigeria's president Goodluck Jonathan has backed down from an attempt to delay the vote.

He had argued that the army needs more time to eliminate Boko Haram, the Islamist militants that have waged war across the country.

As a large stakeholder in Nigeria's economy, the LNG operation has a "keen interest in a stable and prosperous Nigeria", says Mr Okonedo.

Other than that, politics and religion are two areas on which Nigeria LNG prefers not to comment excessively.

Fuel of the future

Its focus, understandably, is the safe and efficient production and export of its LNG, compounding its position as a Nigerian company — whose shareholders are Nigeria's national oil company, Shell, Total, and ENI — operating in an increasingly competitive global market.

"Gas is the fuel of the future," says Mr Okonedo.

An estimated increase in global LNG production capacity of around 120m tonnes per year over the next three years is testament to that forecast.

Nigeria and its new-look gas carrier fleet plan to keep playing a major role in that growth.

Japanese yards report mixed results for nine months from April to December

Namura Shipbuilding and Kawasaki Heavy Industries outperform peers

JAPANESE shipbuilders reported mixed financial results for the April-December period, with Namura Shipbuilding and Kawasaki Heavy Industries outperforming their peers, *writes Max Tingyao Lin*.

Against a broad fall in newbuilding orders for commercial ships, Namura was able to take advantage of its recent acquisition, while KHI replied on its submarine business.

Namura, which merged with Sasebo Heavy Industries in October last year to create Japan's third-largest shipbuilder, recorded a 66.9% gain in net profits to ¥15.1bn ($129m) in the nine months, after some reversals of provisions on a weaker yen.

Sales grew 7.5% to ¥96.5bn in the same period and operating profits increased 27.6% to ¥20.3bn.

New orders dropped 5.4% to ¥98.1bn as a decrease in newbuilding orders was partially offset by gains in

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shiprepair, machinery and other types of business.

The offshore and ship structure division of KHI posted an operating income of ¥3.3bn in April-December, much higher than the year-ago level of ¥12m, with reversals of provisions and increased sales.

Net sales increased by 11% to ¥64.9bn in the reported period, mainly due to the construction of liquefied natural gas carriers.

New orders rose to ¥140.8bn from ¥54.7bn a year ago, mainly due to a submarine order.

Japan Marine United, the nation's second-largest shipbuilder, recorded a 76.9% fall in net profits to ¥3.9bn in the same period, in part due to shrinking margins.

Sales of JMU increased to ¥214bn from the year-ago level of ¥209.5bn, but operating income more than halved to ¥10.6bn from ¥22.9bn.

Net income of Mitsui Engineering & Shipbuilding fell to 12% on year to ¥9.2bn in the nine months, with a lower operating margin and new orders.

While net sales increased 26.4% to ¥557.9bn in the same period, operating income dropped 40% to ¥10.4bn.

The company received orders totalling ¥382.4bn, down 28.3% from the year-ago level of ¥533.4bn.

Japanese shipbuilders have posted mixed financial results for the April-December period of 2014.

More news from Asia

Cosco Corp wins $160m to build two specialised ships
Singapore-listed, China-based shipbuilder secures deals for shuttle tanker and module carrier
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Tianjin Marine in settlement with Japanese line
HNA offshoot agrees on $1.4m settlement to 'create a good image'
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MISC Berhad sees mild full-year growth in before tax profits
Revenues grew at 3.6% helped by better rates in petroleum transport
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Capes in modest rise

There was a smattering of the cape sector this week, but the brokers are cautious

BELYING the general sense of gloom in the lead-up to Lunar New Year, some key trade routes showed slight improvement this week, *writes David Sexton*.

Not so much a comeback, but maybe a sign the rot has been stopped.

At 680 points, the Baltic Capesize Index is still well short of where it was two weeks ago, but it is still an improvement on 311 recorded on January 9.

Meanwhile Brazil–China (C3) is at $10.80 compared with $12.40 two weeks back, but at least a bit better than $10.30 on Tuesday.

Braemar noted a major Brazilian miner (other brokers said Vale) fixed up to 10 vessels on the C3 for around $10 a tonne, "although that did little to stir or indeed, kick start the market, as it continued trading downwards as the week progressed".

Western Australia–China (C5) reached $4.40 on February 5, a slight uptick from $4.20 on Monday February 2.

South America– Europe (C7) was $6.20 on February 4, better than early January but down from $7.60 on January 21, while South Africa–China (C15) was at $6.70, better than $6.60 earlier in the week.

These results were occurring as the Baltic Dry Bulk Index (BDI) fell to levels not since for almost 30 years (564 points on February 6).

A Singaporean broker, who emphasised there may not be a lot of strength in the latest figures, talked in terms of higher bunker prices being behind the slightly better rates.

The Bunkerworld Benchmark price was this week listed at $336 compared with $283 late last week.

But other brokers said the market was still flat.

"We started to see some more activity around $4.50 on the C5 but I think a lot of deals probably fell through," he said.

"I think there is no immediate prospect of substantial improvement."

Volumes continue to be large, with Pilbara Ports Authority
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reporting total monthly throughput of 50.1m tonnes for January, a rise of 8.2m tonnes or 19.6% on January last year.

Port Hedland achieved a monthly throughput of 37.3m tonnes, up 8.5m tonnes or 30% from the same month in 2014.

Iron ore exports for the month totalled 36.7m tonnes, up 8.5m tonnes or 30% from the same month in 2014.

Dampier (from which Rio Tinto exports) delivered monthly throughput of 12.8m tonnes, a slight decrease of 236,000 tonnes or 2% from 2014.

Keep an eye on these freight volumes during 2015 as they may give some clues as to who is winning the conflict between miners based in Australia (BHP Billiton and Rio Tinto) and those in South America (primarily Vale).

Vale has made progress in getting its giant very large ore carriers (VLOCs) into Chinese ports, which may finally give them an edge against rivals based down under.

MICHAEL GREY VIEWPOINT

Humanising a life at sea

Connectivity to electronic communications — and its absence — seems to bring a host of problems on board

MODERN electronic communications often seem to be a very mixed blessing, as a man said as he lay in hospital after being struck by a bus while texting as he crossed the road... I have recently learned to text, but will continue to avoid all forms of social media like the plague — not for me the "Twitter storm" that is unleashed by the easily offended, *writes Michael Grey*.

On board ship, all this connectivity (and, indeed, its absence) seems to bring a host of problems. The young, appalled at the fact that their "devices" cease to work as the land dips beneath the horizon, fall into depression and decide that the sea career is not for them.

Those seafarers working for enlightened employers will value the opportunity to communicate more regularly with their homes, but this is sometimes a double-edged sword, as the problems of the home descend on those hearing bad news, who may be in a position to do no more than listen.

There have also been a number of comments by serving seafarers, and those who have travelled on board their ships, about the antisocial lifestyle that seems to be developing on board, with people retreating to their cabins and their laptops, rather than chatting in the messroom, or taking part in more social activities, resulting in a bleak and impoverished existence for all.

Like people ashore, seafarers have to learn to cope with electronic assistance as best they can and recognise that it has a downside.

I was listening to a former tanker master the other day, telling of his appalled reaction when he found that his young second officer had left the prescribed course line through safe deep water to run close the coast in order to obtain mobile reception.

The P&I clubs, some time ago, were warning their members of the problems of social media, with all sorts of harmful things being posted either maliciously, or by people with an advanced sense of humour — some of which had the power to bring all sorts of horrors descending on their members' heads.

Just the other day, the Shipping HK Forum was alerting members to the liabilities that might be inflicted upon them, after a crew member illegally downloaded a movie, which resulted in the aggrieved production company descending like a ton of bricks on the hapless shipowner and the internet service provider, with the latter threatening to suspend the fleet's internet services.

The person and the job

Life really does get jolly complicated. It was much simpler when the only mail came with the agent's boat, and communication was a few words in Morse, when Sparks could be persuaded to get in contact with Portishead Radio. The messages that the mail contained might have been just as depressing, but they were less frequent than is possible today.

However, this represents life at sea these days, and it is "all that is on offer", sharply commented a company HR executive when I dared to suggest, some months ago, that we might think about making seafarers' existence rather less anti-social and more fun.

Yet some people are thinking about the relationship between the person and the job and the consequences of unhappiness a long way from home.

The Sailors' Society has just produced its "Wellness at Sea" programme, which recognises the connection between the problems of unhappy seafarers and the safety and efficiency of ships. It also directly confronts the disgraceful fact that seafaring is the second-highest occupation in the "suicide league" and perhaps we need to ask why.

The programme — devised, with a lot of willing help, by the Society's Cape Town chaplain Johan Smith — aims to equip young people going to sea to handle that life rather better, but also to help masters and officers with the training they need to recognise problems with those on board their ships at an early stage.

Tim Huxley, chief executive of Wah Kwong and one of the sponsors, believes that something can be done to deal with the problems such as loneliness and separation from friends and family, which can lead to people leaving the sea, or worse for those remaining unhappy in their jobs. He sees the scheme as "empowering" ships' officers with the skills they need to help to maintain wellness on board.

Among the other sponsors that the Sailors' Society has attracted for the programme

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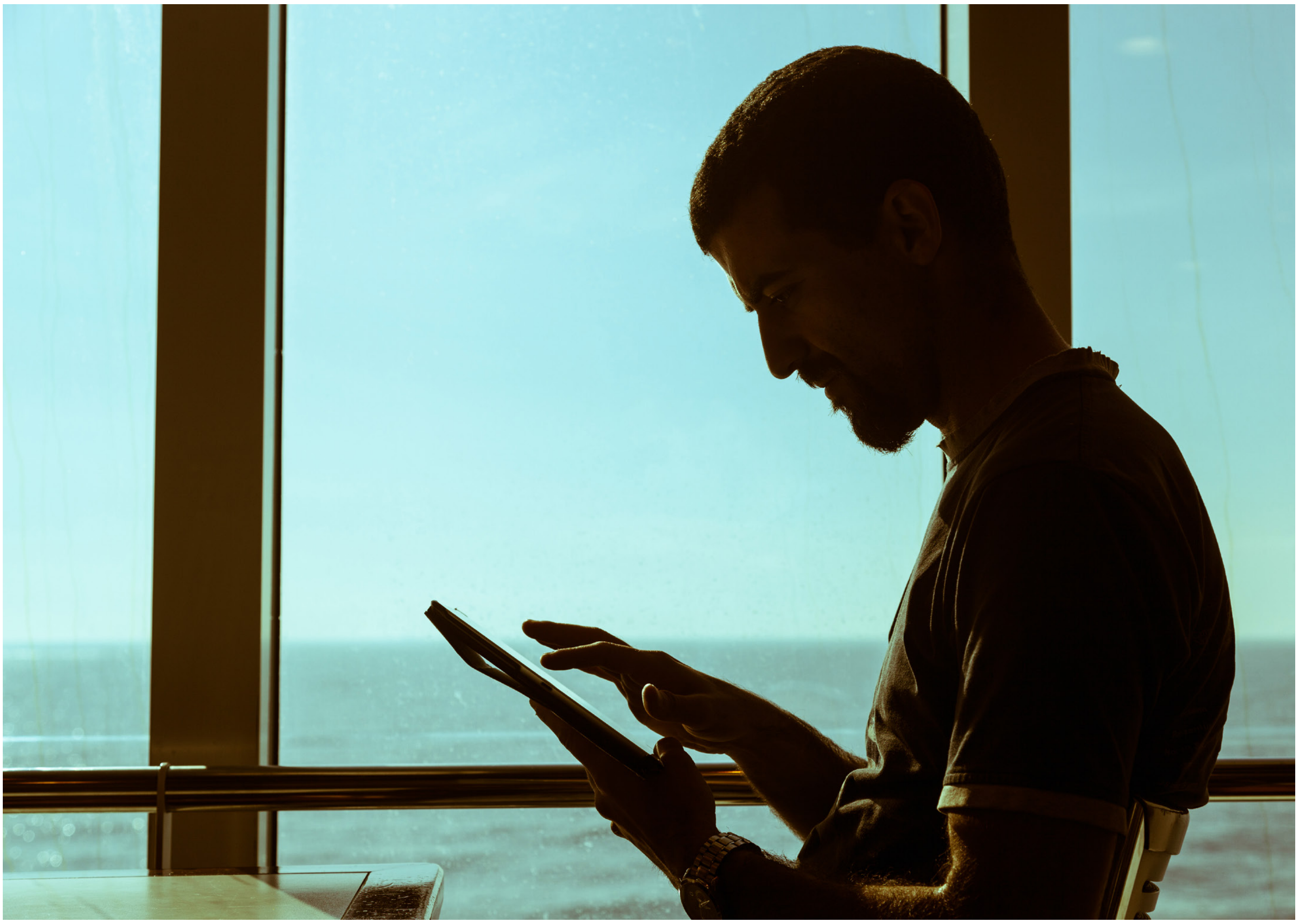

Caption: **Seafarers' ability to communicate with their homes can be a double-edged sword.** *William Perugini/Shutterstock.com*

are RightShip, Pacific Basin and Wallem and it is hoped that more will come forward from industry. The initiative emerged from an industry round table in Hong Kong, in which wellness and attrition rates were considered. The programme draws upon a lot of expertise earlier assembled around the world.

Project manager Johan Smith, perhaps appropriately as a port chaplain, sees seafarers as rather more than an assemblage of technical skills, but as human beings who are expected to deal with all sorts of emotional and physical problems for which they are probably unprepared and untrained.

"Wellness" is social — it is about the management of conflict and relationships; emotional — with issues such as mental health and coping with stress; and physical – the awareness of particular issues such as HIV/Aids, through to Ebola.

In addition, there is an intellectual dimension, which includes knowledge of basic seafarers' rights, money and the realities of modern shipping. This, it will be recalled, includes such nastiness as piracy. There is also spiritual wellness, which these days involves something of a world view of different cultures and traditions.

The society will offer courses to cadets at training colleges and, at a different level, to shipping companies and operators to integrate with their in-house training programmes. Initially it will be rolled out in South Africa, Namibia, China, Hong Kong and the Philippines.

It will surely help — although perhaps we ought to look a little more carefully at why so much of the fun has been leached out of seafaring, and what we might do to put it back.

rjmgrey@dircon.co.uk

Lloyd's List

Editor Richard Meade *+44 (0)20 7017 4636*

Deputy Editor Craig Eason *+46 858 766 232*

Digital Content Manager Helen Kelly *+44 (0)20 7017 4651*

Digital Publishing Manager Nicola Good *+44 (0)20 7017 4840*

Editor-in-Chief, Containers Janet Porter *+44 (0)20 7017 4617*

Finance Editor David Osler *+44 (0)20 7017 4628*

Senior Markets Reporter Hal Brown *+44 (0)20 3377 3956*

Editor-in-Chief, Asia Tom Leander *+852 3757 9701*

Senior Reporter, Asia Max Tingyao Lin *+852 3757 9706*

Markets Reporter, Dry Bulk David Sexton

US Reporter Alexander MacInnes *+1 212 520 2780*

Containerisation International
Editor Damian Brett *+44 (0)20 7017 5754*

Markets Reporter, Containers Linton Nightingale *+44 (0)20 7551 9964*

Correspondents
Australia Jim Wilson *+61 403 455 371*
jim.wilson@informa.com.au

Greece Nigel Lowry *+30 210 621 2340*
lowry@otenet.gr

Sweden/Baltic Craig Eason *+46 858 766 232*
craig.eason@informa.com

Shipping Movements *+44 (0)20 7017 5280*

Casualties *+44 (0)20 7017 5205*

Subscriptions *+44 (0)20 3377 3792*

Editoral and commercial inquiries
Lloyd's List, Christchurch Court, 10-15 Newgate Street, London EC1A 7AZ
Tel: +44 (0)20 7017 5000
Fax: +44 (0)20 7017 4782
Email: editorial@lloydslist.com
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