Lloyd's List

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Rickmers seeks to emulate Seaspan business model

Owner accepts dilution but wants '5% of Mercedes-Benz, not 100% of Lada'

RICKMERS Group is to adopt a business model that explicitly emulates Seaspan, Danaos and Costamare, ditching its past as a KG-based German managing owner in favour of long-term fixed rate charters and most likely a New York listing, *writes David Osler.*

The plan will mean a massive dilution for owner Bertram Rickmers, who will in effect have to cede control if the plan goes ahead, although it comes with the potential to catapult him from big fish in Hamburg to the premier league of world shipowners.

But chief financial officer Mark-Ken Erdmann denied rumours that his company is in any sort of race with Claus-Peter Offen interests to see which can be first with a Big Apple quote.

Apart from anything else, dotting the i's and crossing the t's to meet Sarbanes-Oxley disclosure standards will be time-consuming for a group with more than 100 affiliates, he admitted.

While careful not to rule out a listing this year, 2016 is probably the earliest practical date for such a move, he said.

The likelihood is that a clutch of leading German owners will move from family control to public status in the next year or two, either domestically or, in the case of larger concerns, on the other side of the Atlantic.

To some extent, the move is forced. With the KG system based on tax breaks to small retail investors now dead or at least in cryogenic suspension, and local banks rebuilding their balance sheets, the search for finance virtually dictates a turn to capital markets.

But in an exclusive interview with Lloyd's List, Mr Erdmann stressed that Rickmers had been working on a transformation plan since 2011, with Bertram Rickmers not only going in with eyes wide open but actively driving the change.

Mr Rickmers has used the analogy of preferring to own 5% of Mercedes-Benz rather than 100% of Lada when talking to investors.

Open up the company

This contrasts with Mr Offen's idea of using a master limited partnership vehicle for his transatlantic foray, while keeping most of his extensive private interests private.

"There is no doubt we are going to open up the company and Bertram has accepted the dilution effect," Mr Erdmann confirmed.

The blueprint has unfolded step by step over the past few years, beginning with the reductionof its fleet of KG vessels to just 16, down from a peak of 63, at an impairment of $40m.

Erdmann: "There is no doubt we are going to open up the company and Bertram has accepted the dilution effect."

Rickmers Linie liner activities have been restored to profitability, with some nasty previous losses taken on the chin, while private equity partners such as Apollo and Oaktree have been attracted on board.

Earlier this year, Rickmers persuaded its bankers to sign off on a restructuring plan for $1.4bn-worth of debt, which has given it three years of breathing space to do what comes next.

All told, the way has now been cleared for a turn to an asset-focused strategy centred on larger tonnage backed by long-term charters, taking a leaf out of the playbook pioneered by Seaspan, Danaos and Costamare.

While this has the downside of missing out on any action during upturns, the pay-off is a steady cashflow and lower capital costs.

Moreover, a turn to the other side of the Atlantic would have the further advantage of providing private equity with a way out.

However, Rickmers is not going pure play and will hold on to some of its other interests.

Although consideration was given to ditching many of its other activities, diversified Rickmers has decided it

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wants to stick with a full-spectrum skill-set.

The belief is that activities such as broking and technical management add value to the entire proposition, even though it will mean have to sell a more complex story to potential investors.

Mr Erdmann also discussed the company's previous resort to high-yield paper, a first for German shipping, and insisted it was the right move two years ago, even if it may not seem quite so smart with hindsight.

The five-year issue initially netted €175m ($189m), and was subsequently topped up in several tranches to €275m. But at 8.875%, the coupon is pretty steep at a time when German government bond yields have gone negative.

Mr Erdmann said if a call option was in place, he would happily exercise it, but that course was decided against on cost grounds at the time and the decision has to be lived with.

'Right decision'

If funds become available — perhaps via a private placement — it might be possible to buy the bond back from the market, but only if no alternative projects provide a better projected internal rate of return.

However, even if it has proven to be expensive money, the cash was well used as part of the transformation plan.

"In 2013, definitely that was the right decision. Definitely," argued Mr Erdmann, underlining his lack of regrets.

Lloyd's List Sulphur Survey: Distillate fuels seen as best solution for meeting sulphur rules

Lower prices, and technical complexity of alternative solutions, make owners more likely to opt for distillate fuels

SHIPOWNERS seem to have accepted the use of distillate fuels, following the introduction of new sulphur emission regulations at the beginning of 2015, *writes Craig Eason.*

They are also less worried about future emission rules, having seen little negative impact of the regulations that came into force this year.

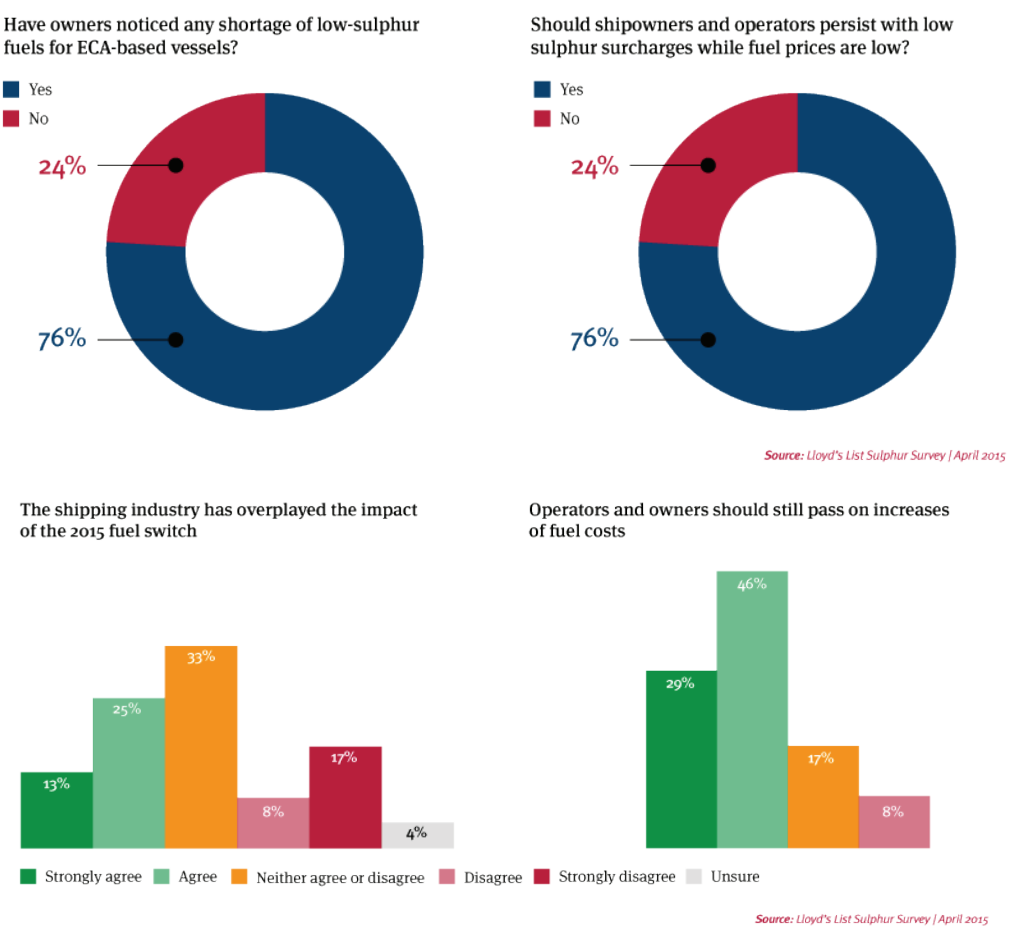
A year ago, when Lloyd's List conducted its previous annual sulphur survey, 48% of the shipowners and operators who responded to the survey said they believed distillate fuels were the best solution to meet the challenges of regulations reducing emissions in emission control areas.

With this year's survey results, that figure has shot up to 62%.

It would also appear that some shipowners remain convinced about the benefit of scrubbers, but remain cautious about the future use of liquefied natural gas.

The use of abatement technology was seen as the preferred option by 19% of the shipowner respondents,

Fuel choice



compared with 17% a year ago, while 18% of the respondents to the 2015 survey selected LNG, compared with 22% a year ago.

While the results of any subjective survey are hardly scientific, they are a useful insight into how the industry is reacting to regulatory change.

One of the main reasons for acceptance of the use of distillate fuels has been the drop in fuel prices, which has lessened the dramatic impact that was feared a year ago.

While the relative price difference between distillate fuels and residual fuels has

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remained the same, the real prices of both has plummeted to a point that distillates are at the price of residual fuels a year ago.

The survey respondents were split over the impact of the fuel price drop, with 50% saying they are not worried and the rest being either somewhat or extremely worried by low fuel prices.

One owner suggested that an extended period of low fuel prices may tempt some owners to speed up their vessels.

"From an operator perspective, it is a benefit that will lead to increased trade and lower fuel bills. The challenge will be to ensure a strong focus on fuels savings initiatives and operating efficiency," suggested another.

A third operator suggests the sudden drop in prices may lead, once global supply is rebalanced, to a sudden increase in fuel prices, of which owners and operators who are responsible for fuel bills should be wary.

Shortage of fuels

Out of the shipowner and operator respondents, 76% have noted a shortage of ECA-compliant fuels.

The ECAs are in North America and North Europe. In these regions, the sulphur content in the fuel must be less than 0.1% by volume.

In the rest of the world, it is

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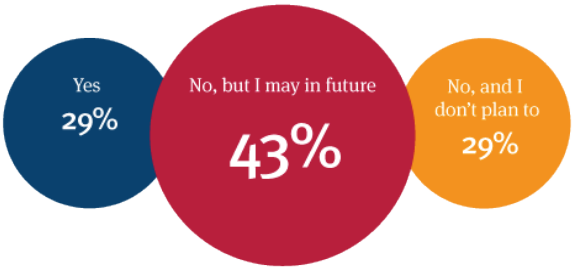
Scrubbers

Does your company have operational experience of using scrubbers?

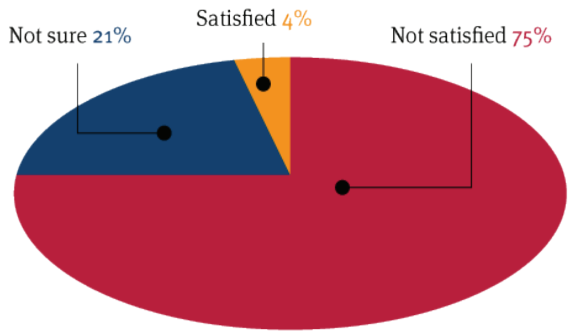


"There is no doubt a potential for scrubbers for vessels only trading inside ECA and looking to the new global cap in 2020, possibly outside ECA as well. The tech is still new and way too expensive and cumbersome for vessels, but I expect to see more and more operators using them in the future."

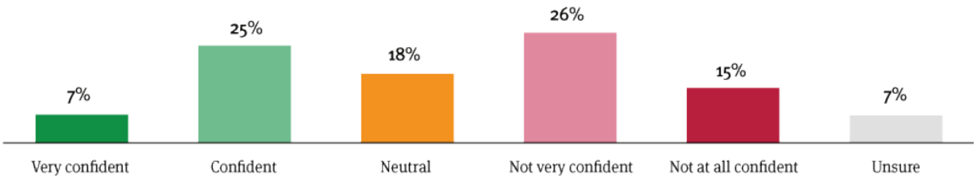
Source: *Lloyd's List Sulphur Survey | April 2015*

Compliance

European port states have been issued guidelines on checking visiting vessels for sulphur rule compliance. They are required to inspect a certain percentage of vessels. How satisfied are respondents that this will deter deliberate non-compliance?

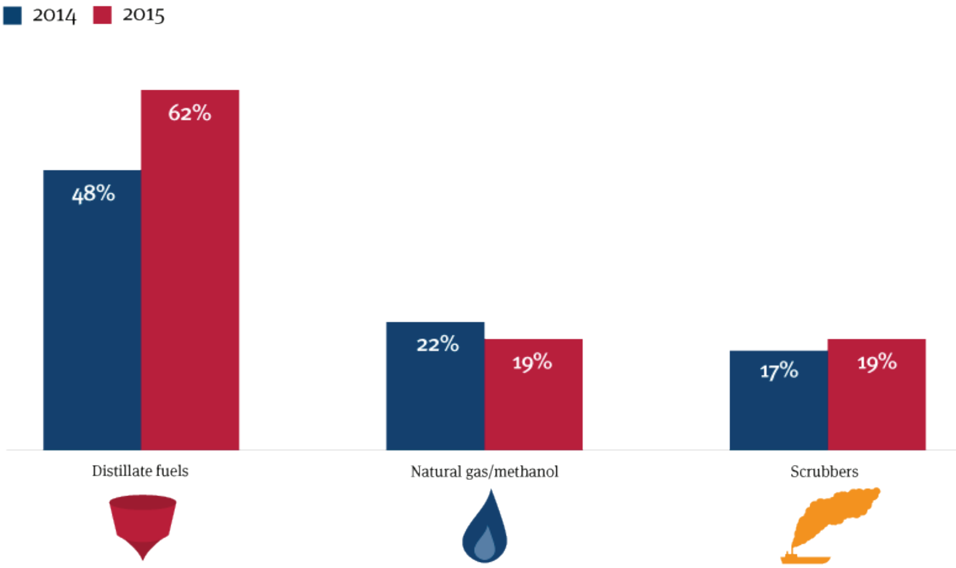


All things considered, how confident do respondents feel about the industry's ability to meet the 2020 global deadline?



Source: *Lloyd's List Sulphur Survey | April 2015*

Which solution do shipowners think is best suited to meet the SOx challenges in emission control areas from 2015?



Source: *Lloyd's List Sulphur Survey | April 2015*

More news online

Drewry report verifies liner shipping's CO2 cuts
http://www.lloydslist.com/ll/sector/containers/article460265.ece

First LNG-fuelled boxship set for launch this weekend
http://www.lloydslist.com/ll/sector/containers/article460278.ece

ABS Group appoints new chief executive and president
http://www.lloydslist.com/ll/sector/classification/article460272.ece

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currently at 3.5% but will drop to 0.5% either in 2020 or 2025.

There are two possible dates as regulators have agreed there should be a review of fuel availability ahead of the global limit coming into force to assess the impact.

When Lloyd's List conducted the sulphur survey one year ago, 50% of the respondents were worried about the 2015 rule changes, and 34% extremely worried.

The remaining 15% were not worried about the impact of the rule changes.

This year, when asked about the 2020 global regulation change, 43% of the respondents said they are either not very confident, or not confident at all, about the ability of shipowners and operators to meet the rules. And 32% of the respondents were not worried about 2020, saying they were confident or very confident about industry ability to meet rule requirements.

Shenzhen faces slow progress in making emissions control compulsory

City has brought in a generous voluntary scheme, but it can hardly follow Hong Kong's example to pursue legislation in the near future

Shenzhen: The city has brought in generous burden-sharing allowances for its voluntary emissions control scheme.

THE Hong Kong government was proud when tabling its rules on low-sulphur fuel to the city's legislators this March, having secured the prestige of being the first in Asia to do so, *writes Cichen Shen.*

But the government might also have felt a bit uneasy, as the home to the world's fourth-busiest port has had a long wait for adjacent mainland peers to support its initiative in tackling vessel emissions. Now Shenzhen has finally responded.

The clean-fuel incentive launched by the city last week is rather generous. Compared to Hong Kong's similar scheme, which covers about half of the extra costs in switching to fuel with no more than 0.5% sulphur, Shenzhen offers a burden share of 75%, or full coverage to vessels that meet the more stringent 0.1% requirement.

Seven owners

Liner giants apparently welcome the programme. Seven owners, including Maersk and Cosco, have already joined, with more than 80 of their vessels registered under the agreement, according to the latest update from the Transport Commission of Shen Zhen.

Cosco responded in an email to Lloyd's List that it had contributed seven ships to the vessel pool, about one-10th of its total container fleet calling at the port. It will continue to add more.

With the oceangoing vessels contributing nearly 70% of the city's total SO_2 emissions, Shenzhen is also set to make headway in building shore power.

Two local terminal companies, Yantian International Container Terminals and Mawan Power Co Ltd Terminal, are to put the new facilities in place this year, with the government backing 30% of the instalment cost, an official from the Transport Commission told Lloyd's List.

Moreover, it also allows vessels committed to the fuel switch to use the shore-based electricity supply with a price discount. "We will even increase the original discount to adjust to the declined oil price," the official said.

The achievements are encouraging yet far from satisfying — at least for Hong Kong: its goal is eventually to establish an emissions control area in the region, which will not only better reduce the pollution, but also help to maintain a level playing field for itself as a port.

Ask Beijing

That will require Shenzhen to follow suit, turning the voluntary incentive scheme into a compulsory law.

However, this appears to be a tall order. The former British colony of Hong Kong is now a special administrative region that has its own legislative authority, but Shenzhen has no such power. "To make legislation, you need to ask Beijing," said the official.

Relying on the central government could be less promising, because mandatory emissions regulation can make many Chinese ports more costly and less attractive to shipowners.

With the country's ports industry gearing up firmly amid a slowing economy, dampening the sector's competitiveness would be the last thing Beijing wants.

Subsidies are not the best way to bring in emissions control, Li Shuisheng, a Shenzhen environment official, conceded when announcing the incentive plan in September, "but so far it's the most effective way".

Expecting Beijing to make any fast move would be perhaps unrealistic — after all, it took Hong Kong three years to take the recent step towards low-sulphur legislation, following the launch of its own subsidy programme.

Sea hub for the Asian century

Singapore's marriage of maritime planning and free enterprise has served it well

IT ALL starts from the sea. One of the earliest names to attach itself to the 384,344 square mile island territory was "Sea Town", or Temasek in Malay. By the 19th century, the sea town had become a natural port of call for trading vessels, *writes Tom Leander*.

Sir Stamford Raffles recognised the commercial and strategic importance of the island, situated as the main maritime gateway from the India Ocean to the South China Sea, and established a trading station there under British rule. It eventually became the main hub on trades from India to China and as an entrepôt for maritime trade across Southeast Asia.

Singapore, which celebrates its 50th year as an independent republic this year, has always kept the sea in its plans. The name Temasek is now fixed to the government investment vehicle that has ownership links to many of Singapore's maritime assets, from container shipping company Neptune Orient Lines, to ship and offshore vessels Keppel and Sembcorp Marine, and port giant PSA.

Nowhere else, in fact, has the marriage of economic planning and maritime free trade found a happier match.

Singapore lost its mantle as the world's busiest container port to Shanghai in 2010, but this is natural, as the sheer volume of trade to and from China makes it surprising that Singapore held on to the top rung for so long.

Sir Stamford Raffles recognised the commercial and strategic importance of Singapore. ***Iryna Rasko/Shutterstock.com***

However, it has retained its rank as the world's top bunkering port and it is still, by a long distance, the world's busiest transhipment port, serving as the hub for feeder vessels and cargoes that fan out to Southeast Asia, Australia and as far as Sri Lanka.

As chief executive of Singapore's MPA, Andrew Tan, told a crowd of students in September 2014: "Singapore will increasingly face multiple challenges as a leading maritime hub.

"As it stands currently, various maritime centres are developing and expanding. Port operators are repositioning themselves for the future by exploring higher-end technologies to increase work efficiency, to enhance capabilities, and to better manage their resources."

But this is what Singapore is doing, as well — and perhaps earlier and with greater focus on the long-term game than its port competitors.

Singapore has been busy expanding its port cargo-handling capacity and introducing automation and other productivity measures. It is positioning itself as an LNG bunkering hub. And its ship register is now the fifth-largest in the world.

Integrated maritime services

Perhaps the greatest strength that Singapore has achieved is the ability to build around the port an integrated "eco-system" of maritime services, providing one of the most beneficial environments for maritime businesses.

The city state offers a raft of maritime tax relief measures to businesses that set up within Singapore. This attracts not only brick and mortar businesses to service shipping companies, but also knowledge-based enterprises as well, to support research and development.

One example: for many reasons, including Keppel and Sembcorp Marine's primacy as offshore and marine engineering giants, classification societies and other enterprises have selected Singapore as research and development centre for maritime-related design for such offshore challenges as building vessels for harsh and Arctic environment effectiveness and durability.

Another aspect of the integration of Singapore's maritime development is in finance. Singapore is hands down the most plugged-in shipping finance centre in Asia. The big international shipping banks all have a presence in Singapore. The Singapore stock exchange has lured many maritime companies for their initial public offerings.

While Singapore doesn't offer a blanket low tax regime such as Hong Kong's, it has excelled in providing

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You can view the Lloyd's List Singapore Maritime Week web page at http://www.lloydslist.com/ll/incoming/article460305.ece

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tax benefits that make it a sustainable environment for owners facing the bare teeth of a cyclical industry.

Singapore offers tax breaks under its Maritime Finance Incentive for income from vessels registered under an Approved Ship Investment Vehicles scheme; tax cuts for leasing arrangements for Singapore-registered ships; and breaks for ship investment managers that extend to 10 years.

There are many other targeted incentives, such as tax breaks to encourage the purchase of "green ships" and the scrapping of older tonnage.

In the category of "still to come", Singapore has tried but so far had limited success in developing a freight forwarding agreement trading market in Singapore, but it is early days yet.

Also, its launch of a Singapore Ship Sale form in 2011 as an Asian alternative to commonly used forms developed in London, delivering the plucky message that Asia is the centre of shipping and Singapore its key hub, has made a splash, but so far a modest one.

More on Singapore online

NOL focuses its fortune on transpacific trade
http://www.lloydslist.com/ll/sector/containers/article459654.ece

PSA plans its next 50 years
http://www.lloydslist.com/ll/sector/containers/article459653.ece

Recent shipping history has been characterised by a series of emergencies. Following the global financial crisis of 2008, the industry has struggled to emerge from its down cycle, and when robust demand crops up in a given sector, speculation that leads to new capacity build-up is never far behind.

As the industry meets in Singapore next week to unravel the mystery of its economics and the possibilities for its future, it could do worse than look to its host's uncanny ability to plan, build and rebuild without an excessive amount of fuss. Singapore just gets on with it.

Zim holds up Wan Hai as a role model for mid-size lines

Danieli: "We are fighting for margin."

Scale not the only route to financial success, says chief executive Rafi Danieli

ISRAELI line Zim looks towards Wan Hai Lines as clear proof that scale is not the only route to financial success, *writes Janet Porter*.

The Taiwanese carrier consistently achieves one of the best profit margins in the container shipping industry, yet is the smallest of the world's top 20, just behind Zim.

Wan Hai's success reflects its concentration on the booming intra-Asia trades, an area where Zim is also strong.

At a time when the leading three in the world are pulling away from other lines and, indeed, are seen as the only truly global carriers, the rest are trying to work out how best to succeed in an increasingly complex business.

Zim chief executive Rafi Danieli holds up Wan Hai as an example of a line that is unconcerned about industry league tables.

"I do not care if we are ranked 19, 22 or 16," says Mr Danieli. "Take Wan Hai — they are not looking at their ranking but their margin, and this is exactly what we are trying to do. We are fighting for margin."

He also points out that, when excluding the published results of Maersk and CMA CGM, Zim's profit margin in the fourth quarter of 2014 was above the industry average.

Even if Zim or other smaller lines wanted to grow significantly, merger or acquisition opportunities are few and far between, given the ownership structure of most of the leading players. Instead, consolidation is taking the form of alliances that extend the reach of members without the huge financial outlay that would be needed to serve the global marketplace independently.

Zim and Wan Hai are among the handful of top 20 lines not to belong to one of these new collaborations, the latter because of its regional focus.

In Zim's case, its network is more diverse, with a large presence in the US and eastern Mediterranean trades as well intra-Asia. But it has axed northern Europe from its offering.

Mr Danieli denies that Zim's solo status is driven by politics and other carriers' reluctance to work too closely with an Israeli line. He points out that Zim has a number of co-operative agreements, including with the G6 group, but remains undecided about full membership of one of the big four global alliances.

"If the right time and opportunity arises, we will discuss it," he says, but no talks are underway at the moment.

There are both advantages and disadvantages in joining a global partnership, but for now Zim is retaining operational flexibility as it focuses on the bottom line.

After years of financial losses, Zim is making headway following the debt for equity restructuring package signed last year.

Already, there are clear signs of improvement in Zim's results, which moved in to the black late last year.

"We are four months into 2015 and it looks like we are on the right foot," says Zim's chief financial officer Guy Eldar.

The line has been helped not

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just by lower fuel prices, but also by the extra Asia-US east coast services put on by Zim to help shippers overcome west coast congestion, and better conditions in areas where it is stronger, notably the Pacific and intra-Asia trades.

This year "is going to be a turning point", says Mr Danieli.

"We are in the process of transforming Zim, and with all the plans we have in the pipeline, I believe we are going to see further improvement in Zim's results.

"The DNA of the company has changed to concentrate on being profitable and thinking every day how we are going to further improve the efficiency and the level of service we offer to customers.

"This change of mindset is very important."

Mr Danieli, who joined Zim 37 years ago, also confirmed to Lloyd's List this week that he would be staying on as chief executive after talk in the wake of the financial restructuring that he could move up to chairman. He had thought that the board would want to appoint a new chief executive but instead, Mr Danieli was asked to stay on in the job he has held since 2009.

Strong cargo rebound for Californian ports as anchorages empty out

Prospects of labour peace bring cargo back to US west coast

ALL three Californian ports are reporting a strong rebound in container volumes after months of disruption that had seen throughput plummet, *writes Janet Porter.*

The recovery follows clear signs that industrial issues that have blighted all US west coast ports throughout the winter are coming to an end after labour leaders recently voted in support of a new contract of employment for longshore workers. Rank and file members of the International Longshore and Warehouse Union will be balloted next month.

Further evidence that port activity is returning to normal is coming from ship movement activity. The Marine Exchange of Southern California reports that the number of vessels at anchor outside Los Angeles and Long Beach because of congestion issues within the port complex was down to seven on Thursday morning, of which just four were containerships. Three of those were 10,000 teu or larger, the biggest being the 13,000 teu Cosco Excellence.

Los Angeles, the largest container port in the US, reported that its March numbers were up by 17.3% on a year ago to 791,863 teu. This was the second-highest month in the port's history, beating the previous record set in October 2006. For the first quarter, though, overall volumes of 1.8m teu were 5% down on a year ago.

Seroka: "Labour levels are strong and our container terminals are extremely active."

"March container volumes were robust, as our terminals worked aggressively to clear out the backlog of vessels," said LA executive director Gene Seroka.

"The number of ships waiting at anchor has reduced significantly, labour levels are strong and our container terminals are extremely active.

"We continue to work on a series of initiatives to improve efficiencies throughout the supply chain. Next week, the Port of Los Angeles and the Port of Long Beach will co-host stakeholders to discuss additional solutions to further optimise the San Pedro Bay supply chain."

At neighbouring Long Beach, cargo volumes rose by 32% over the same month last year, making it the busiest March in the Port's history.

A total of 630,084 teu were handled, with imports soaring 42.1% from a year ago, although exports decreased by 17.3%. Empty container moves were up 85.4%.

Containerised trade is also rebounding at Oakland after two months of decline. The port said cargo volumes in March increased 6.4% from a year ago, a turnaround from a 31% decrease in January and February.

"We're moving in the right direction again," said port maritime director John Driscoll. "But we've still got plenty of work to do to make up for a slow start to the year."

More containers news online

Liner reliability improves during March
http://www.lloydslist.com/ll/sector/containers/article460271.ece

Asia-north Europe rates slip to lowest level since 2009
http://www.lloydslist.com/ll/sector/containers/article460274.ece

Tankers take advantage as Libya ramps up oil output

Oil output rises come despite Libya still being embroiled in conflict

Nordic Hunter was chartered by Unipec to haul 140,000 tonnes of Libyan crude to China. *AlfvanBeem/ Wikimedia Commons*

A SUEZMAX and an aframax tanker have been chartered in the past few days to carry 220,000 tonnes of Libyan crude, as the country shows a surprising rise in oil production, generating fresh employment opportunities for tankers, *writes Hal Brown.*

The 1997-built, 151,401 dwt *Nordic Hunter*, owned by leading suezmax player Nordic American Tankers, was chartered by Unipec to haul 140,000 tonnes of Libyan crude to China, latest fixture lists show.

Unipec is paying the owner a lumpsum of \$3.8m for the longhaul voyage, which is scheduled to start on May 8.

A yet to be named aframax tanker owned by Aegean Shipping will haul 80,000 tonnes of Libyan crude to Trieste in Italy on April 26 for charterer OMV, fixture lists show.

These fixtures come as Libya is ramping up crude production following drastic declines caused by conflict in the country.

Libyan crude production recovered to 480,000 barrels per day in March, up 190,000 bpd on February, despite ongoing chaos and attacks by militants reportedly allied with Islamic State, according to the International Energy Agency this week.

By early April, output in Libya had risen to around 600,000 bpd, the IEA said in its oil market report.

Although this was a further improvement, the current level “is still some way below” the 1m bpd achieved last October and less than one-third of the 1.6m bpd produced before the 2011 civil war that ousted Muammar Gaddafi, the IEA said.

The Paris-based energy watchdog noted that Libyan production rose steadily throughout March after the Sarir oil field restarted.

Towards the end of March, Tripoli agreed to allow several fields to restart following UN-brokered peace talks in Brussels, and oil fields and terminals that have stopped operations due to the fighting between the country’s two rival governments may also re-open shortly, the IEA said.

The impressive recovery has allowed Libya’s exports to world markets to climb to 500,000 bpd, offering employment opportunities for tankers such as *Nordic Hunter*.

Tanker watchers will, no doubt, continue to monitor this development closely — an extra boost to tanker demand in a tanker industry already riding high this year on a healthy supply of cargoes and limited fleet growth.

More tankers news online

All smiles at BW LPG as 2014 profit doubles
http://www.lloydslist.com/ll/sector/tankers/article460299.ece

Rising suezmax fixtures reflect robust market
http://www.lloydslist.com/ll/sector/tankers/article460275.ece

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Fifteen capesize orders were changed into tanker orders in first quarter

Tanker orderbook swells amid backlash of failing dry bulk market

DURING the first quarter, as many as 15 newbuilding orders for capesize dry bulk carriers were changed into tanker orders, according to the shipbroker Gibson, *writes Hal Brown.*

Swapping dry orders for wet comes as the dry bulk market is faltering, while the tanker market rides high on abundant cargo supply and limited fleet growth.

Broker expects more

The 15 capesize newbuildings were changed into orders for eight long range two product tankers, four aframax crude tankers, and three long range one product tankers, said Gibson.

The broker expects more transfers will materialise this year.

“We are also aware of other owners waiting in the wings to do similar deals to reduce their dry cargo exposure,” the broker said in its report published late on Friday afternoon.

The problem, however, is that this trend is swelling the tanker orderbook.

This year has already reached 50% of the total orderbook seen in 2014. In the first quarter, tanker newbuilding contracting reached its highest first quarter total since the first three months of 2007, said Gibson.

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Confirmed orders above 25,000 dwt in the first quarter amounted to 84 units, including 19 aframaxes, 18 suezmaxes and 13 very large crude carriers, the broker noted.

In the clean sector, there were 17 LR2s and 12 LR1s ordered but just five medium range product tankers.

Some 50% of all first-quarter tanker orders were contracted in January.

A rush away from dry bulk to tankers will add to this growing orderbook.

“What is certain is that tanker owners do not want to take the backlash of the failings of the dry cargo market,” said Gibson.

When the tankers are delivered from the yards on to the water, they will intensify competition for cargoes, potentially dragging freight rates down, say other tanker experts.

Swapping dry orders for wet comes as the dry bulk market is faltering, while the tanker market rides high.

Capesize owners draw a line in the sand to refuse dud deals

Bunker price rise has added to the challenges facing capesize owners and operators

SOME people can only be pushed so far and apparently that was the case with capesize owners this week, *writes David Sexton.*

Having endured months of poor rates, brokers reported that some owners decided it was time to draw a proverbial line in the sand — better to accept nothing rather than poor returns.

“There is a feeling that owners are digging their heels in a little bit more strongly across the board,” Braemar ACM wrote in its weekly scope.

“Combined with higher bunkers compared with last week, this could easily translate to slightly better voyage numbers, but the time charter equivalent will not be much improved unless we see a drastic change somewhere.”

One Singapore broker agreed. “The owners are just refusing to deal and it is difficult for anyone to do business right now,” he said.

“One positive factor is the market is volatile and could pick up quickly.”

Another Singapore broker noted a jump in bunker prices made owners prickly, as higher fuel costs further threatened their returns.

Singapore fuel prices were at $343.50 a barrel on April 16, up from $322 on April 10.

Limited growth

It was a quiet period on the Baltic Capesize Index, albeit with some very limited growth, as the BCI reached 521 points late in the week, slightly up from 466 points late in the week before.

Compare this with early November last year, when the BCI reading was 3,781 points, and you can understand the extent of the change that has come over the market.

Brazil–China (C3) and Western Australia–China (C5) ended this week close to where they finished the week before.

Bolivar–Rotterdam (C7) is one of the few routes to have trended upwards recently, having tracked north since around St Patrick’s Day, reaching $5.40 per tonne late this week compared with about $4.50 a month ago. It is still something of a comedown from $7.60 in late January.

There was some activity this week, with Braemar noting an Australia-based miner had fixed four ships from Port Hedland for April 28 at $4.25, while another miner picked off at least two at similar levels for the same dates.

But as Banchero Costa noted, the capesize market remained “pretty flat”, with the Pacific market even quieter than before.

Export volumes continue to be substantial, with Fortescue Metals Group lifting its full-year shipping target to around 160m-165m tonnes, having shipped 40.4m tonnes in the first quarter — a 28% increase compared with the same period last year.

In hot water

There is some irony in this, as Fortescue boss Andrew “Twiggy” Forrest found himself in hot water several weeks ago for comments suggesting mining companies should reduce production with a view to stabilising prices.

The price of benchmark iron ore is currently around the $50 a tonne mark, still low compared with a year ago, but something of a recovery from a few weeks back, when it plunged to a 10-year low of $46.70.

Star Bulk wraps up Excel fleet takeover

Influx of 34 bulkers has nearly doubled number of vessels in the water

STAR Bulk Carriers has completed the acquisition of the 34-ship Excel Maritime Carriers fleet, which it agreed to purchase last August for $635m, of which about $288m was paid in cash and the remainder in Star Bulk stock, *writes Nigel Lowry*.

The last Excel vessel to be delivered was the nine-year-old kamsarmax *Ore Hansa*, which has been renamed *Star Jennifer*.

Altogether, Star took over 14 sister kamsarmaxes, as well as six capesizes, 12 panamaxes and two handymaxes.

The last Excel vessel to be delivered was the nine-year-old kamsarmax *Ore Hansa*, which has been renamed *Star Jennifer*.

The influx of tonnage has made Star Bulk the largest US-listed dry bulk operator, almost doubling its fleet in the water to 70 ships with a capacity of 7.2m dwt.

In addition, the company has 28 newcastlemax, capesize and ultramax newbuildings on order for delivery this year and in 2016.

Most of the fleet is deployed in the spot market, "awaiting a better dry bulk market", one executive said.

In recent weeks, the owner has sold five of its older 1990s-built bulkers for demolition.

After all the newbuildings are delivered, Star Bulk will have 39 newcastlemax and capesize vessels in its fleet.

It is one of the participants in Capesize Chartering, the new common chartering platform launched earlier this year by five leading owners in the sector.

Pan Ocean announces rehabilitation plan changes

Korean shipping company will submit a revised rehabilitation plan to the Korean Court next week

PAN Ocean has announced that it will make a series of changes to its bankruptcy rehabilitation plan, *writes David Sexton*.

"Key terms of the revised plan such as discount rate of cash repayment and decision of reduction of capital will be disclosed once the company submit the plan to the Korean Court," the company said in a statement to the Singapore Exchange.

The original rehabilitation plan was prepared following the Pan Ocean bankruptcy back in 2013.

Lloyd's List reported earlier this week how Pan Ocean had taken steps to settle outstanding claims with unsecured creditors by issuing new shares in return for debt to several creditors include Merrill Lynch, Strategic Bulker Carriers, Nordana and Korea Line.

Pan Ocean issued 757,844 common shares to creditors, with the largest number — 595,924 — issued to Merrill Lynch International. The shares, which increase the company's outstanding shares by 3%, were issued at a price of Won10,000 ($9.10).

South Korean poultry group Harim agreed to buy Pan Ocean in December last year for the price of Won1trn.

As of February, Pan Ocean owned 94 vessels on the water or on order, according to Lloyd's List Intelligence.

MICHAEL GREY VIEWPOINT

Name-calling bullies

NGO Shipbreaking Platform activists fail to give credit to practical measures that are already being taken to improve the industry

LET's hear it for a group of ship operators who refuse to be intimidated and — for want of a better word — bullied by a gang of self-righteous, self-regarding and self-promoting lobbyists: the curiously named NGO Shipbreaking Platform and their nauseous cant, *writes Michael Grey*.

It was quite a eureka moment. MSC, MOL, Hanjin, Yang Ming, Conti, G.Bulk and Danaos are among the owners of some 641 ships that were sold for demolition in the yards of the subcontinent, which the "Platform" judges to be substandard, on account of their use of beaching.

This group of activists, predominantly from very rich Western industrial countries, now boast of its alliance with what is described as the "Clean Shipping Network". They are anxious to stress their environmental credentials and want everyone they deal with to follow their approved practices.

What's wrong with that, you might ask? Surely everyone should be trying harder to be more sustainable in every way? These people should rightly be commended, should they not?

This argument might hold water if there was nothing being done to improve the social, safety and environmental impacts of the recycling yards of India, Pakistan and Bangladesh, which continue to provide the lion's share of world ship demolition capacity.

It might just about be acceptable if the International

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Maritime Organization had not spent several years of sweat and effort in putting its collective shoulders behind the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships.

If the shipping industry itself had not moved to encourage interim measures to ensure that ships are sent for recycling in a safer fashion, with better information about the hazardous substances they contain, there might be more cause for concern.

Like too many of these self-important protest groups, there is always an absolute refusal to give any credit to the practical measures that are being taken by those who can help put improvements into place.

There is also an inability to recognise practical reality and any realistic alternatives — if those 641 ships that were destined for the sub-continental yards could not be dismantled in those yards, where on earth does anyone think they could be accommodated?

Turkey has limited facilities and for much of last year, the yards of China were not buying much, outside the ships of their domestic fleet. It's a global market out there, not a nationalised industry in ship dismantling!

Dogmatic assertion

The Platform, which believes strongly that the Basel Convention for the Trans-boundary Movement of Waste is its Holy Writ, would like to see all ships as waste products and recycled in their countries of ownership or registry — which, I suppose, would see the forests of Panama and Liberia devastated to accommodate scrap yards.

Global Marketing Systems organised a fact-finding visit to Indian recycling yards in Alang to see the improvements being made.

Sorry, I'm just being ridiculous — in reality, they and their chums in the European Commission would like to see ship recycling revived in Europe, which of course would involve practically every bit of product having to be exported to the East, where they can actually use the stuff, there being limited requirement for secondhand toilet bowls and 900mm cargo pipes in this part of the world.

Worst of all — and I have sat and listened to these people expounding their creed with their absolute belief in their mission — is their refusal to give a moment's thought to the 40,000 people in the subcontinent whose income depends on the industries they would like to see closed down.

Beaching is bad, goes their dogmatic assertion and there is no acknowledgement of the substantial incremental improvements that are being made on the ground in safety and sustainability. Beaching must be stopped, they say.

It was only a couple of months ago that there was a fact-finding visit to Indian recycling yards in Alang by a substantial Japanese industry and government delegation, charged with an assessment of the quality of the beach recycling yards in the region.

Improvements

The visit, which was organised by the cash buyer Global Marketing Systems, was able to see the improvements that were being made and which could be more widely spread around the whole subcontinental recycling sector.

The fact that these visitors were able to see a number of yards which were recognised as being very close to meeting Hong Kong Convention standards, must surely be something that will encourage others.

Japanese government support to Indian yards to help them upgrade their facilities would seem to acknowledge the progress that is being made and the potential for more. And of course all of this practical effort makes more sense than to behave like ostriches and refuse to believe that any improvement is possible.

The Japanese visit probably will not deflect the Platform from its mission and efforts to bully those shipping operators who dare to disagree with it and can thus be listed as "global dumpers" and suitably abused in places where the self-righteous meet.

But this is the age of the activists, who are far more interested in the welfare of fish than that of fishermen, who undertake dangerous stunts to show they know better than others, like the gang from Greenpeace who had been sitting grimly on the anchors of an Arctic-bound oil rig until bad weather in the Pacific forced them to desist.

They won't be deflected from their quasi-religious beliefs, which net their corporation a rich income from their gullible supporters, any more than Platform People could be ever persuaded that there were other better ways to improvements in ship recycling than those of their own unrealistic prescriptions.

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