Lloyd's List

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Tokyo calls for better class rules in final MOL Comfort report

But transport ministry stops short of giving definite causes of the casualty

THE Japanese government has called for enhancing class rules about containership structural strength following the sinking of *MOL Comfort*, one of the largest ships lost at sea to date, *writes Max Tingyao Lin*.

In its final report on the mysterious casualty, a committee led by the Ministry of Land, Infrastructure, Transport and Tourism concluded that the five-year-old, 8,110 teu ship could have fractured even though its design and construction followed class rules.

Based on its findings and research methodology, the MLIT has suggested that ClassNK — which classified the ship — and the International Association of Classification Societies should amend their rules for boxships over 8,000 teu for better maritime safety.

Specifically, the report pointed out: "The effect of the lateral loads which induce bi-axial stresses of bottom shell plates should be considered in the requirements of the hull girder ultimate strength taking into account the close relationship of the lateral loads and the hull girder ultimate strength.

"Effects of whipping responses should be explicitly considered in the requirements of the vertical bending strength."

The MLIT suggested that Mitsubishi Heavy Industries met class requirements when designing and constructing MOL Comfort.

Moreover, "representation of technical backgrounds of the requirements for vertical bending strength such as sea states etc should be considered", the MLIT added.

Those remarks have come after the IACS in December announced it would develop two minimum technical requirements for containerships for members to adopt from July 2016, following an earlier report on boxship structural safety from an IACS expert group composed of ClassNK and others.

Those rules, called Unified Requirements among class societies, will be unveiled within this quarter and involve longitudinal strength standard, functional requirements and load cases for direct analysis.

At the same time, the MLIT is preparing to submit its findings to the International Maritime Organization and the IACS.

"Considering dramatic growing in size of container ships, recommendations of the [final MLIT] report should be referred internationally at the early stage," Kazuhiro Tabuchi, MLIT's director of ship safety standards office, told Lloyd's List in an email.

"We will submit the report for IMO. Also, we expect that IACS would consider [our] recommendations in its earliest opportunity."

In the report, the MLIT suggested that Mitsubishi Heavy Industries met class requirements when designing and constructing *MOL Comfort*.

"The ship's plans and hull structure conformed with the relevant requirements of the Rules for the Survey and Construction of Steel Ships, Guidance for the Survey and

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Construction of Steel Ships, [of ClassNK] during plan approval, as well as during classification surveys during her construction," the report said.

"As part of the approval based on the rules mentioned above, direct strength calculations for the evaluation of transverse strength, torsional strength and fatigue strength were implemented. All these were confirmed to be satisfied with the requirements.

"In addition to the above, conformity with IACS Unified Requirements related to ship structural strength was also verified."

Lateral load

However, based on the previous findings of ClassNK, the MLIT also suggested *MOL Comfort* might have split in half due to excessive lateral load when taking whipping, sea conditions, yield stress and difference between declared and actual container weights into account during simulations, while vessels with other designs would not have.

Moreover, a survey of 10 ships with similar design to *MOL Comfort* found buckling deformations in the bottom shell plates of six of them, but the MLIT said no such abnormality existed in vessels designed differently.

"With regard to the large container ships of ClassNK with different design from the ship, no similar deformations of bottom shell plates were found through the safety inspections," the report added.

"And in contrast to the ship, sufficient structural margins were found as the results of the simulations."

Tokyo ushered in the *MOL Comfort* investigation weeks after the vessel, operated and owned by Mitsui OSK Lines, split and sank in the Indian Ocean in mid-2013, taking with it 4,372 boxes, the voyage data, ship's log, ballast logbook and many other onboard records.

With stated goals of probing the incident's cause and seeking to improve boxship safety, the MLIT formed a committee composed of experts from MOL, ClassNK, MHI, Kawasaki Heavy Industries, Japan Maritime United, Kawasaki Kisen Kaisha, Nippon Yusen Kaisha, Yokohama National University, Osaka University and the government-funded National Maritime Research Institute.

Although it is not a formal member, Lloyd's Register has been involved in the probe at MOL's request. The Bahamas, where *MOL Comfort* and some of its sisterships are flagged, has also collaborated with Tokyo in the investigation as a flag state.

The final report, however, did not state a definite cause of the incident but only said: "It is actually possible that ship fracture happened where the load of the vertical bending moment exceeded the ship structural strength at the time of the accident."

The apparent reluctance to point the finger of blame has come as MOL, MHI and cargo interests are embroiled in a lawsuit over which party should be responsible for the incidentand could disappoint some IACS members such as DNV GL, which openly companied about the slow pace and lack of transparency of Tokyo's investigation.

At least two IACS members, including the German-Norwegian class society, have rejected designs similar to *MOL Comfort* with doubts over their safety, according to their top executives.

Alliances blamed for initial chaos as LA and Long Beach start to clear cargo backlog

Long Beach boss calls for landlord ports to take more active role after bruising negotiations on new labour contract have damaged prospects for Southern Californian duo

CONTAINER line alliances were partly to blame for the congestion that hit the two big southern Californian ports late last year, and continues to this day, Port of Long Beach executive director Jon Slangerup believes, *writes Janet Porter*.

With up to six lines sharing space on a single vessel, and with those ships now much larger than a few years back, what was once an efficient system of block stowage of containers that were all heading for the same place broke down.

This problem was largely overlooked as attention focused on the increasingly acrimonious negotiations between employers and union leaders on a new contract for longshore workers.

Much was made of the productivity slowdowns as the talks dragged on, forcing many ships to wait out at sea for a berth to come free. The latest number is more than 30 ships in anchorages off Los Angeles and Long Beach, the two largest ports in the US.

"In reality, we would have had congestion whether or not we had a labour contract," Mr Slangerup said in an interview with Lloyd's List during the Journal of Commerce's annual Trans-Pacific Maritime conference.

What was once an organised block stowage system, with containers assembled by destination or mode of transport, collapsed, especially as much larger ships entered the trade, leaving containers parked randomly all over the place.

Slangerup: We would have had congestion whether or not we had a labour contract.

The G6 alliance appears to have been one of the worst hit by ship delays, exacerbated by the fact that most members each have their own terminals within the port complex.

Maersk and Mediterranean Shipping Co, on the other hand, seem to have escaped more lightly, with just the two of them in their 2M partnership.

Whether this congestion contributed to deadlock at the negotiating table remains unclear, but labour costs nevertheless "went through the roof", said Mr Slangerup, as longshore workers had to

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handle a single box not just the usual two or three times, but maybe up to eight times, in order to "to find the individual container within a stack and the right place to leave it".

That left a shortage of skilled crane drivers as the gridlock worsened, although Mr Slangerup declined to comment on who was to blame for that, with the International Longshore and Warehouse Union saying employers had not invested enough in training, and the Pacific Maritime Association accusing the union of deliberately withholding labour.

Adding to the chaos was a shortage of chassis, a problem Long Beach and Los Angeles hope to resolve through a new pool arrangement that came into effect at the weekend.

In the meantime, the ports now have to clear the backlog and try to win back customers' trust after a bruising few months.

Delegates attending TPM fear it will take up to six months for west coast operations to return to normal, with many shippers warning that they will never rely solely on the Pacific ports again.

Mr Slangerup is more optimistic about the recovery time, predicting that it will take about three months.

He was was appointed chief executive in June just as the talks on new labour contract were starting, and at a time when a new contact was expected to be agreed by late summer. But as head of a landlord port, he was not involved in the negotiations, with the PMA representing ocean carriers terminal operators and stevedores.

But as the negotiations hit problems last November, he and other port directors along the western seaboard "pushed the political buttons", getting local mayors and Washington involved. A tentative agreement was finally reached late last month after US Labor Secretary Tom Perez intervened and produced an acceptable formula on the arbitration process.

In future, Mr Slangerup wants the landlord ports on both the east and west coasts should be directly involved with employers and labour.

"The PMA players and the ILWU players need to be at the table with the rest of us and understand the impact they have — they cannot simply fight each other while the rest of the world suffers," said Mr Slangerup.

"It is likely that the big landlord ports will be much more active politically in future — we will keep the pressure on, and make sure the ILWU and PMA membership is at the table in all our discussions. We will not let this experience just recede into the background."

Ports like Long Beach should no longer be content to be a passive player, he said.

"Everyone in the industry has been so hurt by this that most accept that something has to give, something has to change."

That may also mean more involvement from Washington.

"It is now time for the federal government to recognise that we cannot allow a labour negotiation to shut down down commerce," said Mr Slangerup.

As for Long Beach, he also intends to include labour and the PMA membership in roundtable discussions "about where we take this port from here".

Long Beach has been growing every year but has lost market share, "and that is not acceptable given the kind of investments we are making".

Maersk Line prepared to adjust network as shippers lose trust in west coast ports
Danish giant to respond to customer requests for more east coast calls
www.lloydslist.com/containers

Box line industry could improve profitability by more than $6bn

Maersk Line's ebit margin gap highlights the profitability that the rest of the industry could achieve

CONTAINER shipping lines could improve their overall profitability by billions of dollars if they continue to make cost reductions and create efficiencies, *writes Damian Brett*.

In its weekly Sunday Spotlight report, SeaIntel Maritime Analysis pointed out that Maersk Line had managed to maintain an earnings before interest and tax margin gap of more than five percentage points since the third quarter of 2012.

If other container shipping lines were able to achieve similar cost savings and efficiencies as the Danish carrier they would be able to increase profitability by a total of $6.8bn per year.

SeaIntel said Maersk Line faced the same declining freight rates as others in the market and while it may have benefited from its Triple-E vessels, it still operated a range of smaller, older and less efficient vessels.

But its forensic approach to the industry had set it apart from its peers.

Maersk Line's five percentage point ebit margin gap translates to a saving of $68 per teu.

If other box shipping lines achieved similar cost savings and efficiencies as Maersk, they would boost profitability by $6.8bn.

SeaIntel said: "What [Maersk Line] has done over the past many years is a highly data-focused and scientific effort in streamlining internal processes, combined with a significant pruning of the tendency to constantly pursue a large number of internal projects.

"Seen from the outside this can indeed appear to be somewhat vague, but many companies in many industries have indeed found over the years, that a pursuit of process management principles such as Lean and 6-Sigma has the ability to consistently reduce internal costs.

"In this respect, Maersk Line has not done anything which

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cannot also be done by their peers."

The analyst added that with no improvement expected in the supply-demand equilibrium in the immediate future and further freight rate declines expected this year, carriers would continue to focus on reducing costs.

It pointed out that of the six shipping lines that had reported their 2014 annual results so far, five had reported improved performance on the 2013 level, with four making a profit.

APL and Hanjin had increased their focus on cost-saving initiatives over the last few years and this was paying off.

MOL was the only shipping line to see performance worsen on the 2013 level.

"We see no other opportunity for the carriers but to maintain a strong focus on cost-saving initiatives in order to remain competitive and be able to stay in or return to profitable levels," SeaIntel said.

In a recent interview with Lloyd's List, Maersk Line chief executive Soren Skou said he expected the shipping line to deliver more efficiency savings in 2015.

While the most obvious of these savings are generated by the formation of the 2M alliance with Mediterranean Shipping Co, which will deliver estimated annualised cost savings of $350m, it would also benefit from lower fuel costs and network efficiencies and by not increasing administration costs.

Stopford calls for more bespoke container services

Clarkson Research boss questions the economics of very big ships that are commoditising the industry

CONTAINER lines should return to offering bespoke services rather than build their business models solely around increasingly bigger ships, maritime economist Martin Stopford told an industry conference this week, *writes Janet Porter*.

Speaking just hours after Japan's MOL announced it would be joining the elite club of lines operating ships of 18,000 teu or more, Dr Stopford questioned whether vessels of that capacity really were the best way of improving the industry's financial performance.

The latest generation of ships are not only inflexible in terms of where they can operated, but also need to be filled in both good markets and bad, in order to justify their investment

"I have a feeling they will become quite taxing to operate," he told the TPM conference in Long Beach.

These huge ships have left the container shipping industry looking more like the bulk or tanker trades, with standardised services that allow little scope for differentiation, said Dr Stopford, who recently retired as a director of the shipbroking firm Clarksons, and is now non-executive president of Clarkson Research Services.

This business model has not produced good returns, with an analysis by Dr Stopford of the net profits of seven liner companies with revenues of about $75bn, operating 42% of the world's container fleet, averaging $1.5bn a year between 1996 and 2011. That represented about 2% of revenue and is highly volatile, he noted.

"I believe that tomorrow's world would benefit from more differentiated container services," Dr Stopford told delegates.

The shipping lines need to do for global distribution what Amazon is doing for land-based services, he said. This should be much easier with the use of digital technology and vastly improved communications.

"There must be a compelling case for providing fast, efficient, high value-added services which are not easily achievable by companies locked into fleets of very big ships and rockbottom costs," he said.

And rather than stick rigidly to certain port rotations that could mean containers being shipped on convoluted routings, the carriers should learn to act fast and operate more direct services, he said.

There was also a need to return to the liner industry's original aim of offering integrated door-to-door services, something that appears to have vanished over the years, Dr Stopford added.

Stopford: I believe that tomorrow's world would benefit from more differentiated container services.

Rules on environment and employment could disrupt European maritime cluster

Dingle warns that some regulations making regional owners less competitive

EUROPEAN regulations on the environment and employment law could threaten to disrupt a maritime cluster that is worth $100bn in economic contributions, according to the UK Chamber of Shipping, *writes James Baker*.

Chamber board member and Carnival chairman David Dingle told Lloyd's List that while the chamber broadly supported European regulation, "gold-plated" environmental legislation and employment regulations could make European shipowners less competitive.

Speaking on the sidelines of the European Shipping Week in Brussels, Mr Dingle said the chamber was committed to the UK remaining part of the European Union, the world's largest single market, and one dependent on shipping to allow it to trade with the rest of the world.

"I think that overall the chamber recognises the benefits of the UK being in the European Union, although I would be the first to admit that at times that the patience can be tried," Mr Dingle said.

"We are part of an important trading block. It is as big as the US and Japan combined. More than 50% of UK trade is with European countries. The lack of trade borders and tariffs that allow us to trade with the rest of the European community are all good things."

Having Eunavfor looking after ships in the Gulf of Aden and off Somalia was another example of Europe gathering all its resources to do a very difficult job, Mr Dingle said.

"There are plenty of advantages of remaining within the European community, and if it did come to a question as to whether Britain would remain in Europe, there are many of us that believe you are better being inside the tent where you have some influence rather than outside."

Port services

However, there was still room for improvement, Mr Dingle said, including attempts to introduce port services regulations.

"There is a lack of transparency on how ports operate and what their charges are. We believe this should be dealt with and there should be the opportunity for ports across Europe to be privatised and for there to be much greater transparency of pricing and liberalisation of port services," Mr Dingle said.

"We would just like to see efforts to improve that not disappear into the mire."

Mr Dingle also called for a new Shengen visa system. "At the moment it is very hard for crews to get multiple entrance visas. For shortsea, cruise and ferry and offshore, you will get crew coming in and out of multiple EU countries. But here is an example of where the [European] Commission is well intentioned but is dealing with many member states who have an enormous diversity of view so getting consensus is difficult. We hope what the commission is trying to do will come up with something that is useful to us."

Where Europe threatened to do real damage to the industry, however, was in environmental and employment regulations.

"The commission's desire is to constantly gold-plate global regulation," Mr Dingle said. "The risk here is that it is going to make Europe a less attractive place to do business in shipping compared with the rest of the world."

Dingle: European Commission's desire is to constantly "gold-plate" global regulation.

Owners questioning where to deploy assets and where to trade may see Europe as less attractive. If owners then passed on costs, the European economy as a whole would disadvantaging itself at a time when it needed to be catching up the growth rates of the rest of the world, Mr Dingle said.

"You do wonder whether the balance is right between the altruistic wish to improve the world and the recognition that Europe needs to be economically competitive."

European rates of pay

Employment law was another big concern, Mr Dingle said.

"Deepsea shipping is a global industry and European operators have competitors in other parts of the world. But we are constrained by European employment laws — for instance, the Equality Act — which effectively directs us to pay European rates to employees of different nationalities.

That could have unintended and counterproductive consequences, Mr Dingle said.

"It could encourage owners to employ anyone but Europeans. It means that, if you comply, as a European shipowner your costs are going to be higher than those from other parts of the world. That seems to be counter to the spirit of the state aid guidelines, which are there specifically to ensure the competitiveness of European shipping.

"Our belief is that European seafarers are strongly in demand and bring added value that is worth paying more for. But for roles on ships that can be done equally well by people where payrates are lower, we cannot sit there like King Canute and ignore that. Our energies should be put into ensuring that European seafarers are more capable and more qualified and are the best in the world. That way they will command premium salaries, not through protecting those salaries artificially."

On a positive note, however, Mr Dingle said commercial and fiscal regulation had been fairly stable.

"However, it doesn't have to change much for that drift to take place, which is already being seen in the maritime cluster. When you come back to employment there are those that believe that the core of the EU shipping is jobs on ships. But the total economic benefit to Europe is way beyond that. Employing EU seafarers on oceangoing ships is but a very small piece of the whole thing."

Shipping contributes $164bn to European economy, says Ecsa

Update of Oxford Economics study shows industry providing work for 2.2m people

THE European Community Shipowners' Associations has released the results of a recent update of an Oxford Economics study on the economic value of the EU shipping industry which highlights the industry's contribution to the European Union's economy based on new data, *writes James Baker*.

The study shows the overall contribution of the European shipping industry in 2013 to have been €147bn ($164.2bn). For every €1m the European shipping industry contributes to GDP itself, it creates another €1.6m elsewhere in the European economy.

As an employer, the industry provided work for an estimated 2.2m people both on vessels and ashore in the wider maritime cluster.

Moreover, the ultimate ownership or control of 40% of the world's gross tonnage lies in an EU country. Between 2005 and 2014, the EU-controlled fleet grew by more than 70% in tonnage terms.

The new figures were presented as part of European Shipping Week, which Ecsa has organised to coincide with the consultation process the EU has called on the future of shipping policy, and the findings of the study will be used in discussions between owners and policy makers.

"We want to bring stakeholders together with policy makers to discuss the priorities for the shipping industry and the politicians," said Ecsa secretary-general Patrick Verhoeven.

Verhoeven: Bringing stakeholders together with policy makers to discuss the priorities for the shipping industry and politicians.

"Shipping policy as we know it today was shaped in 2009 in a strategy paper from the [European] Commission that dealt with three or four key issues, including the competitiveness of the European shipping industry compared with the rest of the world; skill and competences, and the promotion of the maritime cluster; and the sustainability and environmental dimension."

The policy was developed at a time when the industry was doing relatively well, Mr Verhoeven said. "Then the crisis hit, so the main purpose of the review that Europe has embarked upon is really to see if all these targets that were still valid today.

"We have also had environmental rules put in place and the establishment of [the Sulphur Emission Control Area], so this was a big stocktaking exercise to see whether the priorities are still right or whether policy in Europe should be changed."

European drive to boost R&D funding for greener ships
Vessel for the Future calls on Brussels for public/private partnership
www.lloydslist.com/ship-operations

Top global operators vie for second Mombasa terminal

PSA, APM Terminals, DP World and Cosco on shortlist of 19 interested in Kenyan port's new box facility

THE tender for the first phase of Mombasa's second container terminal has attracted no fewer than 19 prospective concessionaires, reading like a shortlist of who's who in the terminal operating business, *writes Linton Nightingale*.

PSA International, Hutchison Port Holdings, APM Terminals, DP World and Cosco are among a host of major global players that answered the call for tenders issued by the Kenya Ports Authority, who, on announcing the submitted bids, said that the new facility is now over 75% complete and on-track to be commissioned in March of next year.

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The tender for the first phase of Mombasa's second box terminal has attracted no fewer than 19 prospective concessionaires.

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Phase one of the new box terminal in Mombasa, where volumes eclipsed the 1m teu barrier for the first time last year, includes a 540 m quay, incorporating two container berths and a small craft berth, which will be supported by a 500,000 sq m stacking yard. The new terminal will also boast two ship-to-shore cranes, four rubber-tyred gantries and an adjacent rail yard.

The successful bidder will also be granted first refusal on the project's second phase, where an extra 250 m berth will be added come 2019, and phase three, where yet another berth, this time 300 m in length, will be built and then operational from 2023.

Under the concession's requirements, the KPA stipulated that all interested parties must provide an undertaking to form a consortium or joint venture with a Kenyan partner/partners, which will have a minimum 15% share in the total project.

KPA invited sealed bids for the proposed project on December 29 last year with the deadline for applications set for February 20.

The KPA tendering committee will now assess the respective bids to determine which companies will pre-qualify to reach the next stage of the bidding process in the race to become the terminal's new operator.

CMA CGM, Terminal Investment Ltd, Transnet, International Container Terminal Services Ltd, Gulftainer, Eurogate, China Merchant Holdings International Ltd, and Adani Ports also submitted bids, according to the KPA.

Baltic Trading posts loss as dry rates slump

New York owner signals possible extra capital need ahead

Baltic Trading posted a $5.6m net loss for the fourth quarter compared with a $600,000 profit for the same period in 2013.

DRY bulk carrier owner Baltic Trading has reported a loss for the fourth quarter of 2014, warning investors that it may need further capital to fund itself in the face of an ongoing difficult market, *writes Nigel Lowry*.

The New York-based owner posted a $5.6m net loss for the fourth quarter compared with a $600,000 profit for the same period in 2013.

Fourth-quarter revenues slumped from $14.5m in 2013 to $11.7m last year, despite a bigger fleet, as time charter rates across the fleet crashed from $13,507 per day to $8,847.

The result brought its net loss for the full year to $20.3m, up from a loss of $11.4m the previous year.

Cash on the balance sheet, excluding restricted cash, was $9.9m, compared with $58.2m at the end of 2013.

"Given the negative impact of the current weak dry bulk rate environment on our earnings, we face potential liquidity and covenant compliance issues," the company said.

"We may therefore require capital to fund ongoing operations, debt service and the two ultramax newbuildings we have agreed to acquire."

Among its options, Baltic could seek to obtain waivers under its credit facilities or refinance indebtedness, raise additional capital through equity or debt offerings, reduce or delay capital expenditures, or sell vessels, it pointed out.

The Peter Georgiopoulos-led company recently took delivery of the first two out of four ultramax newbuildings.

Baltic Hornet has been chartered to Swissmarine Asia for 12-15 months at a rate based on 115.5% of the Baltic Supramax Index.

The second ship, *Baltic Wasp*, has been chartered at 115% of the index to Pioneer Navigation for up to 14.5 months.

Baltic came into this year with a new $148m credit facility with Nordea Bank to refinance an existing revolving credit facility and to partially fund the acquisition of the remaining two ultramaxes, *Baltic Scorpion* and *Baltic Mantis*, which are due for delivery in the second and third quarters of this year.

The new facility highlighted the company's "strong banking relationships", said company president and chief financial officer John Wobensmith.

They will bring the fleet to 17 vessels, consisting of four capesizes, four ultramaxes, four supramaxes and five handysize bulkers.

Last year, Lloyd's List reported that the merits of merging Baltic Trading with Genco Shipping & Trading were being looked at, but there has been no official announcement of any move to reintegrate the fleets.

Baltic emerged from Genco when it was spun off with its own initial public offering in 2010.

MPC Capital takes full control at Ahrenkiel
Management shake-up will see Holländer take chief executive job
www.lloydslist.com/finance

Caution the watchword as demolition rates edge back to $400 per ldt

Prices for scrap ships across the Indian subcontinent appear to have settled

SEVERAL capesize bulk carriers were reported sold for demolition over the past week as rates continued to edge back up toward $400 ldt, *writes Brian Reyes*.

Prices for scrap ships across the Indian subcontinent appear to have settled after the relentless downward spiral of recent weeks, with a growing number of deals closed in the high $300s, *writes Brian Reyes*.

That has lured owners back to the market and a string of sales were reported into all key demolition centres in the region.

The watchword remains caution, however, with brokers flagging the risk of securing deals at speculative rates that risk failing on delivery.

Many breakers in the region, particularly in Bangladesh, continue to face challenges securing finance against the background of a weak market.

Likewise steel prices across the Indian subcontinent remain under pressure from cheap imports of Chinese billets, which are having a knock-on impact on the ship demolition sector.

"It now seems quite likely however that we will be sticking to this new found reality, and with the scrap option holding fairly favourable for owners of overage units, activity should keep fairly strong," said Athens-based Allied Maritime Research in its latest report.

"Part of the speculation seems to be based on part of a slowing down of Chinese steel production, yet there has been little evidence to this effect as of yet."

"The reality is that, although many owners feel cornered from the poor freight market conditions, they are still reluctant to let go at too low levels and as such price levels should keep firm for the time being."

The 1984-built, 8,830 ldt bulk carrier *Umang* was reported sold for delivery to Alang at $391 per ldt, or nearly $3.5m.

The Indian government's budget announcement at the weekend appears to have held few surprises for ship breakers.

There was no increase in taxes on scrap ships, but neither did regulators implement import duties on Chinese steel that many had been hoping for.

"The immediate direction of the ship-recycling markets in the Indian subcontinent rests firmly on the shoulders of China and its steel exports," said US-based cash buyer GMS.

"It is very much hoped that exports will slow, bearing in mind China has no production targets to meet this coming fiscal year and a significant slice of the 2014 surplus has already been exported prior to the New Year."

Wide spread of rates

India secured most of the recent sales, including several large bulk carriers.

The spread of rates was wide and ranged from the mid to high $300s per ldt, depending on the vessel's size, type and age.

The 1997-built, 19,951 ldt capesize bulk carrier *Rubin Phoenix*, operated by Mitsui OSK Lines, was reported sold for delivery to India at $392 per ldt, or $7.8m.

The 1984-built, 8,830 ldt bulk carrier *Umang*, operated by Anglo-Eastern Ship Management,was reported sold for delivery to Alang at $391 per ldt, or nearly $3.5m. The rate was driven up by 500 tonnes of bunker fuel on board.

Likewise the 2000-built, 21,100 ldt capesize bulk carrier *Cape Flora*, operated by K Line, was reported sold for delivery to India for green recycling at $365 per ldt, or $7.7m.

The 1981-built, 5,148 ldt bulker *Seagull D*, operated by Pevson Shipping, was reported sold for delivery to Alang at $370 per ldt, or $1.9m.

The 1986-built, 5,216 ldt reefership *Tropical Mist*, operated by Reefership Marine, was reported sold for delivery to Alang for $350 per ldt, or $1.8m.

The 1990-built, 4,108 ldt general cargoship *Tobol*, operated by Sakhalin Shipping, was reported sold for delivery to India at $345 per ldt, or $1.4m.

The 1987-built, 3,611 ldt chemical tanker *Tradewind*, operated by Pendulum Shipmanagement, was reported sold for $420 per ldt, or $1.5m, a premium rate reflecting non-ferrous metal on board.

Financial burden

"The relentless flow of capesize recycling sales has continued… and with several units currently under negotiation, this stream looks set to continue for the foreseeable future," said London-based Clarkson Research Services.

"The potential issue is the financial burden and, given the pressure some cash speculators are under, one does have to question the capacity of cash buyers to finance such deals with large deposits being paid directly into sellers' accounts.

"Once again, we see how important these cash buyers are to the industry, particularly in light of the difficulties created by the breakers on the arrival of tonnage to its final destination."

Pakistani buyers were also active over the past week or so, as were rivals in Bangladesh.

The 1992-built, 23,270 capesize bulk carrier *Aqua Challenger*, operated by Noble

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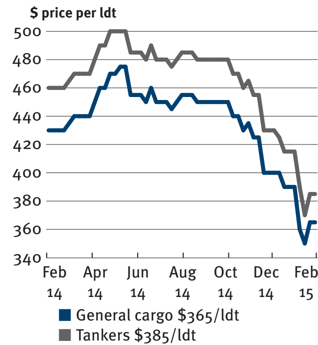

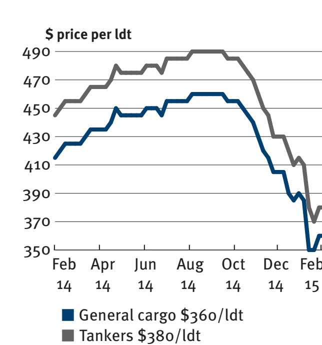

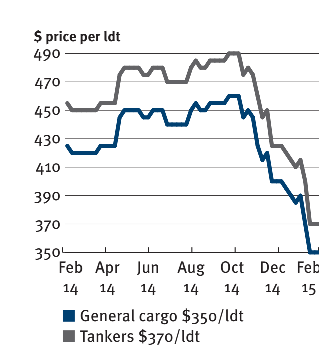

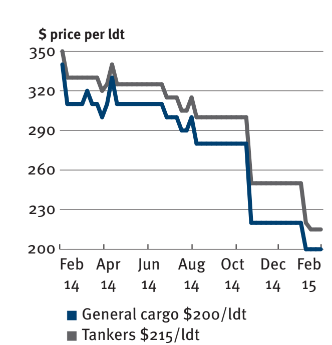

Group, was reported sold for delivery to Pakistan at $396 per ldt, or $9.2m. The deal included 2,000 tonnes of fuel on board.

Charterwell Maritime's 1996-built, 20,535 ldt capesize bulk carrier *Star Yandi* was reported sold for delivery to Gadani at $397 per ldt, or nearly $8.2m. The deal included 1000 tonnes of fuel on board.

Meanwhile the 1987-built, 9,711 ldt bulk carrier *Rui Fu Fa*, operated by Rui Fu Ship Management, was reported sold for delivery to Chittagong at $360 per ldt, or $3.5m.

There were no market sales to report from China, which returns to work this week after the Chinese New Year festivities.

China has been out of the international demolition market for months now, surviving almost exclusively on a diet of domestic vessels sold under the government's fleet renewal subsidy programme.

Market prices for scrap ships into China now stand at around $200 per ldt.

"With local steel prices having slid to unprecedented levels over the course of the past year, it is also hoped that the Chinese market can get back on its feet and become more than just a domestic market for state owners eligible for the government subsidies on the scrapping of their older vessels," GMS said.

Svitzer reiterates focus on growth with long term contracts and efficient port operations

Hugely competitive terminal towage sector in need of consolidation, says Robert Uggla

SHIP operators see terminal port turnarounds as the vessel operation they have the least control over. They can be costly and time consuming. Ship efficiency has hitherto been focused on the voyage between ports, but often this part of the voyage is unlike port movements, which can have extreme demands on engine power and movements, *writes Craig Eason*.

The terminal and port operators also see vessel turnaround as a key performance indicator, and good performance brings in more customers.

With larger ships bringing in more cargo in one go, and with higher demands for in-port performance, harbour towage companies are growing in importance and beginning to realise the benefit of offering efficiency as a key service.

Companies such as Svitzer, the AP Moller-Maersk owned tug and towage business, are pushing ahead with a more commercial business model, one based around long-term contracts with fixed day rates with terminal operators.

The harbour and towage business is highly competitive, and in some ports contracts can be on a first come, first served or simple cost model basis depending on arriving tonnage.

There is room for consolidation in the harbour towage business, says Svitzer chief executive Robert Uggla, who has been pushing a three-pillar development programme for the family-controlled business since he took the helm in early 2012.

The first pillar has been on safety. Shortly after Mr Uggla took the post he found himself tackling the impact of an explosion on a Svitzer tug that was working in an oil and gas field in the Middle East. Six of the 10 crew members of the tug Al Deebel were reported killed in the April 2012 explosion, as was one of the two maintenance contractors who were on board to work on a single point mooring buoy.

The incident galvanised the company to refocus on safety, harmonising various national and regional procedures to create a global set of safety management requirements.

The two other pillars that Svitzer has been focused on are more directly connected. On the one hand it is focusing on its harbour towage business, and the development of the long-term contracts. On the other hand it is looking at how to expand into new territories geographically given that its main European and Australian markets are saturated.

Svitzer's full-year results for 2014, reported at the same time as the other parts of the AP Moller-Maersk group last week, highlighted the challenges. While there were good cash flows indicating an active market, there was little to be said of the bottom line, where writedowns and good will had a negative impact.

And as 2014 was a relatively accident and incident free for the whole shipping industry, there were few lucrative salvage and emergency contracts being handed out.

Salvage work can be rewarding, if not risky, but it certainly is not predictable, and the flip side of growing industry safety is that there is less salvage work for companies such as Svitzer. Svitzer is no longer active in the ocean towage business.

Crewing costs

While pushing safety as a first mantra for the new Svitzer, Mr Uggla has also to keep the

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Uggla: Pushing safety as a mantra for the new Svitzer, but he also has to keep the company cash competitive.

company cash competitive, and that is always a sensitive balance to maintain, especially in regions where crewing costs are high.

Towage and pilotage are seen as necessary services, and as Mr Uggla has said before, there is value to be found in such operations;towage can offer increased safety and reliability, complete with fuel savings and increased profitability.

While this may sound like a sales pitch, and to a point it is, there is a lot to be gained from improving port operations for the benefit of both the ship operator and the terminal operator, and this is where Mr Uggla is convinced companies such as Svitzer can make a difference. It seems to be working. Last year Svitzer signed a new deal with CMA CGM as the towage firm the liner operator would turn to for harbour operations in a growing number of ports.

As an example, he said, if a gas carrier can't make a call into a loading terminal on schedule because of congestion or poor harbour passage, then the gas stored in the facility may be lost due to it only be able to remain at the loading terminal for a short period of time.

This will not only secure more long-term employment of Svitzer's services, but also will help create more reliable steady income as the contracts Svitzer is trying to build are for a fixed day rate, rather than the more competitive towage rate. This focus will also be in new markets geographically.

Mr Uggla believes the towage and salvage industry is in need of consolidation, especially as the salvage market demands players to to maintain a usefully broad footprint yet remain financially sound.

However, growth in harbour and towage is not easy. Resources need to be sourced locally, especially crews, even if Svitzer does have global clients, and this can be challenging.

The efficiency trends that are spreading across shipping also create challenges for companies such as Svitzer. Ever-increasing ship sizes are creating new demands on towage service providers. Tugs need to be built to cater for these new demands, tugs with increased bollard pull, which require bigger engines, and in turn have their own fuel performance challenges to overcome.

Mr Uggla is concerned that there may be some terminals with tugs that have insufficient bollard pull for the largest ships that are entering the market, especially as these larger ships have much higher manoeuvring demands in ports and fairways that may not be expanding in size.

While the tugs will manage almost all of the time, it creates added delay to a vessel — and the port — if large vessels such as the giant containerships being ordered in increased numbers have difficulty manoeuvring around a tight terminal basin due to tugs that are unable to hold the vessel in position or draw it on or off the berth expediently.

'We are well equipped for making acquisitions,' says BW LPG
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