Lloyd's List

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Further box line consolidation as Hamburg Süd and CMA CGM team up

Two lines extend co-operation agreements and will look for more joint opportunities

CMA CGM is strengthening its ties with Hamburg Süd, extending the reach of the Ocean Three alliance. *Dietmar Hasenpusch*

HAMBURG Süd is strengthening its ties with CMA CGM in a move that will also effectively extend the reach of the Ocean Three alliance, while marking another stage in the container shipping consolidation process, *writes Janet Porter*.

The German line had been among the few global players not to have joined one of the big alliances currently changing the face of the industry, but it has now teamed up with several major lines in a series of more loose-knit arrangements.

In addition to the current joint services with CMA CGM between northern Europe and both east and west coasts of South America, the two European lines are working on various new initiatives.

The French line is already the major member of Ocean Three, alongside China Shipping and United Arab Shipping Co. The latter recently signed a global co-operation agreement with Hamburg Süd.

With Ocean Three a more flexible alliance than some of the others, UASC and Hamburg Süd agreed last September on several slot exchanges.

These have allowed Hamburg Süd to enter the Asia-north Europe and Asia-US trades over the past month or two, while UASC will join the Europe-South America east coast and Asia-South America east coast trades from mid-2015.

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

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

The FMC recently cleared Hanjin Shipping to work with the Ocean Three trio on certain trades serving the US.

This new Franco-German service will complement one connecting Asia with the US east coast via Suez.

From July onwards, the lines will, together with further partners, revamp the services between Asia and both east and west coasts of South America.

The enhanced co-operation allows both lines to provide the market with cost-efficient, innovative new products that will be best in class as far as scope, frequency and fast transit times are concerned, they said. The pair have also agreed to explore other co-operation opportunities when they arise.

Rodolphe Saadé, CMA CGM vice-chairman, said the partnership would reinforce the group's position in South and North America, "reflecting our ambitions in this rapidly growing area and giving us the means to accelerate our development".

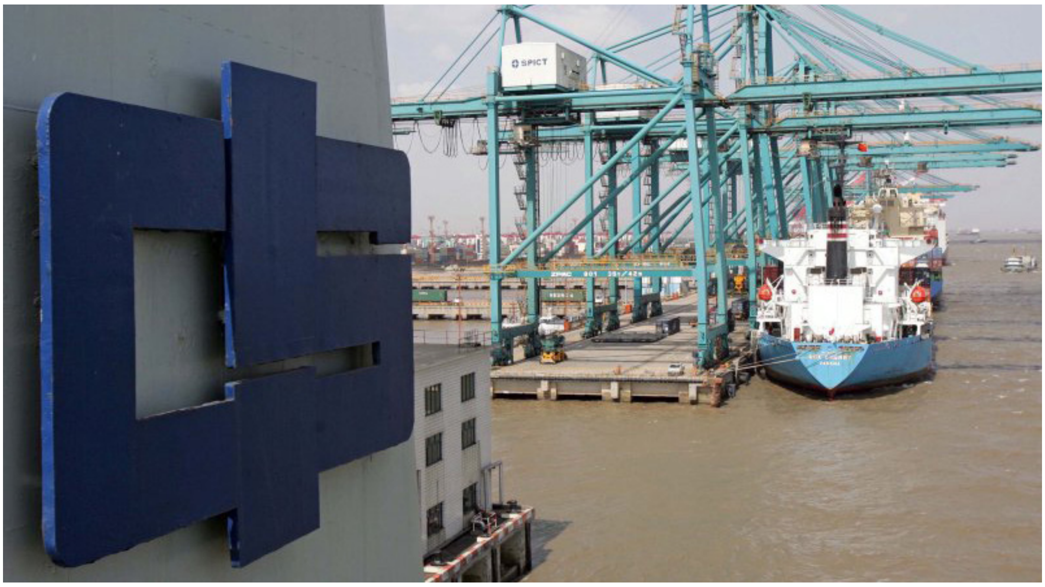
Ottmar Gast, chief executive of Hamburg Süd, said the Hamburg line was "excited about the new products that we are jointly offering to the market".

For many years, Hamburg Süd was linked with Hapag-Lloyd. But when the larger German line merged with Chilean carrier CSAV, that effectively ended any prospect of the two Hamburg carriers joining forces, as Mr Gast recently acknowledged.

Instead, Hamburg Süd announced plans to buy the container activities of Chilean shipping line CCNI in a move that will create the world's 12th-largest carrier. The deal is now due to be finalised in March.

China Shipping Group strengthens ties with state lenders

State carrier has secured credit lines totalling $27bn from Bank of China and ICBC



CSG has been conservative in placing newbuilding orders over the past four years.

CHINA Shipping Group, the country's second-largest shipping conglomerate, has secured credit lines totalling Yuan170bn ($27.2bn) from state lenders since last October to fund group operations, *writes Max Tingyao Lin*.

Earlier this week, the state carrier sealed a "global strategic co-operation agreement" with Bank of China for credit facilities totalling Yuan90bn to support China's development of the seaborne Silk Road, free trade zones and other purposes globally, according to company statements.

Based on the agreement, CSG and BoC will strengthen their links in credit facilities, cash management, direct financing, financial consultancy, investment banking and insurance.

The deal has come after CSG in October signed a "strategic co-operation agreement" with Industrial and Commercial Bank of China for credit facilities of Yuan80bn, which the carrier said was to "develop China into a maritime powerhouse".

A CSG executive said: "Basically the two agreements are of similar nature... there is no limitation as for what the liquidity is for, so they can be used in newbuilding projects or other general corporate purposes.

"The headline figures are just quotas. When we want to draw down credits, a separate loan deal will be discussed."

Compared with other shipping companies of a similar size, CSG has been conservative in placing newbuilding orders over the past four years.

Still, its orderbook is composed of many high-priced vessels, including six 174,000 cu m liquefied natural gas carriers, two 19,100 teu containerships, two oil tankers and 10 bulkers, Clarksons data showed.

According to a regulatory filing, cash reserves of CSG were at Yuan17.1bn as of end-June, compared with the end-2013 level of Yuan20.6bn.

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Scorpio Bulkers to convert three more capesizes

Changes will be made to orders in a Korean yard. The converted LR2s will not be sold to Scorpio Tankers

SCORPIO Bulkers will convert three more capesize ships to tankers in an effort to sell them on, reducing its exposure to a dry bulk market of dimming prospects, *writes Tom Leander*.

This time, the conversions will be to long range one tankers, rather than LR2s, and the ships will not be sold to Scorpio Tankers, as before.

Scorpio announced six capesize conversions to LR2s in December.

News that Scorpio Bulkers was mulling this latest deal at a South Korean yard was first reported in Lloyd's List on January 22.

The three contracts for the converted ships have delivery dates within the second quarter of 2017 for two of LR1 ships, with another delivered in the third quarter of the same year.

Monaco-based, New York Stock Exchange-listed Scorpio Bulkers will take a $22m writedown on the value of the contracts, taking into account current estimated market value.

Scorpio Bulkers did not name the Korean yard involved in the deal, but three capesize vessels on order at Sungdong Shipbuilding and Marine Engineering, due for delivery in 2016, have been pegged as possible candidates.

Scorpio's owned fleet has only four bulkers operating, with delivery of more than 60 vessels expected over the next few years.

Of these, 22 are 180,000 dwt capesizes, with a total of 10 on order at Sungdong, two on

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order at Daehan Shipbuilding and another three at Daewoo Mangalia Heavy Industries in Romania.

In December, when Scorpio Bulkers changed six capesize contracts — four firm and two options — to LR2 ships, it sold them to NYSE-listed Scorpio Tankers for a bargain price of $51m each.

Scorpio Bulkers is reducing its orderbook and capital obligations as the reduced fortunes of the capesize market in 2015 become more apparent. Low capesize rates were instrumental in bringing down the Baltic Dry Index to a 30-year low of 608 last Friday.

Scorpio's Lauro said earlier "a limited number" of contracts would be converted if there is agreement with yards.

US west coast ports fear threat of shutdown

As PMA makes 'final' wage and benefits offer to longshore workers, ILWU urges two sides to keep talking

THE threat of total shutdown now looms over US west coast ports, as employers raised the stakes by making what appears to be a final offer to longshore workers, as operations at terminals along the Pacific seaboard continue to slow, *writes Janet Porter*.

While no specific mention of a lock-out was made by the Pacific Maritime Association when going public with the wage and benefits package now on the table, the International Longshore and Warehouse Union immediately responded with a call to keep negotiating, rather than close port operations.

After weeks of slow progress, developments moved ahead rapidly on Wednesday, when the PMA called a news conference to explain details of an "all-in" offer to longshore workers in a bid to end the deadlock over a new labour contract that has added to the chaos afflicting the country's supply chains.

Employers are proposing a five-year contract, compared with the previous six-year deal — but longer than the two- or three-year agreement that had been anticipated.

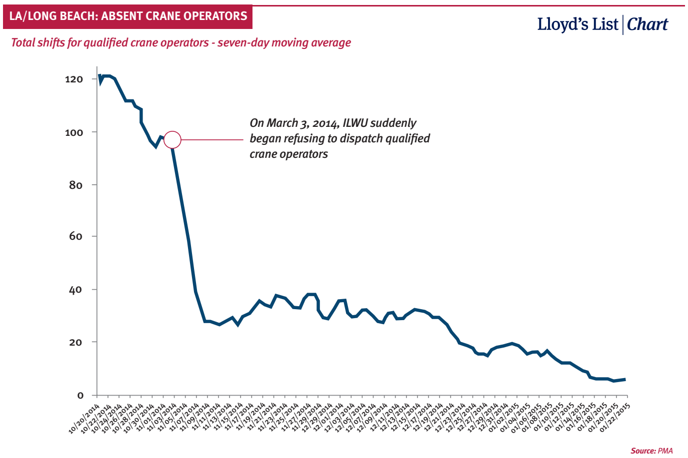
The PMA, representing shipowners, terminal operators and stevedores, said the offer would significantly increase compensation to ILWU members.

Full-time ILWU workers, who already earn an average of $147,000 per year, would see their wages rise roughly 3%, along with fully paid health care benefits, which already cost employers $35,000 per worker per year.

The maximum ILWU pension would rise by 11.1% to $88,800 a year as part of the proposed five-year contract.

In a video recording, PMA president Jim McKenna accused the union of breaking a pledge to keep cargo moving through the ports during negotiations, instead staging "crippling" work slowdowns.

The offer "goes as far as we believe we can go under the current circumstances — the PMA must now decide how much longer we are going to pay longshore workers to work slowly", he said.



Terminals cannot stand any more, he continued. "We are truly close to gridlock."

But the ILWU did not respond directly to the charges, instead urging the two sides to continue talking, as they were "extremely close" to an agreement.

In a statement issued a few hours after the PM intervention to end the deadlock, ILWU president Robert McEllrath said the union had dropped almost all of its remaining issues to help reach a settlement.

"The few issues that remain can be easily resolved," he claimed.

The PMA said its offer was designed to bring contract negotiations to a close after nearly nine months, and follows three months of severe ILWU slowdowns that had hit productivity at major west coast ports.

"Our members have shown tremendous restraint in the face of ILWU slowdowns that have cut productivity by as much as 30%, 40%, even 50%," said Mr McKenna.

"This offer puts us all-in as we seek to wrap up these

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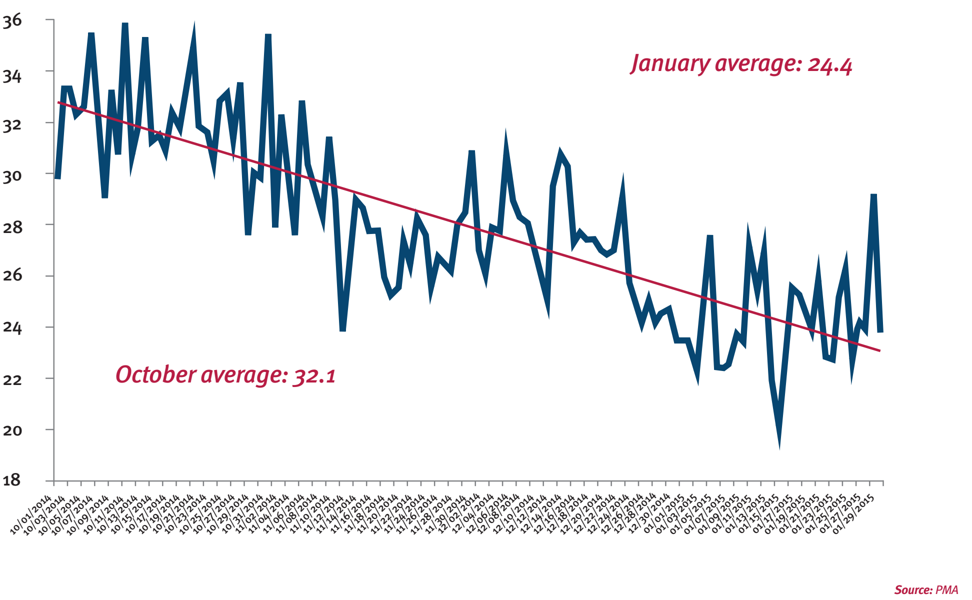
OAKLAND: ILWU GRADUAL SLOWDOWN

Lloyd's List | *Chart*

October 1, 2014 - January 30, 2015



contract talks and return our ports to normal operations."

Employers also said the offer met the ILWU's two biggest demands: maintenance of its so-called Cadillac health benefits — which feature no worker premiums, no co-pays and no deductibles for in-network benefits — as well as jurisdiction over maintenance and repair of truck chassis.

Those two issues consumed months of contract talks, said employers — and in both cases, PMA has offered significant concessions to the ILWU.

The resulting offer calls for a cost increase of roughly 5% each year over the life of the five-year contract.

The PMA also said ILWU slowdowns — which are prohibited by contract — were now in their 14th week, severely impacting operations at major Pacific coast ports, including Tacoma, Seattle, Oakland, Los Angeles and Long Beach.

The association added it had requested a contract extension, which would prohibit slowdowns, but the ILWU has refused.

Despite four weeks of participation by a federal mediator, the parties have not yet been able to bridge the considerable gaps between them, according to the employers' group.

It said the union has recently made significant new demands, and was also insisting on changes to the decades-long process for selecting arbitrators.

"The deteriorating situation on the docks is in nobody's long-term interest," said Mr McKenna.

"I hope the ILWU leadership will give very serious consideration to this contract offer, which I believe respects their members and gives us a clear path to conclude these talks. We owe it to workers and businesses across the nation to resolve our differences and get our ports moving again."

In reply, the ILWU pledged to "keep the ports open and keep cargo flowing, despite the massive, employer-caused congestion crisis that has delayed shipping for most of 2014".

The union said this was the second time in recent memory that the employers had threatened to close ports at the final stages of negotiations, in reference to the shutdown in 2002. The union has not engaged in a port strike over the coast longshore contract. since 1971, 44 years ago.

"Closing the ports at this point would be reckless and irresponsible," said Mr McEllrath. The ILWU urged the federal mediator, who arrived at the start of the year, to keep both parties at the talks until the nearly-finished agreement was concluded.

If the PMA closes the ports, "the public will suffer and corporate greed will prevail", said Mr McEllrath. He went on to point out that the major powers on the employer side are multinational corporations who are foreign-owned.

"These foreign-owned companies make billions of dollars and pay their executives millions to do their bidding," he said.

Both Los Angeles and Long Beach, which have been hit by severe congestion for months, are landlord ports, with terminals operated private companies, most of which are linked to ocean carriers.

Maersk's sister company, APM Terminals, runs Pier 400 in Los Angeles, while lines such as APL, Evergreen, CMA CGM, NYK, MOL and OOCL all have terminal interests.

Further north, Oakland has also suffered from serious congestion.

"The west coast waterfront labour impasse needs to be settled... quickly. Importers and exporters are suffering significant cargo delays," the port said in a statement.

"Central valley farmers can't ship their produce. Small business owners can't get goods to put on the shelf. Harbour truckers can't do their jobs. Everyone is suffering. If the situation, worsens... if west coast ports shut down, the US economy and the global supply chain will be jeopardised.

"In the San Francisco Bay area, 73,000 jobs that depend on the Port of Oakland will be at risk. The impasse is good for no one. It is time to reach agreement on a new contract and put the disruptions and delays behind us."

Negotiations began in May last year and there was every expectation then of an agreement by the end of July. The last contract expired on July 1, but both sides appeared to enter the talks in good faith, with little obvious sign back then of the problems ahead.

However, it took until late-August to reach a tentative agreement on healthcare, thought to have been the first item on the agenda.

Relations deteriorated in October, when a war of words erupted, with the PMA accusing the union of orchestrating go-slows and withholding skilled workers.

The ILWU blamed the congestion and delays at ports up and down the US Pacific seaboard — but worst in Los Angeles and Long Beach — on equipment shortages, larger vessels, and insufficient training.

The Marine Exchange of Southern California has been forced to open up temporary anchorages to cater for the number of ships unable to berth.

After eight months of talks, the two sides accepted federal mediation at the start of the year.

More from North America

Consolidation in US domestic trades as Jones Act comes under renewed pressure

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TSA says robust business necessitates $600 per feu rise next week

Box lines serving the Asia-US trades prepare for annual contract negotiations, with at least two spot rate increases over coming month

CONTAINER lines serving the Asia-US trades are planning at least two, and possibly three, rate rises in the coming few weeks, as they prepare for the annual round of contract negotiations that will begin in a month or two, *write Tom Leander and Janet Porter*.

Citing a robust market for imports by Asian countries ahead of the Lunar New Year holidays, the Transpacific Stablization Agreement reaffirmed its support for further rate increases this season.

A rates hike "will help support continued carrier service investments… while laying a sustainable pricing foundation for 2015-16 service contracts", according to an announcement by the self-described research and discussion forum of major container lines.

The advised rate rises recommended are $600 per feu across the board in the transpacific trades, effective on February 9. The TSA is proposing a second $600 per feu increase on March 9, "with an April increase likely to follow".

Spot rates usually provide a benchmark for prices written into annual contracts, the majority of which are due for renewal on May 1.

This year's contract negotiations will be particularly challenging, given the backdrop including labour relations that appear to be deteriorating as employers and union leaders face down each other over a new agreement for longshore workers, and ports along the west coast face severe congestion.

At the same time, cargo volumes appear to be in good shape

The TSA said its members were reporting full sailings into the Pacific northwest and all-water routes via the Panama and Suez routes to the US east and Gulf coasts, "as well as 95% utilisation or better through California ports hit hardest by congestion".

One of the drivers it cited was higher consumption figures in the US, as the economy rebounds.

The TSA is recommending rises of $600 per feu across the board on February 9 and a second $600 per feu increase on March 9.

The group, which can recommend rates but whose members do not set prices collectively, has also issued guidelines for minimum service contract rates.

These would be $2,000 per feu for cargo moving from north Asia to the US west coast; $2,150 from southeast Asia; and $3,800 from north Asia to US east coast and Gulf ports.

In a statement accompanying the latest freight rate notice, the TSA said the transpacific market was maturing.

"We should not continue to measure it against double-digit annual growth seen a decade ago, but rather in the context of a healthy, steadily improving trade," noted TSA executive administrator Brian Conrad.

Similarly, the excess vessel supply reported globally is often overstated in the transpacific because it does not take into account infrastructure and other operational constraints, he continued.

"The primary imbalance in the transpacific is not so much one of supply versus demand, but rather one of costs versus revenue, that in turn drives service," Mr Conrad said in a message to shippers.

Tanker demand is rising, says McQuilling

As demand rises, rates strengthen across tanker classes, which bodes well for tankers in 2015

DEMAND for very large crude carriers is expected to increase 1% in 2015, spurred by stockpiling of strategic petroleum reserves in Asia and growing demand from India, according to US broker and consultancy McQuilling Services, *writes Hal Brown*.

Suezmax demand is expected to grow at an average rate of 1.85% between 2015 and 2019, McQuilling forecasts in its newly-released tanker market outlook 2015-2019.

McQuilling expects Caribbean and Latin American exports to continue moving to Asia, opening up more triangulation opportunities and supporting tonne-mile growth.

Demand for clean tankers is expected to increase by 3.1% through to 2019, with long range one and medium range two tanker demand growing by 3.8% and 3.3%.

This expansion will be at the expense of the medium range one tanker segment, where McQuilling would expect demand to contract by 2.4% in 2019 against 2015 levels.

Demand for long range two tankers is forecast to remain flat in 2015.

Rate rises

The balance between tankers and cargoes is improving, especially for larger dirty tankers that carry crude and residual fuels.

This has been reflected in recent rate strength across vessel classes, which is expected to continue in 2015.

Floating storage will be an additional factor that controls vessel supply in 2015. Floating

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storage may have a tightening effect on the suezmax market if enough VLCC supply is taken out of the market, as suezmaxes would be chartered.

However, not all tanker segments will see limited fleet growth in 2015.

MR tanker newbuilding orders continued in 2014 and deliveries of this tanker class are expected to remain high through 2016.

Overall, though, tankers are in for a good 2015.

"We expect 2015 rates to remain strong, as positive sentiment has gripped the market, followed by a softening in 2016 as a large number of deliveries join the fleet," says McQuilling.

The years 2017-2019 will be influenced by developments from macro-economic factors, including European quantitative easing and a continued economic recovery in the US.

Climbing asset prices

Tanker asset prices are projected to rise this year, with the greatest increase occurring in the 10-year-old crude tankers.

VLCCs are expected to rise 22%, while suezmax and aframax 10-year-old vessels are forecast to rise by 18% and 26%.

A 10-year-old VLCC would return investors 45% if acquired at January 2015 levels and held to maturity. Suezmax and aframax 10-year-old vessels would return 41% and 40%.

Prices for 10-year-old clean tankers will also increase, with LR2 and LR1 tanker prices rising by around 5%, while MR2s are projected to increase by 12%.

VLCC demand is expected to increase 1% in 2015, spurred by stockpiling of reserves in Asia. *tcly/Shutterstock.com*

Shifting trades

By the end of 2014, strength had returned to the US economy and there is some expectation that a sustained global recovery is under way, observes McQuilling.

Increases in North American crude production have reduced the level of imports required to meet US demand. The result has been a shifting in Middle East and West African trade flows from US to Eastern markets, namely China and India.

"The world still needs oil," Stena Bulk chief executive Erik Hånell told Lloyd's List.

Dorian LPG sees profit climb on higher rates

Oil price decline has had no noticeable effect on LPG shipping, says Dorian

DORIAN LPG made $8.9m after tax in the quarter ending December 31 2014, up from $5.5m the year before, as its average charter rate for its fleet rose to $57,077 per day from $29,680 per day, *writes Hal Brown*.

The US-listed company is expanding its fleet of very large gas carriers to capitalise on trading and earning opportunities in the liquefied petroleum gas industry.

Chief executive John Hadjipateras said: "We continued to execute on our strategic plan to build out our fleet with the delivery of *Corvette* in early January of this year.

"With our newbuilding programme on track and fully funded, we believe we remain well positioned to take advantage of the trends that will benefit the LPG industry over the long term as one of the leading owners of modern eco VLGCs."

Overall, LPG exports this year are on track to rise roughly 25% over 2014, the company said.

This growth, which has been supported by export terminal expansions in the US Gulf, has continued to drive high global fleet utilisation and strong spot rates for VLGCs.

However, Dorian warned there can be no guarantee that rates will remain at these levels.

The recent decline in oil prices has not had any noticeable effect on demand for LPG shipping, it noted.

Based on the significant investments that have already been committed in export capacity in the Gulf, the company said it has no expectations for any change in US export growth.

"We further believe that the fundamentals that have propelled recent growth in

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Dorian "continued to execute on our strategic plan to build out our fleet with the delivery of Corvette". *Clean Marine*

Continued from page 6

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global LPG demand remain largely unchanged, as its attractive price levels and favourable environmental characteristics make it a preferred energy source for many sectors of the economy."

Dorian currently owns and manages a modern fleet of six VLGCs and one pressurised LPG carrier, with newbuilding contracts for the construction of 16 new fuel-efficient eco-design VLGCs to be delivered in the next 12 months.

Its strategy is to have around two-thirds of its fleet on long-term charters, the rest on spot.

Pool

The VLGC pool it formed with Phoenix Tankers will start operating later this month, said Mr Hadjipateras on the company's conference call.

The pool will consist of four VLGCs from Dorian and five from Phoenix Tankers.

VLGC demand is strongest in the spring and summer, in preparation for LPG used for heating during the northern hemisphere winter, said Dorian chief finance officer Ted Young.

Demand for LPG is growing in India, China and Southeast Asia, he said.

Dorian teamed up with China's HNA Logistics last year to develop LPG trading and shipping opportunities in China.

"We're actively continuing to try to develop something in China," said Mr Hadjipateras. "It's slow progress but we're making progress."

The company will discuss paying a dividend to shareholders at its next board meeting.

Open to talks

As for consolidation, no plans are under foot at the moment to join forces with another VLGC owner.

However, Dorian has not closed its doors.

"We haven't had any discussions lately," said Mr Hadjipateras, "but we're open to talking to people.

"In the meantime, we're focusing on delivery of our ships, and concluding the financing and chartering."

Australian bauxite could offer fresh opportunities

As shipping goes into a sluggish period ahead of the lunar new year, the discussion turns to new markets and cargoes

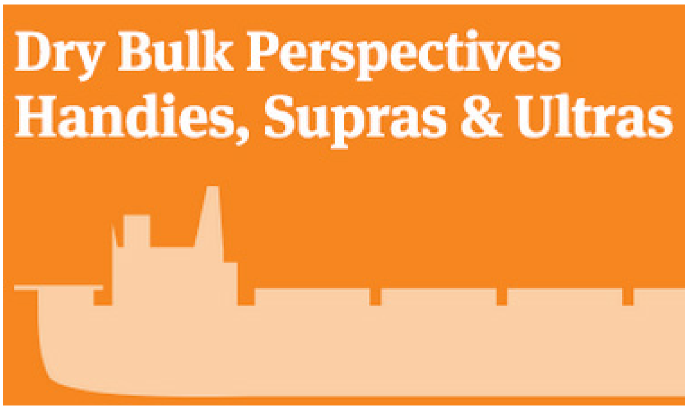
SHIPPING business usually goes into something of a lull prior to the lunar new year and, when combined with the issues of oversupply and limited cargo, it makes for particularly quiet market, *writes David Sexton*.

That's the case with both handies and supramaxes, which have been on a downward trend for some time, judging by Baltic Exchange figures.

The Baltic Handysize Index was at 326 points on February 3, down from just below 500 prior to Christmas, while the Baltic Supramax Index was at 556 points, compared with 989 in early December.

Rather than wallow in market negativity, this column will look elsewhere this week for issues deserving of comment.

As noted before, the Indonesian mineral export ban, aimed at creating a domestic smelting sector, reduced available cargo for smaller vessel types, especially supramaxes.



Whether the Indonesian ban is here for the long haul remains to be seen, but there has been much discussion about alternative mineral sources, including Australia.

According to the Australian Aluminium Council, Australia is the largest bauxite producer in the world, with 74.9m tonnes produced during 2011.

Australian deposits are disadvantaged by being relatively high in silica but are also shallow and fairly easy to mine.

Banchero Costa analyst Ralph Leszczynski told Lloyd's List that Chinese importers "are now certainly trying desperately" to find alternative bauxite sources, and indeed Australia is one of the most promising options.

Malaysia, India and the Dominican Republic are other options.

"In the second half of 2014, China imported 8.9m tonnes of bauxite from Australia, along with 3.5m tonnes from India and 3m tonnes from Malaysia, and some 1m from the Dominican Republic," Mr Leszczynski said.

"So Australia was thus by far the largest exporter to China."

In comparison, during the first half of 2014, China imported 8.8m tonnes from Indonesia (essentially all in the first two months), 6.8m from Australia, 1.7m from India, and 500,000 tonnes from Malaysia.

"We should not forget that China also has domestic reserves of bauxite, but they are of poor quality and expensive to mine. However, given a global shortage and high prices, they can start to make sense economically, so domestic mining in China will also increase and this will compensate for the shortage," Mr Leszczynski said.

Encouraging drilling results

Australia-based Metallica Minerals has just released a bullish statement talking of the potential for seaborne bauxite trade in 2015.

Metallica offered its assessment after some encouraging drilling results close to a mine being built near Weipa on Cape York Peninsula, Queensland.

Managing director Andrew Gillies talked of "structural change happening in global traded bauxite shipments".

"These structural supply changes have all the hallmarks of favouring proven bauxite provinces such as Cape York and its new projects like Urquhart Point, which can deliver robust bauxite grades

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and volumes into China and Southeast Asian consumers using the leverage of close proximity, low sovereign risk, sustainability and high grades," Mr Gillies said.

He described "a time of increasing bauxite demand", with prices expected to intensify in 2015 due to a reduction in bauxite supply and a recovery in the alumina market.

"With forecasts already in 2015 of likely significant increases in aluminium prices as Chinese producers struggle to contain costs, I have no doubt that bauxite will emerge as a top-tier resource commodity for 2015," Mr Gillies said.

"While bauxite has historically been the poor performer relative to other bulks and all metals during the boom years post 2003-2004, the tide is turning, underpinned by Indonesia's sustaining commitment to ban bauxite exports, and India's decision to increase bauxite tariffs."

Mr Gillies noted the Indonesian ban had been backed not only by the new president, but also upheld by that nation's Constitutional Court.

"I believe, despite some comment otherwise, that it is unlikely that Indonesia will reverse its bauxite export ban," said Mr Gillies.

Moreover, it was demonstrating positive political and economic impacts.

These included new and higher in-country investment, reportedly worth around $14.1bn, mainly by China, in Indonesia's value-adding nickel, aluminium and manganese industries.

"The Philippines [nickel laterite] and India [bauxite and iron/coal] are reportedly also considering copying Indonesia's value-add mineral strategy," said Mr Gillies.

"That can only compound China's looming bauxite shortage."

Before imposing a ban, Indonesia was the largest external provider of bauxite to China, which was in turn the world's largest alumina producer and consumer.

Mr Gillies said the confluence of these factors created an impetus to identify new bauxite supply, with China now facing a bauxite import shortfall of 40m-50m tonnes a year.

Seacurus develops niche cover for Southeast Asia piracy risks

Cargo, bunkers and money on board insured as K&R bolt-on

Mock attack: Indonesian Navy on exercise in the Malacca Straits, where pirates want cargo, money and bunkers. *© 2015 Ed Wray/AP*

MARINE insurance intermediary Seacurus has developed a bolt-on to its existing kidnap and ransom policies, designed to cover cargo, bunkers and money on board against specific risks from the type of piracy seen in Southeast Asia and West Africa, *writes David Osler*.

Unlike their Somali counterparts, who generally attempt to hijack vessels in order to ransom the ship and its crew, pirates in the South China Sea, Malacca Straits, the Indonesian archipelago and Gulf of Guinea are often more interested in cargo, money on board and bunkers.

The new cover recognises the need to protect crews against kidnap, as well as ship and cargo owners against the risk of business interruption and property theft.

In order to do so, it tops up a $1m marine K&R policy with additional benefits such as loss of hire ($500,000), loss or theft of cargo ($500,000), loss of bunkers ($250,000), and loss or theft of money ($50,000) within an aggregate policy limit of $5m.

Shipowners, charterers and cargo interests (who can be added to the policy as co-insureds to cover their own interests in the voyage) can purchase such cover for a seven-day voyage for a typical premium cost of $1,250, subject to an assessment of the usual underwriting information.

All parties will thus be able to protect their standard marine insurances and insurance records from the potential for costly claims, while avoiding potentially costly and time-consuming recovery actions and general average settlements.

Denis Nifontov, head of marine K&R at Seacurus,

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highlighted the kidnap of the tanker Kerala last year, and said there is no indication that the threat level has since diminished.

"The modus operandi of Southeast Asian and Gulf of Guinea criminal gangs differs from the Somalian piracy model," he said.

"Ships' crews are regularly exposed to life-threatening situations as criminals take control of and ransack vessels, stealing valuable petro-chemical cargoes for commercial gain."

The product therefore supplements, rather than replaces, cargo cover by focusing on risks specific to certain geographical areas, he added.

According to recent figures published by the International Maritime Bureau, Southeast Asia accounted for three-quarters of global maritime piracy last year, after a surge in tanker hijackings helped to fuel a 22% jump in armed robbery and pirate attacks on ships in the region.

There were 183 actual and attempted incidents of piracy and robbery involving ships in Southeast Asian waters last year, compared with 150 in 2013.

In the Gulf of Guinea, meanwhile, cargo theft is likely to remain on the agenda of Nigeria-based criminal gangs throughout 2015.

More piracy news
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MHI to consolidate five R&D facilities into one

Move follows announcement of Nagasaki shipyard restructuring

MITSUBISHI Heavy Industries has followed up the announcement of the restructuring of its Nagasaki shipbuilding assets with news that it will consolidate its current five research and development centres into a single facility, *writes Tom Leander*.

MHI said it anticipated "new synergies in technologies and skills, enhanced development of human resources, and greater efficiency in work performance and facility utilisation".

The move comes shortly after the general restructuring of one of MHI's two major shipbuilding facilities.

MHI was hit by cost overruns in the fiscal year ending last March and its fiscal first half ending September. The higher costs were incurred in the building of two cruiseships in Nagasaki for a subsidiary of Carnival.

On Tuesday, MHI said it would create two new units to look after the building of liquefied natural gas and liquefied petroleum gas vessels.

One of the units will produce the hull blocks for these and other types of ships on order; the other will be charged with the engineering and completion of the vessels.

The cruiseship newbuildings will be finished under the division that is currently responsible for them, the Commercial Aviation and Transportation Systems unit.

The consolidated R&D centre will be based in Kobe. The current deputy head of MHI's Technology and Innovation headquarters will concurrently head the new R&D centre.

MHI said it anticipated new synergies in technologies and skills, and enhanced development of human resources.

In addition to the negative headlines over the rising costs and delays at Nagasaki, MHI is in the middle of a court battle with Mitsui OSK Lines over the splitting and sinking of the boxship *MOL Comfort* in mid-2013.

MOL alleges that vessel defects, due the shipbuilder's negligence, led to the casualty. MHI rejects the claim.

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