Lloyd's List

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Greek government pledges to plough ahead with Piraeus port sale

But uncertainty persists about the stake to be kept by the state

GREECE's left-wing Syriza government, which came to power just nine weeks ago, has pledged to continue privatisation of the Piraeus Port Authority, although mixed signals are still emanating from the administration, *writes Nigel Lowry*.

In the 26-page outline of reforms that the cash-strapped country hopes will unlock badly-needed bailout cash from its lenders, the government said all existing privatisation contracts will be honoured and, in addition, all the procedures that have started are going to continue.

The stance marks a U-turn from pre-election Syriza pledges to halt the port sale and an emphatic promise made on the eve of being sworn in by shipping minister-elect Theodore Dritsas that the privatisation was dead.

The tendering process has dragged on for more than a year and has been whittled down to five approved bidders, which had until this month to table binding bids.

Widely viewed as the favourite is China's Cosco Group, which already has a 35-year concession to operate the major part of the port's container terminal. The Chinese government sees Piraeus as a strategic hub for delivering its goods to European markets.

The government has penciled in estimated revenues of €1.5bn ($1.62bn) from privatisations in 2015, with Piraeus as one of the key sales.

But the field of potential bidders also includes APM Terminals, along with Philippines-based port operator International Container Terminal Services, US-based terminal operator and stevedore Ports America Group Holdings, and UK-listed investment company Utilico Emerging Markets.

The state's 67% holding in the PPA was put up for sale by the previous conservative-leaning New Democracy government of Antonis Samaras, which was resoundingly beaten at the polls in January, as Greeks voted to reject austerity.

Although the present government has told its partners the privatisation will continue after all, it might be difficult to keep the procedure on track.

Under the outline reform plans, the government also told the Eurogroup and its lenders that it would use "all the legal tools available" to negotiate an equity stake for the state in privatised entities.

This was presented as being a measure aimed at helping long-term financing of social security funds.

Under the current terms of the port tender, the state will

Continued on page 2

Continued from page 1

be left with just 7%, while there is a free float of 26% of the PPA's shares on the Greek stock market.

But officials have been talking in recent days of a joint-venture model with a significant role for the state in key privatisations.

Although nothing further has been confirmed, it appears the government will at least give serious consideration to revising the terms of the sale — a move that could risk turning off some of the interested parties and infuriate the country's EU partners if it seemed to fly in the face of promises made so far.

At the same time, deputy prime minister Yannis Dragasakis, recently on a visit to China, has said the sale will be completed within weeks.

The shipping group in the ruling party responded by asking the government to "provide clarifications" because Syriza was opposed to privatisation of all Greek ports.

During last month's official visit by Greek ministers, the delegation proposed a three-year co-operation plan involving ports, shipbuilding and repair, credit, logistics and culture, according to the Chinese government.

The government has penciled in estimated revenues of €1.5bn ($1.62bn) from privatisations in 2015, with Piraeus as one of the key sales.

It said EU and IMF targets of raising €22.3bn from privatisations by 2020 were unrealistic, but also criticised previous privatisations as having been managed "amateurishly".

Lloyd Fonds fails first attempt at listing, but promises a second shot

Company to revise offer after investors decline to give required 75% backing to KG rescue plan

Teichert: Has proclaimed a goal of building the fleet to 20-30 vessels by the end of 2017.

LLOYD Fonds' plan to convert itself into a listed shipping company has seen a setback after investors in 10 of 11 single-ship entities involved in the scheme did not deliver the requisite 75% backing for the proposal, *writes David Osler*.

But the Hamburg-based KG initiator has vowed to push ahead with the idea and will be back with a revised offer at its annual general meeting in July, it said in a statement.

The move — if it does now come off — could spark a major shake-up in the family company-dominated German shipowner community, as publicly-quoted vehicles with greater access to capital markets become more commonplace.

Earlier this year, Lloyd Fonds announced it was seeking to buy out around 18,000 limited partners in 11 troubled KGs with a non-cash equity issue as a preliminary to a full listing in Frankfurt.

These entities collectively own six containerships of 1,100 teu-8,500 teu and five tankers, including four panamaxes, built between 2000 and 2007. Their combined value is $325.2m, according to a recent valuer's report.

Further single-ship entities would then be acquired, including some initiated by other KG houses, with chief executive Torsten Teichert proclaiming a goal of building the fleet to 20-30 vessels by the end of 2017.

Existing shareholders were asked to approve the issue of up to 79,683,716 new shares with pre-emptive subscription rights at a price of €3.54 ($3.84) per share.

But yesterday morning, Lloyd Fonds said while it had "most subscribers" on board, the necessary three-quarters majority had been forthcoming in only one case.

In view of the development, an extraordinary shareholder meeting planned for April 16 has now been canned.

"With participation levels generally high, over 50% of the limited partners voted in favour of accepting the offer, thus expressing their confidence in Lloyd Fonds and its planned new orientation," the company said.

"In the current environment, characterised by high liquidity, very low interest rates and a lack of any alternatives, investors are showing strong interest in promising investments in alternative real assets.

"Consequently, Lloyd Fonds will be continuing to pursue its strategic goal of transforming into a listed shipping company."

Lloyd Fonds will now work on enhancing the listing shipping company model up until the AGM as a basis for submitting a revised offer.

In making the business case, it will make use of the feedback received in intensive discussions with a large number of subscribers and take account of current trends in the shipping and capital market, it added.

Surge in US Gulf and Caribbean aframax earnings as Mexican oil cargoes help soak up tonnage

Sharp rise to earnings of $66,000 per day highlights fresh opportunities for aframax owners in spot market

OPPORTUNITIES exist for aframax crude tanker owners to generate high earnings in the US Gulf and Caribbean spot markets, partly due to robust crude exports from Mexico helping to keep tankers in the region employed and available ones scarcer, *writes Hal Brown*.

Demand for available ships means owners can now earn $66,000 per day on the benchmark Caribbean to US Gulf aframax crude trade route, according to the latest Baltic Exchange data.

On March 20, earnings on that tanker route were around $38,000 per day, showing just how much they have climbed in roughly two weeks.

Rising Mexican oil exports are helping to soak up tonnage in the region, say shipbrokers working in the sector.

Mexican crude exports are rising as the country initiates reforms to its energy sector, with the aim of rejuvenating oil production and boosting exports on tankers, according to oil analysts.

Mexico exported 1.45m barrels per day of crude in February, up from 1.36m bpd one year ago, according to Lloyd's List Intelligence data.

Rising exports "help keep the position list tight" in the US Gulf and Caribbean markets, said a tanker broker who recently helped fixed a ship in the region.

Greece's Minerva Marine-owned tanker *Minerva Roxanne* was chartered by Citgo to haul 70,000 tonnes of Caribbean crude to the US Gulf at a Worldscale rate of W195, which gives the owner earnings of more than $66,000 per day.

US shipbroker and consultancy McQuilling Services forecasts that Caribbean-US Gulf aframaxes will generate revenues of

around $32,000 per day in 2015, a 54% increase on 2014's level.

For March-May, international shipowners' association BIMCO expects average earnings for aframax crude tankers — across all routes — to be in the region of $20,000-$40,000 per day.

The crude tanker market in general remains in the grip of a bull market.

Limited fleet growth, combined with plenty of cargoes, has helped boost freight rates and earnings for crude tankers.

Risks to this improved market for owners include new vessels being delivered from shipyards, which would intensify competition for cargoes.

In the aframax crude tanker segment, some 58 newbuildings are on order at shipyards, according to the latest Clarksons data.

Some seven are scheduled for delivery this year, 24 in 2016, 19 in 2017, four in 2018, one in 2019 and three in 2020.

FMC to review port congestion and alliances

Closed session to be held next week

THE Federal Maritime Commission has called a meeting to discuss both US port congestion and ocean carrier alliances, *writes Janet Porter*.

The closed session next week follows concerns that the severe delays in recent months have been exacerbated by the alliances of global container lines.

Commissioner Michael Khouri has asked the agency to investigate what alliances are doing to reduce the impact of congestion that has disrupted supply chains.

Last month, Mr Khouri called for each alliance to report to the commission the operational steps each has taken to mitigate congestion at US ports.

Port of Long Beach executive director Jon Slangerup recently blamed alliances for adding to the problems experienced by US west coast ports since late last year.

Ships operated by a large consortium may call at different terminals in the Los

Slangerup: Blamed alliances for adding to the problems experienced by US west coast ports since late last year.

Angeles-Long Beach complex, leaving containers of each member to be relocated within the port. That has added to gridlock on the quayside.

Improving rates spur flurry of demolition deals

Owners lured to the negotiating table as steel price and weak freight rates ensure steady supply, despite longer-term uncertainty

Goldenport Holdings' 1994-built, 10,283 ldt bulker *Golden Trader* was reported sold for delivery to India at $398 per ldt, or $4.1m.

AT LEAST nine bulk carriers were reported sold for scrap over the past fortnight, including a capesize vessel whose owner cashed in on improving rates across the Indian subcontinent, *writes Brian Reyes*.

Domestic steel prices have firmed across the region, nudging demolition rates up over the $400 per ldt benchmark and attracting a stream of owners to the negotiating table.

Weak freight markets in the dry sector have ensured a steady supply of vintage tonnage and demand on the beachfront remains healthy.

"There is still a good inflow of demo candidates being offered in the market and appetite among cash buyers is still there," said Athens-based Allied Maritime Research.

"Yet the sense of uncertainty continues to dominate the market, with many feeling that a lot of the buying that has taken place over the past couple of weeks is more speculative than based on strong demand fundamentals, begging the question as to how long the current levels can last.

"For the time being, it looks as though owners are more than happy to take advantage of the current situation, which offers them an easier option when it comes to the prospects of most of their overage units."

Most of the recent sales have gone to Bangladesh, although Indian buyers have also been active with strong deals on offer.

Pakistani buyers have been off the radar recently but brokers expect buyers there to follow the lead of Bangladeshi rivals and increase activity ahead of forthcoming budget announcements.

"With their respective budgets both due in early June, maybe we shall start to see some competitive pricing in the forthcoming weeks as shipbreakers strive to place tonnage at their yards prior to their budget announcements," said London-based Clarkson Research Services.

Recent sales included the 1995-built, 17,987 ldt capesize bulk carrier *Ocean Dragon*, operated by Ocean Longevity Shipping and reported sold for delivery to a buyer in Chittagong for $425 per ldt, or $7.6m. The deal included 800 tonnes of bunker fuel.

US-based cash buyer GMS estimated that some 35 capesize vessels had been sold for scrap so far this year, "well over" the total for last year.

Other sales into Bangladesh included the 1987-built, 8,539 ldt bulker *Wan Shou Shan*, operated by China Shipping Bulk and reported sold for delivery to a buyer in Chittagong for $410 per ldt, or $3.5m.

The 1985-built, 10,188 ldt bulk carrier *Merry Trans*, operated by Dalian Haida International, was reported sold for delivery to Bangladesh at $410 per ldt, or $4.2m.

The 1984-built, 6,940 ldt bulker *Lian Hua*, operated by Dragon Wealth Shipping, was reported sold for delivery to Bangladesh at $395 per ldt, or $2.7m.

The 1990-built, 9,517 ldt bulk carrier *Citrawati*, operated by Arteni Pratama Ocean Line, was reported sold for delivery to Bangladesh at $390 per ldt, or $3.7m.

The 1994-built, 16,560 ldt bulk carrier *Sino 6*, operated by Kuifenghang, was reported sold for delivery to a Chittagong buyer at $386 per ldt, or nearly $6.4m.

Pacific International Lines was reported to have sold two general cargoships over the past week too.

The 1992-built, 7,439 ldt *Kota Berlian* was reported sold for delivery to Bangladesh at $400 per ldt, or just under $3m, while the 1993-built, 7,175 ldt *Kota Berjaya* was reported sold for delivery to India at $405 per ldt, or $2.9m.

Stealthgas was also reported to have sold two of its liquefied petroleum gas carriers for demolition at $420 per ldt, both for delivery to Bangladesh.

The 1990-built, 2,525 ldt *Gas Crystal* was sold for nearly $1.1m, while the 1991-built, 2,761 ldt *Gas Kaizen* fetched just under $1.2m.

Caution

Despite positive sentiment in the Bangladeshi market, some seasoned observers struck a note of caution.

"Local steel plate prices have enjoyed several weeks of positive gains — by as much as $20 per ldt — and while many of the hot buyers have now secured tonnage, it may be worth issuing a note of caution, as demand may be set to slowly dwindle," GMS said.

Indian buyers were also active in recent days, offering rates on par with Bangladesh.

Recent sales included the 1985-built, 12,163 ldt bulk carrier *King Edward*, operated by Litat Line and reported sold for delivery to India at $415 per ldt, or just over $5m.

Aegean Bulk's 1995-built, 10,776 ldt bulk carrier *Konstantinos A* was reported sold for delivery to a buyer in Alang at $403 per ldt, or $4.3m.

Continued on page 5

Continued from page 4

Likewise Goldenport Holdings' 1994-built, 10,283 ldt bulker *Golden Trader* was reported sold for delivery to India at $398 per ldt, or $4.1m.

Several private sales were reported into China but rates there lag well behind the Indian subcontinent at around the $200 per ldt mark for dry tonnage and about $15 more for tankers.

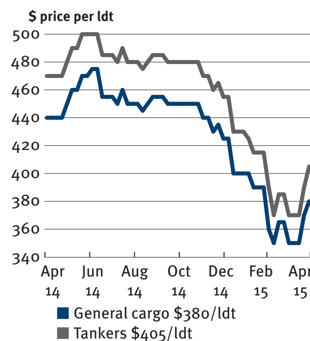
"Chinese levels remain marooned into the low-200s/ldt and there is very little incentive for those prices to improve, with a steady stream of discounted state-owned tonnage that will continue to deliver to local yards throughout the year," GMS said.

There were private sales into Turkey too, where rates have improved slightly to around $240 per ldt for dry vessels and $250 per ldt for tankers.

"If the subcontinent markets continue to firm, prices from Turkey would have to make significant improvements in order to diminish the prevailing price differential from competing recycling locations before any market units start showing up at local yards," the cash buyer added.

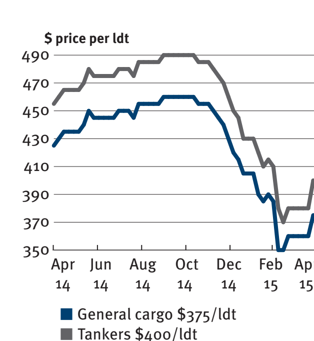
Stealthgas was reported to have sold its 1991-built, 2,761 ldt LPG carrier *Gas Kaizen* to Bangladesh for just under $1.2m.

INDIA DEMOLITION RATES



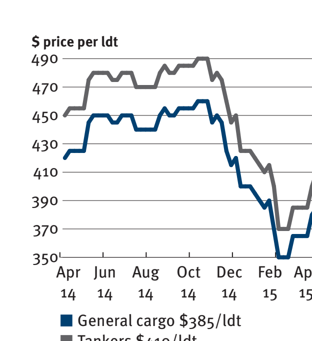
Source: *Global Marketing Systems*

PAKISTAN DEMOLITION RATES



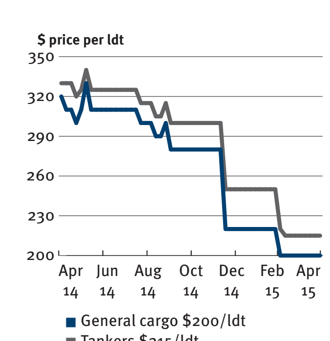
Source: *Global Marketing Systems*

BANGLADESH DEMOLITION RATES



Source: *Global Marketing Systems*

CHINA DEMOLITION RATES



Source: *Global Marketing Systems*

APMT aiming for world top slot in 2016

Chief executive Kim Fejfer tells how the terminal operator plans to hit its target of $1bn in net profit by next year

APM Terminals aims to establish itself in 2016 as the world's leading port and inland operator with a $1bn full-year profit. Last year, the Netherlands-based terminal operator reported record profits following a 16.9% rise in net profit to $900m, *writes Linton Nightingale*.

APMT chief executive Kim Fejfer says these profits show it is on track to reach its ambitious target come next year.

The terminal-operating arm of AP Moller-Maersk also achieved revenue gains of 2.8% to $4.5bn in 2014, a 19.7% rise in its underlying profit of $849m, while its 14.7% return on invested capital was the highest among the group's companies.

The latter, according to Mr Fejfer, is perhaps the most significant. Speaking exclusively to Containerisation International this time last year, he said that APMT, as well as its parent company, regards ROIC as the best financial yardstick for a port operator, and if it could generate a return that is consistently between 12%-14% each year, "then there is no reason why we should not become the biggest".

If recent years are anything to go by then APMT is seemingly in good stead, with the ROIC witnessed last year being preceded by returns in 2012 and 2013 of 15.2% and 13.5% respectively (see figure 1).

Mr Fejfer, who has been at the helm of APM Terminals since 2004 when its corporate offices moved, says that while profit is important and he is extremely pleased with the company's recent success, it is also essential that APMT continues to grow the business in order to progress.

To do this APMT will continue with the practiced method it has adopted in the past, he says, whereby it invests in projects, builds them, ramps them up and then continues to run them as productively as possible for many years.

The terminal operating business by its very nature is governed by the long term view and this is the path APMT will follow, says Mr Fejfer.

"We see the $1bn in 2016 as a good target and a good milestone in that journey, but our ultimate goal is to build a very strong leading global company that creates value to the customers, and those that participate in the business."

Mr Fejfer reveals that the company is already on the lookout for new terminal locations. Although he is unwilling to divulge individual plans for obvious competitive reasons, he says that much of APMT's growth focus will be centred on the emerging markets, and particularly Africa and Asia.

"Asia business is very big in terms of total market, and then you have Africa that is small in market size.

"If you look at the different economies in the world then it is Asia and Africa that still seem to grow substantially higher and better than anybody else, at least over the last two years."

Mr Fejfer says that APMT expects to see a general GDP

Continued on page 6

Continued from page 5

growth of 3.2% across the two continents this year and perhaps a little bit higher during 2016, while container port volumes are anticipated to match the 5% average seen last year.

Rival operators

If APMT is to expand its presence in these two regions then it will certainly have a fight on its hands, as rival operators are also looking to the developing world to expand their global footprint.

The competition in the market had no greater illustration than the number of companies that answered the Kenya Port Authority's call for tenders at the end of last year to operate Mombasa's second container terminal.

The shortlist of 19 prospective concessionaires vying for the east African port's business read like a who's who in the terminal operating industry, with APMT being joined by a host of global players including PSA International, Hutchison Port Holdings, DP World, Cosco, China Merchant Holdings International Ltd and fellow European operator Eurogate.

However, what APMT does have to its advantage is experience in the field and a proven track record. In Africa, it operates more than a dozen terminals on the west coast, including its largest box port in Apapa, Nigeria, while in the east it already operates Mombasa's existing terminal. Meanwhile, in Asia, it has a strong presence in the lucrative Chinese container market, and terminals in countries throughout Asia including India, Vietnam and Japan.

APMT also has a number of developments already underway, comprising both the expansion of existing terminals and the construction of new facilities. As part of a joint venture, the terminal operator is developing three new berths at Ningbo, China, as major expansion projects take place in Qingdao, India's port of Pipavav, and Tanjung Pelepas, Indonesia. In Abidjan, West Africa, it is fronting a consortium charged with building the Ivorian capital's second box port.

When it comes to seeking new ventures however, Mr Fejfer says that the company sees more opportunities in the market compared to this time last year with the low oil price creating new growth prospects. As a result, he says, the terminal operator has adjusted its investment pipeline accordingly.

"Fundamentally, there is still a high need for port infrastructure, and therefore the changes being seen in the global economy driven by the oil prices can be used as an opportunity to land good business," says My Fejfer.

"This is how we have done it in the past and how we will do it again."

Investment in Russia

However, the low oil price has also come at a price for APMT due to its negative impact on the already fragile economy in Russia, where in November 2012 the Hague-headquartered company acquired half of Transportation Investments Holding's 75% majority in Global Ports Investment, the country's largest terminal operator, for a reported $840m.

When APMT confirmed its shareholding in GPI, responsible for terminals at ports including St Petersburg, Ust-Luga and Novorossiysk, back in 2012, shares on the London stock market in the Russian company stood at $12.76. At the start of 2014 this share price had risen to $13.98, and was beginning to look like a shrewd acquisition for APMT. However, sanctions from the west, following the Ukrainian tensions, and the sharp drop in the global price of oil saw the Russian rouble tumble in value. As a result, by the end of 2014 shares in GPI had fallen to as low as $2.46. At the time of going to print, the share price of GPI stood at $3.71, but despite rising marginally since the turn of the year it is still down some 71% compared with its value at the time of APMT's acquisition.

In the final quarter of 2014, an impairment charge related to its investment in GPI pushed its fourth quarter profit down from $222m to $117m, which in effect prevented the terminal operator from reaching its $1bn profit target a full two years early. Even so, Mr Fejfer says that APMT has no intention of selling its stake, while its partnership with GPI, representing its first foray into the Russia market, should be viewed as a long-term investment.

While Mr Fejfer admits that the Russian economy is at a sensitive stage, due to the political events surrounding the country, he believes it will revert to "more normal conditions" given time. Nevertheless, APMT will continue to monitor the situation, he says.

The disappointing result in Russia, though, was only a blip in what was otherwise an extremely positive result, Mr Fejfer points out. Elsewhere in eastern Europe and likewise in western Europe volume growth was healthy, he says, and the same goes for the Middle East, North America and Latin America.

Fejfer: Much of APMT's growth focus will be centred on the emerging markets, and particularly Africa and Asia.

Growth in volumes

Overall, APMT's container volumes grew in line with the market, rising 5.3% year on year with 38.3m teu handled at its 64 facilities in 2014, spurred by new terminals becoming fully operational and broad growth across its portfolio, according to Mr Fejfer. Volumes were however negatively impacted by a number of divestments, including its terminal in Norfolk, Virginia, Terminal Porte in the French port of Le Havre, and the sale of its 24% share in APMT Zeebrugge.

Mr Fejfer says that he expects similar growth in container volumes in 2015, in a year which also signals the official opening of APMT's much anticipated Maasvlakte2 facility in Rotterdam, one of two container terminals set to open at Europe's busiest box port's new state-of-the-art development.

Continued on page 7

Continued from page 6

APMT Maasvlakte2, alongside Rotterdam World Gateway, is set to become the world's most advanced automated terminal, trialling a range of new technologies both at berth and within the yard that keep manual operations to a minimum. Its opening has sparked a lot of interest from the container industry, which is keen to see whether Maasvlakte2 and its automated processes can produce the consistent levels of productivity (35-45 cpmh) it was designed for. If Maasvlakte2 passes this automation acid test, then it could well prove to be a game changer for the industry, certainly as a means of meeting the productivity demands of the big boxships.

When quizzed as to whether Maasvlakte2 should be viewed as the blueprint for APMT's future terminals, Mr Fejfer is quick to play down its significance.

"It really depends on the situation, but Maasvlakte2 is an example of building for the future and it does offer state-of-the-art technology, especially for the larger carriers.

"But we also have our Maasvlakte1 facility, which is also a very good facility able to cater for the biggest containerships in the world, and it is a very highly productive terminal."

Even so, many of the automated systems and technologies implemented at Maasvlakte2 will also be utilised at APMT's new terminal project in Lazaro Cardenas, Mexico. The terminal, scheduled to open in mid-2015 to become Latin America's first automated deepwater facility, will include the use of unmanned cars and a fully-automated yard.

However, APMT's Mexican venture will not boast the automated ship-to-shore operation seen at Maasvlakte2, remaining an exclusive component of the new Rotterdam terminal, for the time being.

Mr Fejfer says that it's all about having a flexible approach, depending on what makes sense in the individual geography of a given terminal. As with the case in Mexico, he explains, while it will use some of the technological innovations developed from scratch in Maasvlakte2, there is no common solution for all.

"In this port infrastructure business it is really about the intimate detail in local projects, with the supply and demand and the risk end factors and so forth."

It is this notion of looking at prospective and existing terminal operations on a case by case basis that Mr Fejfer believes will see APMT achieve its ultimate goal of becoming the leader within its field.

Hapag-Lloyd drops Portland call

German carrier follows Hanjin in cancelling future sailings as US port pays the price for continued service disruption

PORTLAND is set to lose its two biggest customers in a matter of months after Hapag-Lloyd confirmed it is to follow Hanjin Shipping's lead by withdrawing its one and only deepsea service from the US port, *writes Linton Nightingale*.

In a statement, the German carrier said it has decided to omit Portland from its Mediterranean Pacific Service, connecting the US west coast, Central America and the Caribbean with west Mediterranean destinations, including Valencia, Cagliari and Marseilles-Fos, in order to maintain its schedule integrity.

The MPS will continue to serve the ports of Los Angeles, Oakland, Tacoma and Vancouver on the North American west coast.

Hapag-Lloyd added it regrets any inconvenience for customers and also any negative impact on the port while its offices are prepared to offer alternative options to clients.

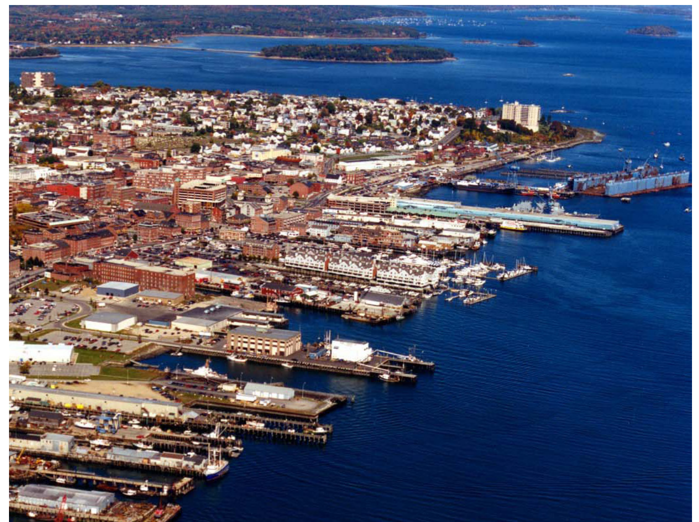
Speculation as to whether Hapag-Lloyd would continue to call Portland was sparked over the weekend, after Portland had been removed from the MPS port rotation on the German carrier's website.

However, this speculation mounted after Elvis Ganda, chief executive of ICTSI Oregon, which runs Portland's container operations at Terminal 6, revealed he too was in the dark with regards to the carrier's position.

Mr Ganda told local media that no official announcement or notification had been made by Hapag-Lloyd, although he acknowledged that its current vessel schedule did not show any such calls for the near future.

The absence of Hapag-Lloyd in Portland leaves Westwood Shipping, which operates a monthly transpacific service to Japan and South Korea, as the Oregon state port's sole customer. Hanjin Shipping, responsible for as much as 80% of the port's container business, left the port in March.

Hanjin did not give a specific reason for its decision, but it is thought the South Korean carrier had grown increasingly frustrated with long-running service disruption, as relations between unions and terminal operator ICTSI Oregon soured.



Portland: The absence of Hapag-Lloyd leaves Westwood Shipping as the Oregon state port's sole customer.

The situation shows no sign of being resolved any time soon after last month's ruling by the Oregon District Court that the national and local San Francisco International Longshore and Warehouse Union carried out illegal work slowdowns and stoppages at the port from July 2012 to August 2013, but that there was a lack of evidence to show action continued through 2014.

Again it is unclear as to whether the port's productivity issues are the sole reason behind Hapag-Lloyd's decision, but what it does mean is that since the start of the year, the port has lost as much as 99% of its box business.

The news is nothing short of a disaster for ICTSI, with Portland representing the Philippines-based operator's first foray into the lucrative US market, but also for the 900-plus businesses that rely on the port to get their goods to and from international markets.

Data Hub: Load Factors

Utilisation levels tighten on Asia-Europe trades

Vessel utilisation levels on services from Asia to north Europe look set to remain at a high level this year. *nattanan726/Shutterstock.com*

Asia to north Europe

VESSEL utilisation levels on services from Asia to north Europe look set to remain at a high level this year, as carriers have been carefully matching tonnage additions in line with demand growth, *writes Damian Brett*.

The latest Containerisation International estimates show that quarterly utilisation levels will remain above 90% in 2015.

During the year, analysts are expecting demand growth of around 5.5%. However, container volume growth was boosted in 2014 by inventory re-stocking.

This re-stocking boost cannot last indefinitely and growth projections may be revised downwards when real numbers become available.

Early pointers certainly seem to suggest that growth will be lower than expected; freight rate levels are below 2014 levels, pointing towards weaker utilisation, although lower fuel costs will also have played a part in this.

In terms of service changes during the last quarter, numerous revisions took place as the 2M and Ocean Three carrier groupings were launched. Overall, capacity levels recorded only a slight 0.4% increase during the last three months after various gaps were left in services for the winter slack season.

Overall capacity growth for the full year is estimated at about 6% as new larger tonnage is delivered.

Asia to the Mediterranean

SPACE is expected to be tight on services from Asia to the Mediterranean during the next year.

The latest estimates from Containerisation International show that load factors on the trade lane will peak at 93% during the second quarter before dipping below the 90% mark for the rest of the year.

Normally, this should be enough for carriers to maintain freight rates at a similar level to last year, but lower fuel costs mean prices may be slightly lower.

In terms of capacity changes during the last quarter, total space jumped by 6% from the end of December to the end of March.

The separation of CMA CGM and Maersk Line with the formation of the new groupings has led to an extra Adriatic loop being established. At the same time, some gaps in other services have been filled.

Looking ahead, 2015 capacity is expected to be about 7% up on 2014.

Indian subcontinent and Middle East to Europe

UTILISATION levels on services from the Middle East and Indian Subcontinent to Europe have begun 2015 strongly but will weaken as the year continues.

Estimates show that first-quarter utilisation stands at 85% but this will drop to 74% for the fourth quarter quiet season.

Utilisation levels are down on last year, with volumes on the trade lane expected to grow by around 6% this year, as lower oil prices impact the cost of Middle Eastern products and Indian industry continues to strengthen, but capacity is expected to increase by the higher amount of 9%.

An increase in capacity of 7% has already been recorded between December and March. This increase comes in the shape of Mediterranean Shipping Co placing larger ships on the Ipak and Ises services, while Maersk established a new ME5 loop and the MINA US-Mediterranean-west Asia service was uprated.

Europe to Middle East and Indian Subcontinent

THE headhaul direction of this trade lane is expected to be characterised by mixed conditions in 2015.

While the Modi-led Indian economy continues to grow, Middle Eastern economies are expected to come under pressure as a result of declines in the price of oil. This will translate to volume increases of around 5%.

Shipping lines are managing to reduce the impact of capacity additions on direct services by cutting the number of wayport calls in west Asian countries that are made by eastbound Asia-Europe loops.

As result, capacity in the eastbound direction of this trade lane is only expected to increase by 4.5% compared with the westbound growth of 9%.

Continued on page 9

Continued from page 8

Overall, utilisation levels are expected to remain at roughly last year's levels, reaching a peak of 89% during the second quarter.

East coast of South America to north Europe

VOLUME growth on services heading from South America is expected to be robust in 2015, as the declining value of South American currencies make products from the continent more affordable elsewhere.

As a result, a demand increase of 5.5% is expected in the northbound direction.

On the supply side of the equation, capacity to northern Europe has increased by 6% so far this year.

For the rest of the year, carriers are expected to introduce modest increases in capacity of around 0.4% per quarter.

Overall, load factors are expected to improve on last year's level. Despite the quarter-on-quarter improvement recorded, tonnage is well behind the year-ago level after carriers removed a chunk of capacity during the second half of last year.

All this means that the fourth-quarter peak season will see utilisation levels of around 93%.

North Europe to east coast of South America

VOLUMES heading from north Europe to South America are expected to record only modest increases of around 1.2% this year as the Argentinian and Brazilian economies continue to struggle.

The latest GDP estimates from the International Monetary Fund show that Brazilian GDP is expected to increase by 1.4% this year, while Argentinian GDP is expected to record a 1.5% decline.

In 2016, Argentinean GDP will remain flat, while Brazil's will increase by 2.2%.

Despite these difficulties, utilisation levels are expected to peak at 86% during the third-quarter because of the large amount of capacity that was removed during the second half of last year.

For the full year, 2015 capacity is expected to be 4.7% lower than 2014, although this difference is weighted towards the first half of the year.

The only service changes recorded during the last quarter was gaps being filled on Mediterranean Shipping Co's service.

Standard syndicate begins underwriting

Syndicate has already underwritten a number of risks following April 1 start date

THE Standard Club's syndicate 1884 has begun underwriting and has underwritten a number of risks following its April 1 start, writes *Alexis Burris*.

It is expecting to bind a significant number of risks and plans to bring new business into Lloyd's.

"We believe we can bring new business to Lloyd's market to benefit from the market's global reputation for outstanding insurance expertise and unparalleled financial strength. The early signs indicate there is a strong interest in our offering from shipowners who have previously placed their risks outside the Lloyd's market," said Robert Dorey, active underwriter for syndicate 1884.

The syndicate is writing marine and marine energy covers.
SantiPhotoSS/Shutterstock.com

The syndicate is writing marine and marine energy covers including hull, liability, energy, property, cargo and specie, and corporate lines.

Mr Dorey is leading the team of 10 experienced underwriters including Oliver Paine, who joins later this month as class underwriter for energy from Travelers; Tom Graham, who joined from Skuld as class underwriter for property, ports and terminals; and class underwriter for cargo, Nick Holding, who joined from FM Global.

The syndicate is the first to be managed by Charles Taylor Managing Agency.

The new managing agency will focus initially on the successful start-up of the Standard Club syndicate before looking at other opportunities.

Charles Taylor gained the ability to offer managing agency services through the acquisition of companies from marine mutual the Standard Club.

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