Lloyd's List

lloydslist.com | Wednesday February 18, 2015
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NOL sells logistics arm in $1.2bn to cut debt

APL Logistics to become part of Japanese freight forwarder Kintetsu World Express

NOL is selling APL Logistics for $1.2bn. © *Wikimedia Commons/Detlef von der Thüsen*

NEPTUNE Orient Lines has agreed to sell its APL Logistics unit to Japan's Kintetsu World Express for $1.2bn, a deal that would allow the Singapore-listed carrier reduce debt burden and focus its limited resources on liner business, *write Tom Leander and Max Tingyao Lin*.

"NOL does not have sufficient resources to support the growth both of the liner business and the logistics business," chief executive Ng Yat Chung said in a press conference. "The transaction will unlock the full value of APL Logistics, reduce debt and strengthen our balance sheet."

According to NOL, the deal would have halved its net gearing ratio to 1.08 from 2.25 as of end-December on a pro-forma basis.

NOL reported net losses of $259.8m in 2014, compared with a net loss of $76.3m the year before, a figure that was helped by the one-off disposal of selling its headquarters in 2013.

A major reason behind last year's loss was that financing costs increased to $139.7m from the 2013 level of $45.2m, while borrowings rose 3% on year to $615.1m.

But APL Logistics recorded core earnings before interest and taxes of $67m last year, while APL, the liner division, was $143m in the red. The wholly-owned logistics arm's revenues amounted to $1.7bn, or 19.3% of the group's total.

The deal was in the works for months as NOL, which has not made any full-year profit since 2010, sought to list or sell its logistics business to enhance its balance sheet.

In the end, the company decided to sell APL Logistics to KWE, as such a deal would bring in the most cash.

"KWE was selected as the preferred buyer as they submitted the highest bid...and has the best closure certainty," NOL deputy president and chief financial officer Cedric Foo said.

The bid is priced at 15 times of APL Logistics' core earnings before interest, depreciation and amortisation of $80m last year.

In comparison, precedents suggested similar sales or an initial public offering might bring in $800m, while public trading comparables could achieve a $900m yield.

"The purchase price compares favorably against precedent transactions and public logistics trading comparables," Mr Foo said.

NOL is on track to be placed on the Singapore bourse's watchlist after more than three years of consecutive loss. Based on exchange rules, the company will risk being delisted if it cannot record a full-year pre-tax profit within two years.

Asked whether his company is confident of returning the black this year, Mr Ng said:
Continued on page 2

Continued from page 1

"Every year we are trying to post a profit…we aim to return to profitability as soon as possible."

However, he refrained from detailing whether NOL will make new investments in the liner business remaining with the group.

"Demand is uncertain… what is certain is overcapacity [in box shipping]," he said.

The deal is still subject to approvals from shareholders, antitrust and other regulatory bodies in the US and elsewhere. It is expected to be completed in June.

HSBC acted as financial advisors to NOL during the transaction, while KWE's financial advisor was Nomura Securities.

The fees KWE paid to its advisers were ¥2.6m ($22m). NOL has not disclosed the amount of its fees.

Expansion of Kintetsu affiliate

For KWE, a Tokyo-listed affiliate of Japan's largest private rail company Kintetsu, the acquisition of the whole of APL Logistics will allow the Japanese freight forwarder to significant expand its business scope.

Total asset size of KWE was at ¥180.8bn ($1.5bn) as of end-December 2014. The latest available information showed APL Logistics' asset size was at $645m on December 31, 2013.

"Since 2013, we have laid out a strategy to strengthen our international presence especially in the US and Asia. This transaction fits right into our strategy," KWE president and chief executive Satoshi Ishizaki said in a statement.

"We intend to retain the headquarters of APL Logistics in Singapore and to run it as a separate unit. We will also ensure that members of the group work together for the benefit of our stakeholders.

"KWE will continue to invest in and expand APL Logistics' services so as to serve our customers better, and to create exciting career growth opportunities for all employees of the KWE family."

Newbuilding orders drop as dry bulk slump takes toll

Decline in new bulk carrier deals could ease capacity — but it may take two years

A SLUMP in bulker newbuildings was recorded during January, with analysts linking the decline to the current dismal state of the dry bulk market, *writes David Sexton*.

Greece-based Intermodal Research and Valuations, which prepares a monthly report on global shipping, reported 20 new orders for bulk carriers placed during January this year, compared with 226 in January 2014.

According to the same source, there were 109 newbuilding orders for vessels of all types during January 2015, a long way short of the 695 recorded during January 2014.

Intermodal analyst Eva Tzima noted impressive newbuilding orders during 2013 and the first few months of 2014 as part of an "ordering spree" before "losing steam" post-July.

"As the dry bulk freight market has greatly disappointed last year, missing expectations built up around the end of 2013, newbuilding activity has also started feeling more and more pressure," Ms Tzima told Lloyd's List.

There were 109 newbuilding orders for vessels of all types during January 2015, down from 695 recorded during January 2014. *Eastimages/Shutterstock.com*

"The period between October 2014 and January 2015 [has been] proving exceptionally quiet as far as dry bulk orders are concerned."

Ms Tzima said the BDI new record low — of 530 points, recorded on Friday February 13 — added to the pressure on newbuildings, as market players were unsure as to just how low the market could sink and for how long.

"I believe that prospects for 2015 remain very challenging as well," she said.

"Despite the fact that dry bulk newbuilding prices currently stand well off the highs of January 2014, most owners nowadays seem completely uninterested in revisiting the prospect of placing an order," she said.

Moreover, scheduled deliveries in coming years are expected to increase pressure on rates, with the prospect of more tonnage entering the market "causing big headaches to dry bulk owners who naturally deny even contemplating the newbuilding option at present".

Aside from low demand for newbuildings, they also may be hard to fund.

"Even in cases where ordering appetite does exist, financing such orders is still not the easiest thing in the world," Ms Tzima said.

"The issuing of refund guarantees remains a problem in China, while at the same time private equity, which was behind the funding of

Continued on page 3

Continued from page 2

a substantial portion of the ordering that took place in 2013, seems to have almost completely disappeared and is unlikely to make a comeback unless a prolonged period of improved freight rates takes place.

"But even when rates eventually recover, I strongly believe that it will be the secondhand market that enjoys most of the investment interest, rather than the newbuilding one."

But while slow ordering in coming months might be bad news for the yards, it is almost certainly good news for the long-term dry bulk market.

"If the ordering rate remains sluggish during the whole of 2015, as I expect it to be, this means that starting 2017, when the number of expected dry bulk deliveries considerably slows down, the market will be able to operate in a much more balanced environment in terms of tonnage supply," she said.

A North American shipping executive agreed with the Intermodal analysis.

"Anyone who would be interested in ordering now placed orders from late 2012 through 2013," he told Lloyd's List.

"Those people have placed the orders they're going to place and are not looking to order further ships in 2015.

"We can only hope that the orderbook for 2017 will consist primarily of tankers and containerships."

Ms Tzima said there were factors that could nonetheless 'muddy the waters'.

"There is still a small — and I stress the word 'small' — chance that slow ordering activity could put more pressure [on] newbuilding prices and effectively lure back ordering interest purely on the back of speculation for an asset play when the market firms.

"This is pretty much what partly happened back in 2013."

Harper Petersen branches into bulk business

Box broker takes control of ER Schiffahrt's bulk fleet

RICKMERS Brothers' brokerage Harper Petersen has established a new bulk desk after gaining exclusivity to the chartering activities of ER Schiffahrt's bulk fleet, *writes Linton Nightingale*.

Harper Petersen, which primarily focuses its brokering services within the container market, will be responsible for chartering a total of 21 bulk carriers, including capesizes, panamaxes and supramaxes, aggregating around 2.2m dwt.

Björn Andersen, previously of Hamburg-based Shipbrokers, who has been working at ER Schiffahrt for the past 18 months as head of bulk chartering, will now join Harper Petersen to manage the chartering activities of the ER Schiffahrt fleet, alongside Harper Petersen's managing director Simon Aust.

The news of Harper Petersen's decision to branch out into the bulk sector could prove to be very timely indeed, with Drewry Maritime Research anticipating something of a renaissance in dry bulk shipping rates during the second half of 2015.

In its latest Dry Bulk Forecaster, the London-based shipping consultants said strong trade growth, moderating fleet development and the deployment of new fuel-efficient vessels will help push up rates.

Harper Petersen will be responsible for chartering a total of 21 bulk carriers in ER Schiffahrt's fleet. *Dietmar Hasenpusch*

Rahul Sharan, Drewry's lead analyst in the dry bulk shipping sector, said he expects rates to remain under pressure during the first quarter of 2015, yet with modern fuel-efficient ships gaining employment at higher rates relative to older ships, earnings will then recover.

"This is one of the reasons why average charter rates recovered in 2014 compared with 2013, despite continuing capacity pressure," said Mr Sharan.

Drewry also estimates that trade in the dry bulk industry climbed some 8.3% last year, on the back of strong demand for iron ore and a 20% increase in the global grain trade.

New vessel deliveries meanwhile fell in 2014 compared with those witnessed in the previous 12 months. Drewry said shipowners chose to defer orders in light of the weak market, which meant the fleet growth during the 2014 calendar year was limited to 5.3%, compared with the 6.2% recorded in 2013.

Going forward, Drewry added that any future capacity additions to the dry bulk fleet are likely to be checked by the conversion of some existing dry bulk orders to tankers, and continued slippage with new deliveries.

"We expect to see some acceleration in 2015 deliveries despite a moderating orderbook, thanks largely to increased slippage from 2014," said Mr Sharan.

"However, despite the uncertainty surrounding the global economy, we anticipate that 2015 will be another year in which dry bulk demand outpaces supply.

"This more favourable capacity outlook, coupled with the influx of modern fuel-efficient ships, points to a recovery in the dry bulk shipping market in the second half of 2015."

Hamburg Süd aims to complete CCNI takeover next month

German line says merging the workforces will help to create an even stronger organisation

HAMBURG Süd hopes to complete the purchase of the container arm of Chile's Compania Chilena de Navegacion Interoceanica to form the world's10th-largest box line next month, *writes Janet Porter*.

CCNI and Hamburg Süd released statements on Tuesday, confirming the short delay in finalising the deal.

The agreement include the agency-related functions of Agunsa Agencias Universales.

"The takeover of the CCNI/ Agunsa business is subject to approval by the competent antitrust authorities, scheduled to become effective at the end of March 2015," the carriers said.

Privately-owned Hamburg-Süd will move up from number 12 in the world, with a fleet of almost 520,000 teu, once it has purchased CCNI's container division, which operates capacity of close to 60,000 teu.

This will give the combined entity a total fleet of around 580,000 teu.

"Hamburg Süd will operate the CCNI container liner business under this well-established brand name in the main trades between the west coast of South America, Asia, Europe and North America respectively," Hamburg Süd said.

"Merging the experienced workforces of CCNI and Hamburg Süd will help to create an even stronger organisation that will provide a first-class service to the customers of both companies."

CCNI will continue to operate a car carrier business, while Agunsa will continue to represent other shipping lines and continue to develop its port and logistics services in South America.

Plans to acquire the business were announced last July, soon after compatriot Hapag-Lloyd had disclosed merger talks with Chile's CSAV, a deal that effectively put an end to any prospects of an eventual amalgamation of the two German lines.

The CCNI transaction was to have been concluded at the end of last year, but the two lines are now aiming for March 17, once regulatory approval has been granted in Chile.

The value of Hamburg Süd's takeover of CCNI's liner activities was put at $160m in a filing last year with Chile's securities and insurance regulator, Superintendencia Valores Y Seguros.

The deal will strengthen Hamburg Süd's position in the South American refrigerated cargo trades, where it already has a strong presence.

But despite this pending transaction, the line was starting to look isolated as other global carriers consolidated into four major alliances in order to reduce costs while extending their geographic reach.

Hamburg Süd's position was blamed by outsiders largely on differences between members of the Oetker family over whether to continue investing in shipping.

The eight children of the late Rudolf Oetker by three wives, who each own 12.5% of the diversified business, were apparently divided over whether to expand Hamburg Süd, just maintain the status quo, or maybe even withdraw from shipping altogether.

But then the line starting forging new partnerships with other big carriers, notably United Arab Shipping Co, with which it signed a global co-operation agreement last September.

This will give the Dubai-headquartered carrier entry into the South American trades

Hamburg Süd's 9,600 teu Cap San class vessels are among the world's largest reeferships.

and the German shipping line access to Asia-Europe and transpacific services.

Then earlier this month, Hamburg Süd and CMA CGM announced they were teaming up on certain services.

Under this arrangement, the German line is taking slots on services between Asia and the Caribbean. These include CMA CGM's PEX 2 service and its Brazex service, which provides it with a connection to Manaus from the Caribbean.

From mid-May, and subject to Federal Maritime Commission approval, the lines will start a new pendulum service that will connect Asia, the Caribbean, US east coast and northern Europe. UASC will be part of that service on the Atlantic.

In a statement this week, UASC said its entry into the North Europe-North America trade marked an important step in the expansion of its global network.

"Broadening our network coverage through partnership agreements is an integral part of UASC's ambitious expansion plans," said UASC chief executive Jorn Hinge.

"Collaboration with other leading carriers ensures that we can provide our customers with the widest scope of global services and the lowest possible unit costs, while growing in a responsible fashion and without adding unnecessary capacity."

The new service will start in the third week of May 2015.

Both CMA CGM and UASC are members of one of the new super-alliances, Ocean Three, alongside China Shipping. All three have 18,000 teu ships either in service or on order.

Hamburg Süd does not release profit figures but is regarded as financially very sound, and thought to be debt-free.

The line has a modern fleet, including series of 9,600 teu and 9,000 teu ships delivered over the past year. These are built with an unusually large number of reefer slots for fresh produce cargoes.

With 2,100 reefer points, its 9,600 teu Cap San class vessels are among the world's largest reeferships. CMA CGM's new 9,400 teu and 10,900 teu ships also have very large reefer capacity.

The German line has completed numerous acquisitions over the years, including the UK's Furness Withy in 1990; Brazilian shipping company Aliança in 1999; the inter-America Services of Crowley in 2000; and acquisition of the Ellerman services to the Mediterranean and to India/Pakistan, and takeover of the Kien Hung liner services covering Asia-South America in 2003.

Lomar continues containership expansion

London-based shipping company swoops on seven ships

SHIPOWNER and manager Lomar has continued its expansion into the containership market with the acquisition and order of seven ships, *writes Damian Brett*.

The London-based shipping company has purchased three secondhand vessels plus an order for up to four 2,700 teu newbuildings, due to be delivered in 2017.

The newbuilding vessels are of a widebeam design and have a high reefer intake of 600 feu and also a higher than normal homogenous intake of 2,300 teu at 14 tonnes.

The reduced overall length of the vessels makes them ideal for ports with vessel length restrictions.

The three vessels bought by Lomar are the 2,500 teu *Rio Ardeche*, to be renamed *Oregon Trades*; the 2,100 teu *Conti Daphne*, to be renamed *Louisiana Trader*; and the 2,500 teu *Ulf Ritscher*, which will be called *Calais Trader*.

All three vessels are due to be delivered to the Libra Group subsidiary in March.

Lomar said the acquisitions demonstrated its long-term confidence in the container market, an area in which it has been expanding during the past year.

In December, Lomar announced the purchase of six boxships of 2,500 teu-2,700 teu as it sought to expand in the container market.

This followed on from the purchase of five 5,000 panamax vessels and one 3,500 teu ship for $75m in October.

The three vessels bought by Lomar include the 2,100 teu Conti Daphne, to be renamed Louisiana Trader. *Dietmar Hasenpusch*

The deal comes as the containership charter market continues to pick up momentum.

According to its website, Lomar's containership fleet currently stands at 48 vessels of between 797 teu and 5,042 teu.

Lomar has also been selling vessels and last year it exited the offshore sector through the sale of its entire fleet.

The company said it will continue selectively to sell vessels if good prices can be achieved.

COUNTDOWN TO THE FEBRUARY 20 RENEWALS

General increases are 'game over' for P&I, says Skuld

Clubs cannot make general increases stick in current climate, argues Jacobsohn

P&I CLUBS are failing to make general increases stick and the mere act of attempting to impose them is an admission of "game over", according to the outgoing chief executive of Skuld, *writes David Osler*.

Douglas Jacobsohn spoke to Lloyd's List on his penultimate day as chief executive of the major marine mutual last week, prior to the handover of the position to Stale Hansen on Monday.

Mr Jacobsohn will maintain a major role at Skuld, the only P&I club that runs a Lloyd's syndicate, in his capacity as an executive board member.

Skuld will unveil major gains at the expense of its rivals when full details of the outcome of the current renewals season are announced on Friday, in addition to organic growth, he promised.

While he declined to name names until those concerned are ready to go public, Mr Jacobsohn predicted that more owners than usual would be ready to make a change this year, as cost pressures continue to bear down on shipping.

"I know those we are talking to and why we talk to them. There might be a larger extent of moves this year because obviously there is a need, as a shipowner, to make

Continued on page 6

Jacobsohn: "The majority of clubs now are asking for general increases and I think that's game over." *Skuld*

Continued from page 5

sure you are with a club that has financial stability and strength. Weaker clubs will most probably suffer," he said.

He also maintained that the 2015 renewal round has been characterised by weak pricing power on the part of the clubs.

Skuld has not imposed general increases in recent years, but Mr Jacobsohn believes those that have tried to do so have often been unsuccessful, as in practice they are forced to concede most of the nominal gains during negotiations with owners.

"The majority of clubs now are asking for general increases and I think that's game over," he stated bluntly.

While he did not single out any other club by name, the largest increases last year were levied by the North P&I Club, at 4.75%, and the UK P&I Club, at 6.5%.

"There's no reason why, running on mutuality in modern times, in a situation where shipowners are fighting and looking at every dollar and cent," he said.

"What I hear is that most who have declared general increases are soft and giving it away, anyhow. They have no argument to help them out in this case.

"I think it's truly soft. But is that good or bad for the members? You can always argue [either way], depending on which club and what the financial status of that club is."

On a positive note, mutually is working well in respect of reinsurance rates, with the International Group announcing a freeze for most vessels save passenger shipping this year, which will be a positive contribution to lower costs for shipowners.

No 'blood and guts' in P&I renewal rounds, Aon predicts

However, two major fleets likely to change hands by the end of the week

AT LEAST a couple of major fleets owned by Aon clients will swap clubs in this year's P&I renewal season, even though the general outlook is soft, a veteran protection and indemnity hand has predicted, *writes David Osler*.

David Mahoney, client director at prominent insurance broker Aon, points out that the last round of general increases was modest, ranging from zero in some cases to 6.5% in the case of the UK Club.

In addition, International Group reinsurance rates came down for most vessels types except passengerships.

"It was never going to be blood and guts all over the carpet," said Mr Mahoney. "Those with a good broker will have negotiated a good deal already, so they should be sitting fairly pretty."

Big changes tend to occur when one or two clubs go out on a limb and charge more than their counterparts, he went on.

It is true that low general increases actually make it relatively easier to make a switch, as owners do not have to carry the burden of a high general increase to new club.

But as most consumers of car and household insurance will be aware, when a quote is more or less at the same level as last year, then the tendency is simply to agree to continue with an existing provider.

Nevertheless, cost pressures mean some struggling shipowners are being driven to look for the best possible deal.

In particular, owners with good loss records are pushing for lower rates and that is precisely what brokers are employed to secure, of course.

"In terms of getting more revenue in, the clubs probably haven't achieved what they really wanted. But you have to temper that with the fact that their free reserves have never been higher. They are in good shape," Mr Mahoney maintained.

But that contrasts with the outlook for the shipping industry itself, where times are tough for many, particularly in the container segment.

Fleets that do move, tend to move at the last minute, because of the degree of brinkmanship inevitably involved in negotiations. This is one area of life where size does very definitely count.

"Bigger owners are the ones with more clout, like everything else in any industry. They shout the loudest and often get their way," said Mr Mahoney.

"A lot of the conversation is a bit nebulous, not hard and fast. They [clubs] aren't going

Continued on page 7

Shipowners are being driven to look for the best possible deal, says Aon's Mahoney. © *2015 Charles Rex Arbogast/AP*

Continued from page 6

to give it all away until they are sure that a member wants to carry on with them.

"So there is a little bit of smoke and mirrors in some of the negotiations, but it's all part and parcel of the industry."

Mr Mahoney said he is 99% certain in one case and 95% certain in the other that two of his household name clients will have switched clubs ahead of Friday's announcement, but declined to name names until the deals have been signed.

Even though Mr Mahoney has extensive experience of fixed premium marine insurance in his career, having been one of the founders of the Lodestar Marine fixed premium scheme, he does not believe such providers will make inroads on P&I clubs this year.

"The problem with that sector is that there is no mechanism to hold in the business, no release clause, so business flows from fixed provider to fixed provider. So there's a lot of pressure just to hold on to what they've got.

"The only stuff that tends to fall out of the clubs has to be business that fits into the modus operandi of the fixed providers, with vessels under 20,000 gt and that sort of thing.

"A lot of members don't move, (a) because of the release clause and (b) often they are pretty well rated.

"A lot of people do shout about the clubs and general increases, but they do provide insurance at cost."

In the case of larger tonnage and on new business, fixed premium providers cannot really compete with the clubs, he insisted. In fact, the situation is the other way round.

If anything, it is the clubs that have a bigger appetite for free business, if it is the right sort of business, Mr Mahoney opined.

Hyundai Heavy Industries finally concludes wage talks

Union passes salary deal after South Korean shipbuilder agrees to narrow pay gap between managers and those below

The final deal requires HHI to grant higher pay hikes for assistant managers and below. © *2015 Lee Jin-man/AP*

HYUNDAI Heavy Industries has finally concluded its wage deal with unionised workers after agreeing to narrow the gap of salaries between managers and those below, *writes Max Tingyao Lin*.

After more than 70 rounds of talks since mid-2014, the HHI union earlier this week passed the latest proposed wage agreement for this year with a majority of 65.9%.

Of the 16,734 union members, 15,417 participated in the vote and 10,152 gave their nod.

Compared to an earlier agreement, which didn't receive approval from union members, the final deal requires the South Korean shipbuilder to grant higher pay hikes for assistant managers and below.

"Basically, the adjustment means those workers whose positions are assistant managers and below will get more pay hikes than managers and above," said a yard official.

The final settlement will still only provide workers an average 2% increase of Won37,000 ($33.9) in monthly base salary and a one-off bonus of Won2m, plus company shares equal to 150% of individual workers' pay — much closer to the management's demand than the workers' initial request of a Won132,013 increase.

HHI, which posted its worst-ever financial results during the second and third quarters, has stated that it could not meet workers' demands, due to financial difficulties.

During the time-consuming wage negotiations, the Seoul-listed shipbuilder had faced industrial action for the first time in 19 years.

Thousands of workers held a four-hour strike on November 27, a second strike on December 4, a seven-hour strike on December 17 and another four-hour sit-out on December 30 at HHI's main Ulsan shipbuilding base, while some staged a four-hour walk-out at the Gunsan base on Christmas Eve.

HHI estimated total losses from those strikes amounted to Won158m.

More shipbuilding news

GSI reports $24m profit, bolstered by asset sales
Operating loss for the unit of CSSC stood at $120m
www.lloydslist.com/ship-operations

Yangzijiang moves into LNG carriers with deal from Evergas

Two vessels for Evergas ordered at Singapore-listed yard are worth $135m

YANGZIJIANG Shipbuilding has announced that it has won a $135m order from Singapore-based Evergas for two 27,500 cu m liquefied natural gas carriers, proclaiming the deal part of its strategy to break into LNG newbuildings, *writes Tom Leander*.

"We have been preparing for the construction of LNG carriers for some time, and we are very pleased to activate it," said Ren Yuanlin, chairman of Singapore-listed YZJ.

He added: "The strategy to grow LNG vessel business aims to capture the stable medium- to long-term demand with its promising outlook."

The ships will be delivered in 2017.

YZJ cited figures from a consulting group, Clingendael Energy, that the global LNG market will grow from 238m tonnes per annum in 2014 to 420m tonnes per annum in 2020, and is expected to increase further to 500m tonnes per annum in 2025.

Copenhagen-based Evergas is partly controlled by Jaccar Holdings, an investment company led by Jacques de Chateauvieux. Jaccar also owns a major stake in China's Sino-Pacific, where it was expected that these two vessels would be built.

However, the order win for YZJ is another feather in the shipbuilders' hat. YZJ reported in January that it had won 13 shipbuilding orders in the 2014 fourth quarter, a mixture of bulkers and containership contracts worth a total of $388m.

Yangzijiang Shipbuilding has been preparing for the construction of LNG carriers for some time, says chairman Ren Yuanlin.

Demolition rates head south as bulker deals falter on delivery

Volatile currency movements, political upheaval and cheap steel imports from China continue to dampen sentiment

SEVERAL large bulk carriers were reported sold for demolition in recent days, but rates continued to slide south, prompting talk of "bloodshed on the waterfront" as deals faltered on delivery, *writes Brian Reyes*.

Scrap prices for dry ships across the Indian subcontinent have dropped as low as the mid-$300s per ldt, with rates for wet tonnage around $20 per ldt above that.

Volatile currency movements, political upheaval and the continued impact of cheap steel imports from China have all added to the uncertainty, dampening sentiment even further.

Dire freight markets mean owners continue to offer the vintage vessels for scrap.

But US-based cash buyer GMS said breakers and cash buyers alike were reluctant to make offers on available tonnage.

"It has been an entirely depressing last few quarters in the ship-recycling markets and many of the old demons have resurfaced — frivolous renegotiations, buyers walking away from deals for no reason whatsoever and millions of dollars lost in the process," GMS said.

"This bloodshed on the waterfront has called into question the integrity of many cash buyers, with very few — even among the supposedly better performers — guiltless of passing on some of these inflated claims and dramas forward to beleaguered owners.

"At the moment, there is no telling where it all may end, with each day bringing with it new realities and lower sentiments."

London-based Clarkson Research Services said the key problem for the sector was that the price relationship between scrap metal and ship prices was "completely out of sync".

This was driving rates down, while cheap Chinese billets were reducing demand for recycled ship steel.

"Where this will all end is difficult to answer," Clarkson said.

"The current market conditions clearly prove that the industry is demand-driven. If there is no demand locally, there will be no buyer."

The Chinese New Year celebrations and the Indian budget announcement later this month add further uncertainty.

"The general feeling is that further falls in rates are expected, but a stable position will hopefully then be reached to bring some confidence back to buyers," Clarkson said.

"The crucial factor now is for cash buyers to deliver the units

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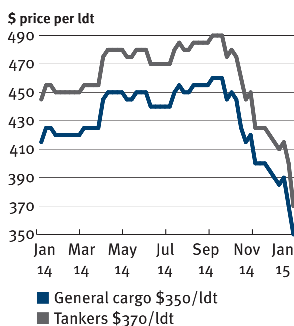
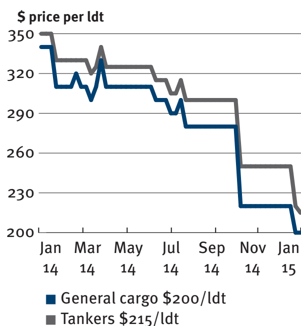
Continued from page 8

BANGLADESH DEMOLITION RATES



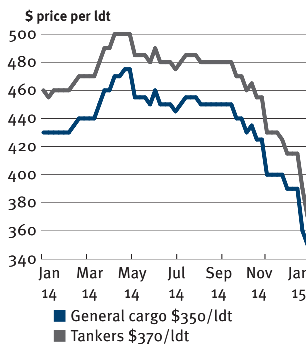
Source: Global Marketing Systems

CHINA DEMOLITION RATES



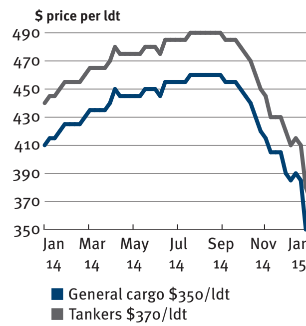
Source: Global Marketing Systems

INDIA DEMOLITION RATES



Source: Global Marketing Systems

PAKISTAN DEMOLITION RATES



Source: Global Marketing Systems

Great Eastern Shipping's bulk carrier Jag Arjun was reported sold for $368 per ldt, or $8.6m. *Dietmar Hasenpusch*

they have in hand, as breakers' behaviour continues to create nervousness."

Recent sales into Bangladesh include Vale's 1985-built, 25,950 ldt capesize bulk carrier *Ore Tubarao*, which was reported sold for delivery to Chittagong at $380 per ldt, or nearly $9.9m.

In an older sale, Cardiff Marine's 1996-built, 18,302 ldt capesize bulker *Global Victory* was also reported sold for delivery to Bangladesh at $405 per ldt, or $7.4m.

In a last sale to Bangladesh, the 1996-built, 16,516 ldt bulk carrier *Fernie* was reported sold for $407 per ldt, or $6.7m.

Two other ships were also reported over the past week or so, though their final destinations were unclear.

Great Eastern Shipping's 1996-built, 23,292 ldt capesize bulk carrier *Jag Arjun* was reported sold 'as is' in Singapore for $368 per ldt, or $8.6m.

The 1982-built, 21,490 ldt combined oil and bulk carrier *Goan Pride*, operated by Wilh Wilhelmsen, was reported sold 'as is' in Goa for $383 per ldt, or $8.2m.

In the Far East, market rates for some dry ships slipped below $200 per ldt, indicating little appetite in China to pick up the slack as rates in the Indian subcontinent continue to soften.

"Chinese state owners remain busy, though, with Cosco having scrapped another eight Chinese-flagged units, including five containerships and three bulkers, in January alone," GMS said.

All the vessels were eligible for the Chinese government policy, offering owners $150 per grt for scrapping locally.

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