Lloyd's List

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Ultra large boxships don't define the alliance, says APL president

Kenneth Glenn says the company will focus more on land-side cost reduction

WHO will be next to join the ultra large containership club? Not APL — even though two of its partners in the G6 alliance have done so, and Neptune Orient Lines, its parent group, recently cut a $1.2bn deal to sell its logistic unit, *writes Cichen Shen*

APL president Kenneth Glenn told Lloyd's List that the carrier is pleased with the fleet it possesses now, and that its fight to sustain itself during the ongoing market trough will concentrate more on cost savings.

Mr Glenn, in an interview at Singapore Maritime Week, shrugged off the prospect of buying 20,000 teu ships and following in the footsteps of alliance partners OOCL and MOL, emphasising the constraints on owning the biggest ships.

"Those ships are only deployable within the G6 in one trade, while the alliance serves four trades. They don't define the alliance."

Being an ally, APL will have access to the giant vessels that MOL and OOCL just ordered. Yet it appears to be more reluctant to acquire these assets and add them to its own portfolio.

"Those are decisions under review as we evaluate market conditions, and capacity needs of our own and the G6," said Mr Glenn.

He added: "We think it is the most competitive fleet that the company has ever had in our history."

Mr Glenn pointed out APL has taken delivery of 34 newbuildings under its fleet modernisation plan, equating to about 50% of the carrier's global capacity over the past two and half years. The fresh tonnage, with larger sizes and lower fuel consumption, has helped the company increase its operational efficiency.

Fourteen of the new vessels are deployed in Asia-Europe trade and most of the rest are operating in transpacific lanes where the brunt of APL's business lies.

"There is a global alliance to serve, not simply the one trade," Mr Glenn said.

Glenn: "Cost savings remain an integral part of what we need to do to return APL to profitability."

Cost reduction

Striving to return to annual profit after posting losses for four consecutive years, APL will continue to focus on cost reduction this year, especially on the rising landside expenditures.

"Cost savings remain an integral part of what we need to do to return APL to profitability," Mr Glenn said.

The company has saved $1.4bn in operating costs over the past three years, he said. In 2014, it realised $430m in cost savings, thanks to the lower bunker prices, as well as savings related to the more energy efficient ships from the fleet renewal project.

Although 75% of the cost savings have currently derived from the vessel network, Mr Glenn said controlling land-based spending, including terminal expense, costs stemming from the positioning of containers and other costs will become increasingly significant for the company in future.

As a major player in the transpacific lanes, APL has sustained rising costs on shore, largely due to lower productivity in the US ports. Prevailing congestion has led to a decline in berth productivity at US west coast ports, about 32% lower than that of Asian peers, Mr Glenn reckoned during an earlier seminar.

Shore-based costs "are rising at a faster rate than our cost on the sea. Even though it has accounted for 20% of our total saving, we need to accelerate our effort on that", he said.

Passing the shore-based costs on to the customers appears hardly possible, as liner companies have been mired in declining freight rates amid slowing growth in global trade.

Despite the company's efforts in fighting unfavourable market conditions, Mr Glenn is

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pessimistic about freight rates as he forecast that the imbalance between supply and demand will persist for several years.

"The [downward] trend has been in place for a sustained period of time. And our view is that that's not likely to change in a short period," he said.

Some observers anticipate more consolidation via mergers and acquisitions to occur as the recession of liner industry grinds on.

APL has been the one in the spotlight, allegedly being a potential target for several Asia-based suitors, such as Oriental Overseas (International) Ltd, parent of OOCL, and MOL.

"We don't rule any option and opportunities out," Mr Glenn responded, "but my focus now is to put APL back to sustainability."

Golden Ocean sells capes and delays newbuilding deliveries

Fredriksen-controlled bulker giant cuts series of deals to strength its cash position

Golden Ocean has sold *Channel Navigator*, pictured, and *Channel Alliance* to a third party.

GOLDEN Ocean will sell and lease back eight capesize vessels to another John Fredriksen-owned company, Ship Finance International, in a deal worth $272m, or $34m per ship, as one of several moves announced yesterday to bolster its cash position in the weak dry bulk market, *writes David Sexton.*

Oslo-listed Golden Ocean also agreed to sell another four capesize vessel contracts being built at a Chinese yard to a third party, but did not disclose the price. For three of the ships Golden Ocean is to charter the vessels back on time charter for six to 12 months.

The company also sold vessels *Channel Alliance* and *Channel Navigator* to a third party, as part of fleet renewal efforts.

Finally, Golden Ocean has also struck deals with several of the shipyards building its extensive orderbook to delay newbuilding deliveries.

"These various initiatives are taken in order to strengthen the cash position and balance sheet of the company," Golden Ocean stated.

The company also hinted that it was fortifying its cash position for possible new vessel acquisitions as the expected weak market this year forces more strapped owners to sell ships on the cheap.

It said: "Golden Ocean is not abandoning its strategy to be a much needed consolidator within the industry, but is rather positioning itself for interesting opportunities which are expected to be available over the coming months."

The vessels bound for sale to Ship Finance and leaseback are *Golden Beijing*, *Golden Zhoushan*, *Golden Magnum*, *Battersea*, *Belgravia*, *Golden Zhejiang*, *Golden Future* and *KSL China*, built in South Korea and China between 2009 and 2013.

All of the ships will be delivered to Ship Finance by July 2015, subject to customary closing conditions. The vessels are to operate on a time-charter basis to a Golden Ocean subsidiary for 10 years at a daily base charter rate of $17,600 during the first seven years, and $14,900 thereafter.

In addition, there is to be a 33% profit share for revenues above the base rate, calculated and paid quarterly, Golden Ocean having a purchase option after year 10 of $112m en bloc.

Ship Finance can extend the charters by three years at $14,900 a day if the option is not exercised.

Golden Ocean has also reached agreements with several yards to delay newbuilding contracts with about 75 months on aggregate.

The company said it wanted to postpone spending money at a time when the market is below cash breakeven levels.

After this measure is taken, Golden Ocean expects six ships will be delivered this year, 15 vessels in 2016 and four ships in 2017.

"There is still work in progress to improve delivery positions further," the company stated.

When all of Golden Ocean's fleet changes are made, the company will have an owned and long-term chartered-in fleet of 40 capesizes, as well as one owned in a joint venture.

It also has 10 ice-class panamaxes, one regular panamax vessel, nine kamsarmaxes and nine supramaxes.

Of the total fleet, 17 capes and four supras are newbuildings still to be delivered.

Golden Ocean says it has secured finance for all newbuilding contracts except nine vessels with delivery in 2016 and 2017 and none of the existing loans are due for refinancing before 2018.

In February the dry bulk operator announced a $135m fourth-quarter loss, while operating revenue fell 25% to $53m, a reflection of the difficult dry bulk market.

Donche-Gay's footnote for IACS: Safety first

Departing chairman of class societies' industry body reiterates the importance of maritime safety following high-profile casualties in recent years

PHILIPPE Donche-Gay has prioritised safety in the work of the International Association of Classification Societies, *writes Max Tingyao Lin*.

Mr Donche-Gay, whose one-year tenure as chairman will end on June 30, said maritime safety was the most important issue for the IACS and its members following some high-profile accidents in recent years.

"My personal thinking is that... it's probably best to put forth to what the IACS stands for, and what classification societies stand for — which is above all safety," Mr Donche-Gay told delegates at a Hong Kong Shipowners' Association event.

Focus

The Bureau Veritas executive vice-president and head of maritime added that this prioritisation did not not mean that IACS would ignore other aspects of regulation, such as environmental matters, but rather that class societies were putting great focus on designing and building safe ships.

Mr Donche-Gay summarised his IACS work in five items: common structural rules and the International Maritime Organization goal-based standards, safety of containerships, safety of passengerships, liquefied natural gas bunkering and complex onboard systems.

The CSR harmonising project for tankers and bulkers has progressed as planned, with rules published in January and set to become effective from July. IACS members are releasing their software and starting joint development projects.

The IMO has five audit teams in place to verify the rules' full compliance to its goal-based standards, which come into force from July 1, 2016.

Containership safety has been high on the IACS agenda since the *MOL Comfort* incident.

The five-year-old, 8,110 teu *MOL Comfort* split and sank in mid-2013 without any apparent collision, which prompted class societies to explore how to improve safety of post-panamax boxships.

IACS is currently developing two minimum technical requirements for containerships for members to adopt from July 2016. Those rules, known as Unified Requirements by class societies, involve longitudinal strength standard, functional requirements and load cases for direct analysis.

One of the reasons for developing URs rather than harmonised CSRs for containerships is that the size of containerships is still growing, Mr Donche-Gay said.

"Intellectually [harmonised] rules would be a good idea, but practically... in eight years it would not be appropriate."

Those URs were originally set to be unveiled in the first quarter but Mr Donche-Gay said they would now be published in the second quarter. He admitted the casualty had drawn "a lot of attention" and he aimed to finish the task before his term finishes.

Japan's Ministry of Land, Infrastructure, Transport and Tourism, which has called for improvement of class rules, will have a presentation of its investigation into *MOL Comfort* in the IMO Maritime Safety Committee session in June. IACS will present on containership safety in the same session.

Ferries in focus

Safety of ferries has been in focus since more than 30 passengers died when cruiseship *Costa Concordia* was wrecked off Italy in 2012 and gained even more attention after the sinking of *Sewol* last April, which killed more than 300 on board.

Donche-Gay: Class societies putting great focus on designing and building safe ships.

In that regard, Mr Donche-Gay said the IACS has joined an IMO initiative in developing guidelines for owners on purchases of secondhand ferries, conversions of ships and change of routes.

But he stressed the importance of implementation by national authorities. "The IMO has no jurisdiction on passenger ships operating in domestic waters, where international regulations don't apply."

The safety of LNG bunkering is also one of the most important issues, with the number of LNG-fuelled vessels steadily growing, though still limited and mostly located in emission control areas.

The IACS is developing common procedures for LNG bunking and aims to publish high-level guidelines on July 1. With LNG bunking still in its infancy, "one of the things that could stop the development of this business is a big catastrophe during the [bunkering] operation", Mr Donche-Gay said.

Having started his career with IBM, it is no surprise that Mr Donche-Gay has emphasised class rules for onboard software-based systems — which have increasingly been deployed on all types of vessels.

Software providers

The IACS is expecting to deliver a new UR for certification of software providers, a second for addressing software integrity and security issues during information technology system integration process on board, and a revised UR, E22, about use and application of programmable electronic systems in early July.

With onboard systems growing more complex, the consequences of conflicting software "can be bad", he said. "Ships can lose control. This happens."

Scorpio's Bugbee sees pools as its contribution to consolidation

Pools would afford Scorpio the benefits of consolidation without the disruption of acquiring the vessels themselves

SCORPIO Tankers has clarified its position on consolidation in the product tanker market, saying yesterday it would invite other companies to place their tankers in future pools run by Scorpio, *writes Hal Brown.*

That way, New York-listed Scorpio would reap the "benefits of consolidation without the disruption of acquiring the actual vessels themselves", said Scorpio Tankers' president Robert Bugbee.

The companies that would be invited into Scorpio's pools would have to be companies with "strong operations", he said on the first quarter conference call.

He said he believes there is likely to be consolidation of privately-backed product tanker fleets behind the scenes, as well as some commercial consolidation of fleets through pools.

Mr Bugbee's comments on consolidation come as Scorpio amasses the largest product tanker fleet in the world, totally close to 90 vessels including chartered-in tonnage.

Indeed, it is the "execution and delivery" of this huge fleet

Bugbee: The companies that would be invited into Scorpio's pools would have to have 'strong operations'.

that "keeps us up at night", given that newbuilding delivery schedules from yards can sometimes slip, he said.

Thus far in the second quarter, its fleet on the water is putting in a robust performance: the handymaxes are fixed at roughly $20,000 per day for around 37% of the second quarter's trading days; the medium range tankers at $23,000 per day for 35% of the days; the long range ones at $24,000 per day for 48% of the days; and the

Quarterly results
Scorpio Tankers expenses erode income
http://www.lloydslist.com/ll/sector/tankers/article460649.ece

long range twos at $29,000 per day for 48% of the days.

"There is nowhere in the world where the market is weak in the second quarter," said Mr Bugbee.

There is a steady ramp-up in volumes from Middle Eastern refineries. This ramp-up will start hitting its full stride around July. Scorpio is working closely with Chinese charterer Unipec, a key customer for these new Middle Eastern cargoes.

In addition, the Atlantic triangulation market for MR tankers, which was relatively quiet in the first quarter, might come alive as the US driving season approaches.

"It'll be the cream on the cake if that happens," said Mr Bugbee.

Demand for products is coming from Asia, West Africa, South America and lately Australia, as it aims reduces its crude imports to focus on imports of products on product tankers.

Moreover, Brazilian plans to build domestic refineries are looking less certain, which will eventually result in Brazil requiring greater volumes of product imports.

However, the introduction of so-called LR3s (suezmax-sized product tankers) looks to be more hype than offering any real impact on the market due to their size.

"They are an interesting news piece and an oddity," said Mr Bugbee. "But there are severe restrictions in product tanker terminals when you get beyond the LR2 size category."

Mr Bugbee does not believe there will be further conversions of dry bulk newbuilding orders into product tanker newbuilding orders this year.

And with such as large fleet close to 90 vessels, Mr Bugbee sees no reason to add to his fleet at the moment or in the near future.

"It's a tall order for us to go and buy somebody's fleet."

Although he would "never say never", buying vessels is time-consuming and at this stage it would be dilutive for the company.

At this stage of the company's existence, it's all about quality of balance sheet, sustainability and the dividend, he said.

D'Amico orders two LR1 product tankers

Trend is for longer distances, says Italian product tanker owner

D'AMICO International Shipping has ordered two new long range one product tankers, to be built by Vietnam's Vinashin Shipyard Co for about $44m each, *writes Hal Brown.*

The tankers are expected to be delivered mid 2017, the Milan-listed company said in a statement today.

D'Amico's chief executive Marco Fiori said the deal means the company will enter the LR1 segment.

He said the trend of the industry is pointing towards an expansion of the tonne mile demand, following the concentration of the world refining capacity in the US and in the Middle and Far East.

"In this context, I believe

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LR1s, with their larger cargo capacity, will be in great demand in the years to come, thanks to their ability to carry larger quantities on the same distances.

"In fact, we are actually seeing a constantly growing demand from oil majors and leading market players for these types of ships."

D'Amico's fleet includes 52.8 double-hull product tankers (MR and handysize) of which 23.3 are owned vessels and 29.5 are chartered-in vessels.

At the same time, the company has a total of 10 new product tanker shipbuilding contracts, which include two LRs, four MRs and four handysize vessels under construction at Hyundai Vinashin Shipyard Co, and all expected to be delivered between 2015 and 2017.

Experts are generally positive on the product tanker market.

Shippers urge co-ordinated oversight of box line alliances as regulators prepare to meet

Cargo interests split on future relations with the big four global liner shipping partnerships

SHIPPER groups are urging regulatory authorities to co-ordinate the monitoring of global alliances as concerns grow in some quarters about the scale and reach of the big four, and complaints pile up related to US west coast port congestion delays, *writes Janet Porter*.

Renewed calls for a close watch to be kept on these container line partnerships come as maritime competition authorities in the US, Europe and China prepare to hold a second summit to compare notes on the alliances.

Brussels is expected to publish details of the next get-together any day now, with a date to be set for some time in the coming month or so.

Summit

The forthcoming summit comes after months of congestion at US west coast ports that has been blamed in part on the big alliances, which resulted in many more container moves than usual within the Los Angeles/Long Beach complex.

The Federal Maritime Commission has received 81 complaints over demurrage, detention or free time issues for cargo moving through the two ports at a time when shippers were often unable to pick up containers punctually because of gridlock on the quayside.

Speaking to Containerisation International during last week's Global Liner Shipping conference in Hamburg, the FMC's Richard Lidinsky said the three regulators wanted to follow-up on their first summit in late 2013, now that all four global collaborations are up and running. Last time, the alliances were just starting to take shape.

Since then, the Chinese authorities have banned the P3 alliance between Maersk, MSC and CMA CGM on the grounds that it looked more like a merger.

Now, 16 of the world's biggest ocean carriers are full members of one of the four alliances that are in operation.

The main difference between these super-alliances and conferences is that the latter cover a specific trade lane whereas the former, which do not have price-setting powers, cover all three main east-west trade lanes and could extend their networks further. Conferences were outlawed in Europe in 2008 but are still allowed in some parts of the world.

There are no plans to establish a single set of global rules for these alliances, since that would potentially clash with national laws and interests.

Nevertheless, both Chris

Welsh: the alliances must 'reach out to customers and start showing demonstrable improvements in service quality'.

Welsh, secretary-general of the Global Shippers Forum, and Denis Choumert, chairman of the European Shippers' Council, want to make sure the alliances are kept in check.

But the two shipper representatives are taking a different approach to their relationships with the shipping industry.

Mr Welsh has urged the alliances to "reach out to customers and start showing demonstrable improvements in service quality and innovative solutions for shippers".

A necessary first step, he said, is to sort out the current lack of reliability and predictability of their joint operations which is adversely affecting shippers' maritime and logistics supply chains.

Lines should also resign from conferences and discussion agreements to which they still belong, according to Mr Welsh.

"Shippers understand that we have a shared interest with the liner companies to provide a long-term sustainable framework for

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investment in liner shipping services and the wider maritime logistics supply chain," Mr Welsh said.

"Clearly the 2M, G6, CKYHE and Ocean Three leaderships believe that mega-alliances are the answer to a sustainable future for the liner shipping industry. With that, let us agree a workable and rigorous set of monitoring KPIs that can provide the required level of confidence to customers that alliances will not only deliver service and cost improvements but give reassurance to shippers that they can confidently invest in their maritime and logistics supply chains. Our door is firmly open to contribute to such confidence building measures".

The ESC is taking a more adversarial position, saying last week that it would be conducting its own review of the container shipping market as manufacturers, retailers and wholesalers grow increasingly concerned about the long-term threats of the concentrated power of carriers through alliances.

This will be carried out in the coming years, ideally by the newly formed Global Shippers' Alliance, a co-operation between the Asian Shippers' Association, and the American Association of Exporters and Importers, and the ESC, said Mr Choumert.

Although he acknowledged that free market forces, for which the ESC had campaigned for so long in its fight against the conference system, had sent spot rates to near record lows in the Asia-Europe trades, Mr Choumert said it was not a question of the situation now, but what might happen in the future.

Collateral damage

He claimed there were "thousands" of smaller shippers suffering at the hands of the alliances that are more concerned with handling the accounts of the big beneficial cargo owners and forwarders.

He compared the global alliances to "an elephant in a china shop", gathering strength without fully considering all the consequences.

They are already creating collateral damage, he said, and could be very harmful in the future if they become price leaders in the supply chain.

For that reason, "we would like to have global co-operation between the FMC, European Commission, and China authorities, and we will try to promote this," he told Containerisation International.

Mr Choumert also expressed regret that the European Commission did not have the same resources as the FMC to devote to oversight of the ocean shipping industry.

Low bunker costs protecting lines from sub-zero rates

SeaIntel says rates situation is less dire than in 2011 or in 2013 due to falling oil prices

Low bunker costs are protecting lines from the negative rates earned during the worst of the downturn.

ASIA-Europe spot rates fell to record lows last week, but low bunker costs are protecting lines from the negative rates earned during the worst of the downturn, according to research from SeaIntel, *writes James Baker.*

The Shanghai Container Freight Index of spot rates from Shanghai to north Europe last week fell to $349 per teu, a record low in the six-year history of the index.

Spot rates have dipped below $500 per teu only four times since 2009. The previous record low was when the index was launched in the aftermath of the financial crisis, when spot rates were at $353 per teu.

Less dire

But SeaIntel argues that the situation now is less dire than that faced by lines either in 2011 or in 2013, and that this is the result of falling oil prices.

The SCFI spot rate is inclusive of baf, SeaIntel said.

"Given the large oil price changes in the period from March 2009 to April 2015, the baf element will have had a significant impact on the spot rate levels."

After estimating a baf based on the information carriers provide to their customers, SeaIntel has calculated the underlying freight rate exclusive of baf over the past six years.

From this it is apparent that despite the low level of the SCFI spot rate, earnings are far from being at an all-time low, SeaIntel said. "This was reached by the end of 2011, when the significant freight rate was nearing its end and spot rates exclusive of baf reached as low as negative base rates of -$279 per teu."

Negative rates were seen again in 2013, when the level bottomed out at -$120 per teu.

"In this context it is, unfortunately, clear that despite the current gloom on the Asia-Europe market, it is by no means unprecedented," SeaIntel said.

Lines have announced May GRIs of between $730 and $1,300 per teu but it remains to be seen if these will succeed.

"While the current level is indeed low, the past few years have shown that the underlying base rates can indeed go a lot lower than the present level," SeaIntel said.

"From this context, the low level in itself cannot be taken as guarantee of GRI success."

Euronav warns against speeding up tankers

It serves little purpose to go faster, despite the temptation in a hot market to grab as many cargoes as possible, says owner

Euronav said it serves no purpose to arrive earlier as waiting adds further costs against which there is no certain additional income.

EURONAV, in a letter to investors today, has questioned the wisdom of ships speeding up, asking what owners expect to gain by speeding up their vessels, *writes Hal Brown*.

In a detailed look at market dynamics in relation to speed, crude tanker owner Euronav said it serves no purpose to arrive earlier as waiting adds additional costs against which there is no certain additional income.

Euronav pointed out that more fuel is consumed going faster and if the ship arrives too early, fuel is consumed waiting, to provide minimum energy to run the ship.

In addition, speeding up means that the global supply of ships is also rising and that is likely to reduce the freight market rate.

The tanker company pointed out that it is also important to note that the consumption of fuel, relative to speed, is not uniform and at the top speeds ships consume exponentially more fuel.

For very large crude carriers, there is an inflection point above 13 knots and steaming above this speed, to save a few days, will disproportionately increase the voyage expense compared to the number of days saved, Euronav said.

With 52 vessels on the water — comprising 26 VLCCs, 23 suezmaxes, one ultra large crude carrier, and two floating storage offloading units — Euronav is the largest publicly-listed crude tanker company in the world.

The company argued that an owner or time charterer of a vessel should always manage bunker costs by sailing as slowly as the pattern of trade it is involved in allows.

It stressed that speed is critical in the management of the spot market, and ship owners and time charterers need to focus on bunker cost management, only speeding up when a voyage has been fixed and then only sufficiently to arrive "just in time" for cargo loading dates.

Shipbroker Clarksons touched on speed in a report in the last few days.

Clarksons' shipping guru Martin Stopford said that part of the reason why the tanker market continues to hold up so well this year is that owners are reluctant to speed up.

Speed is likely to play a crucial role in the tanker market's development.

"Are today's speeds the norm for the future?" asked Dr Stopford.

"With bunkers at $300 per tonne, the answer is maybe... But given time, it could well become a key question," he added.

Heat stays in VLGC spot market

Spot rates climb to $96 per tonne, with expectation of further rises this week

THE expectation was that very large gas carrier spot rates would climb above $90 per tonne by this week and they have not disappointed, settling at an impressive $96 per tonne by close of business on Friday, with the expectation that further spot rate rises are imminent, *writes Hal Brown*.

The latest rises were largely due to a lack of available ships in the US Gulf and the Middle East Gulf, said brokers.

In addition, there was much interest in loading cargoes out of West Africa and

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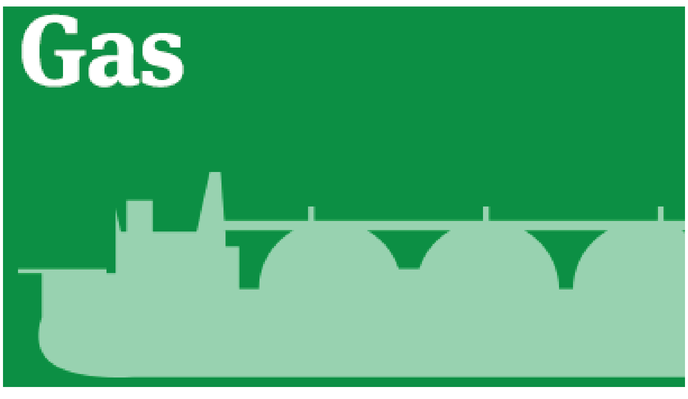

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Houston for the end of May, as well as continued interest in loadings out of Algeria in May and June.

Furthermore, there are delays discharging in India and vessels are now running late for their next cargo loadings in the Middle East Gulf, said brokers.

Set against this background, the consensus among those following this market is that spot rates will continue moving up in the coming days, edging owners closer towards spot earnings of $100,000 per day.

Newbuildings

Hovering over all this, however, is the thorny issue of newbuildings entering the market this year. The market needs to absorb about one new ship every week for the balance of the year, according to analysts at Fearnleys.

That's a lot of new tonnage entering the market.

Nevertheless, most market watchers expect the hot VLGC market to hold up well, in the face of this influx.

For one thing, the coming months are seasonally stronger for VLGCs, with August traditionally representing a high point in spot rates, according to Baltic Exchange data.

Some see spot earnings staying at around $90,000 per day for the rest of the year, which is music to the ears of owners, who pay around $7,000 per day to run a modern VLGC on the spot market.

Vitol charter

Among the owners securing spot fixtures in recent days was Avance Gas, owner of *Iris Glory*.

The 2008-built ship was chartered by Vitol to carry 44,000 tonnes of Middle Eastern liquefied petroleum gas to Asia on May 4 or May 5, according to fixture lists.

The vessel was chartered at a rate in the mid-high $80s per tonne.

VLGCs are thus reaping decent rewards as the heat stays in the market.

In the words of Dorian LPG chief executive John Hadjipateras last week, owners are "fortunate" to be involved in "an expanding market".

SITC reports 74% rise in first-quarter profit

Hong Kong-listed intra-Asia player benefits from lower bunker costs despite falls in freight rates

SITC has a fleet of 69 containerships totalling 86,242 teu, according to LLI data.

SITC International Holdings, which focuses on intra-Asia box trade and logistics business, reported stronger earnings in the first quarter compared with the year-ago level mainly due to lower bunker costs, *writes Max Tingyao Lin*.

The Hong Kong-listed company posted net profits of $37.3m, up 73.5% from the $21.5m seen during the same period of last year.

With bunker prices having nearly halved over the past year to $300-$350 per tonne, cost of sale dropped 6.5% on year to $283m in the January-March period. The gains were partly offset by a 1.8% on-year drop of SITC's quarterly revenues, which mainly resulted from lower freight rates.

Shipping volumes reached 500,687 teu in the first quarter, a 6.3% increase from the year-ago level. Freight forwarding volume during the same period amounted to 373,391 teu, up 3% from 362,655 teu a year ago.

Overall, gross profit margins increased to 15.9% in January-March from the year-ago level of 11.6%.

SITC has a fleet of 69 containerships totalling 86,242 teu, according to data from Lloyd's List Intelligence, making it one of the largest regional lines.

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http://www.lloydslist.com/ll/sector/finance/article460627.ece

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