Lloyd's List

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Beijing bid to attract shipping falters as owners shun Shanghai FTZ

The Free Trade Zone has been in operation for 17 months, but so far no shipowners have chosen to register their vessels under scheme

IT HAS been almost 17 months since China's State Council gave the go-ahead to the launch of Shanghai Pilot Free Trade Zone, *writes Cichen Shen*.

Part of the goal for this FTZ is to revive the city's old glory of some 80 years ago — as one of the most important international shipping centres — so that it could rise again and rival the existing frontrunners such as Hong Kong, Singapore, or even London.

But to do so, policymakers have had to initiate some thorough and tough reforms to the city's obsolete institutional designs and make the regime more open and flexible for the industrial players.

So far, both the central government in Beijing and local authorities in Shanghai have made some progress by issuing a series of new regulations, especially some interesting opening-up in the areas of ship registration, financing markets and ship management.

Observers said they are happy to see the changes, yet still much more will need to be done.

Beijing and the local Shanghai authorities have made progress with new regulations but observers say more must be done.

Ship registration

Beijing may long to see more vessels hauling international cargoes — especially ships owned by Chinese companies, flying the Chinese flag, as part of the ambitious plan to build its own world shipping hub.

But shipowners are hardly encouraged to follow the government call as they will encounter a stack of unfavourable conditions, including higher taxation, more expensive financing and poorer insurance services.

This has resulted in 63% of the China-owned tonnage being flagged overseas, according to a recent UN report.

One of the most controversial issues is a total 30% import duty and VAT charge — the highest in the world — should a company purchase a vessel abroad and register it in China.

In a bid to try to drive change, since 2007 policymakers have issued a series of favourable regulations centred on tariff exemption, yet none have really worked.

The latest one is the so-called Shanghai Scheme, which was approved by China's Ministry of Transport in January 2014.

This regulation has functioned as a pilot programme for eventually setting up a competitive international ship registration system in the Shanghai FTZ that makes it much cheaper and easier for shipowners to hoist the Chinese flag.

Under the scheme, all shipowners established in the free trade zone are entitled to the tax exemption on import duty and VAT if they register their ships in Shanghai, whereas before only companies at Yangshan Port, a tariff-free zone in the south

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FREE TRADE ZONES BEING ESTABLISHED IN CHINA

Name	Status	Launch date	Size
Shanghai Pilot Free Trade Zone	Established	April 2013	120.7 sq.km
Guangdong Pilot Free Trade Zone	Approved	Est. March 2015	116.2 sq.km
Tianjin Pilot Free Trade Zone	Approved	Est. March 2015	119.9 sq.km
Fujian Pilot Free Trade Zone	Approved	Est. March 2015	118.0 sq.km
Chongqing Pilot Free Trade Zone	Applied		
Guangxi Pilot Free Trade Zone	Applied		
Qingdao Pilot Free Trade Zone	Applied		

***Source:** SNational People's Congress of the People's Republic of China, ShangHai Securities News*

of the city, can enjoy such a benefit.

The new registry rules have also removed some requirements for candidate vessels, including a minimum 50% Chinese ownership and a maximum of 30% foreign crew members.

For non-newbuildings, Shanghai has extended the maximum qualified vessel age by two years compared with the earlier standard.

"Compared with previous designs, the Shanghai Scheme is more open and flexible, which shows Beijing's greater determination in reforming the ship registration system," according to one official in the Shanghai Maritime Safety Administration.

However, the reality suggests that the new regulation may, once again, fall short of government wishes.

So far, no shipowner has made any registry application since the release of the new scheme, according to an official from the International Shipping Service Office of Shanghai Pudong New Area, who declined to be named.

Critics say that despite these notable improvements, the revised Shanghai Scheme is not essentially different from its predecessors.

Shipowners still need to apply for tariff exemption. The process is almost equally complicated.

For ship registration, an application with substantial supporting documents is required and must undergo three sets of checks before an owner can receive a final approval.

To enjoy tax exemption, requests must go through the Ministry of Finance government in Beijing, which oversees the country's tax regime.

Finishing the whole procedure can take months.

Chen Jihong, an associate professor at Shanghai Maritime University, is among a group of experts who help the government design the Shanghai Scheme.

According to Prof Chen, the current one published by Beijing has betrayed their original intentions and is not feasible. "The concept of tariff exemption is fundamentally wrong," he says.

Prof Chen says that Shanghai FTZ, should learn from other international shipping centres — scrapping the tariff charge on China-flagged vessels built overseas that transfer international cargoes.

Prof Chen says he and his colleagues have submitted a modified proposal to the State Council and expect to hear a response in May. "Hopefully there will be a positive answer by then, otherwise the reform can become very difficult to proceed."

Prof Chen says Beijing is concerned that cancelling the tariff might encourage shipowners to build more vessels overseas, which will take a toll on domestic yards. But Zhang Shouguo, vice-chairman and secretary-general of China Shipowners' Association, says: "Those are out-of-date worries."

Mr Zhang says: "China's shipbuilding industry has become much stronger.

"Now 75% of their orders come from foreign shipowners. Imposing tariff on imported vessels won't add a lot more domestic contracts for them."

Mr Zhang agrees that the government should call off the tariff, and make China competitive with those countries that have attractive ship registration system. "We should be able of offer what they are offering."

Nevertheless, not everyone supports this proactive idea.

Chinese Association of Shipbuilding Industry chairman Guo Dacheng put forward a proposal during the recent Chinese People's Political Consultative Conference.

"According to the experience of other countries, giving up the import duty and VAT will not effectively attract foreign-flagged Chinese vessels to come back and register in China. On the contrary, it may have a big impact on domestic shipbuilding market," he wrote.

"We must be cautious about the implementation of the international ship registration system."

Ship financing

While financial reforms in the Shanghai FTZ are not particularly designed for the shipping industry, they play a role in making the zone more attractive to maritime participants. Easy and cheap access to global financing is an essential ingredient in the make-up of any international shipping centre.

Borrowing in China is relatively expensive and difficult as the country's deposit interest rate is higher, and the ways of raising funds are numbered. Bank loans are still the main instruments for most companies — at least true in shipping, thanks to an undeveloped capital market.

China's restricted financial regime has also kept many local players away from financing under US dollar, the dominant currency in global shipping.

In 2013, Beijing made it easier for financial leasing companies, which have become an increasingly important source of Chinese ship finance, to set up special purpose vehicles in the zone by removing their minimum registered capital requirement.

It has also allowed leasing companies to establish subsidiaries in the zone to provide offshore leasing services that includes vessel dealings, and has added them to the pilot export rebate list.

Another notable achievement is yuan-dominated cash pooling that enables free working capital transfers between a firm in the FTZ and its offshore parents, subsidies and even associated companies. This can largely enhance the flexibility of multi-national enterprises to manoeuvre their funds across borders.

Another headline maker is Beijing's decision to ease cross-border financing just announced by People's Bank of China — the country's central bank in February.

The new regulation now permits companies and financial institutions in the FTZ to borrow freely from offshore

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markets, in both domestic and foreign currencies.

It has also lifted the leverage ratio: companies can borrow to twice their capital, double the previous level, while banks that were banned from raising funds overseas are now able to borrow up to five times their capital.

Moreover, regulators have vowed to simplify the approval process to build a plug-and-play system.

Wang Jianxin, deputy head of Shanghai Pudong Development Bank's free trade zone branch, told reporters during a press conference that the new rules will allow borrowers in the FTZ to land offshore loans within half an hour and help reduce as much as 50% of their borrowing cost.

However, whether such a promise can turn into reality remains a question.

In order to take advantage of the policy, banks need to open free-trade accounts, a system established by PBOC to separate operations in the zone for capital-account opening from their usual agenda. Up to now, only 13 banks have the access to such system, including two foreign players — HSBC Holdings and Citibank.

In addition, according to the regulation, the cheaper offshore loans must only be used inside the FTZ, which has stopped many shipbuilders from sharing the benefit as they are unable to establish large shipyards in the zone given the expensive and limited land available.

Some multinational companies have also stopped using cash pooling after they have encountered technical issues.

"I think the Shanghai FTZ has made some big progress if you look at the policies that have been released," says Gan Aiping, deputy director of Shipping Finance Department of Shanghai International Shipping Institute.

"But there are still many detailed rules and limits that need to be improved."

Other observers argue that the ongoing financial reform in the FTZ will hardly bring any de facto benefits to the shipping industry in China — at least not in the short run — as the industrial players have already found a way around to pocket cheap offshore loans more conveniently.

"I don't think there will be any major influences," says Wang Keke, a former senior manager of Minsheng Financial Leasing's shipping department.

Chinese shipping companies and financial institutions have been using their offshore SPVs to raise cheap funds overseas for years. Compared with long-established global financial centres such as Hong Kong, the infrastructure of offshore financing activities in the Shanghai FTZ, including access to skilled professionals and related legislation, is still immature, says Mr Wang.

Mr Zhang supports this opinion. "Our members told me that overseas financial institutions offer lower interest rates, simpler procedures, and better services," he says.

"Small companies may have to borrow locally, but large shipowners always try their best to borrow offshore."

Changing this inertia and making the Shanghai FTZ a qualified alternative will be a long journey as China's policymakers have always taken financial reform very seriously and often relate it with national security, some observers suggest.

"It will be a gradual process," Ms Gan says.

Beijing may long to see more vessels hauling international cargoes — especially ships owned by Chinese companies, flying the Chinese flag.
meanmachine77/Shutterstock.com

Foreign shipmanagement companies

In September 2014, Beijing gave a final nod to permits foreign investors to set up their wholly-owned shipmanagement companies in the zone, in a bid to attract more talent globally and enhance the competitiveness of the country's shipping industry.

According to International Shipping Service Office of Shanghai Pudong New Area, there are now five foreign-owned shipmanagement companies in the Shanghai Free Trade Zone.

Shanghai Run Yuan Shipping Management, established by Singapore-listed Yangzijiang Shipbuilding to manger its own vessels, is the first mover that entered into the Shanghai FTZ last May.

Run Yuan general manager Gong Weiping says that the governments have made a big progress in opening up the industry in the free trade zone. "I appreciate their policies," he says.

The company now manages nine vessels for Yangzijiang, which can help the parent reduce operating cost by around 20%, according to Mr Gong.

However, there are still barriers that stop more players from entering into the arena.

Mr Gong says Run Yuan and its peers in the zone are still in talks with the authorities about whether a foreign-owned shipmanagement company can manage crew members of Chinese nationality.

Getting clarity on tax payments is another issue.

Unlike in many other countries, China requires foreign shipmanagement companies to pay tax when they make disbursements or collect payments on behalf of their clients, such as paying crew or purchasing vessel supplies.

Moreover, Chinese seafarers, including those who sail on foreign-flagged vessels, are obliged to pay a considerable amount of income tax for their salaries and subsidies.

"We will probably have an answer by this year," Mr Gong says.

Like Mr Gong and Run Yuan, most shipping participants in the Shanghai FTZ are still willing to give the authorities time to work out the kinks. But their patience won't last forever.

EU set to reimpose IRISL sanctions

Brussels planning to relist companies allegedly associated with Iran nuclear programme, law firm reveals

THE European Union is set to relist a number of entities allegedly associated with Islamic Republic of Iran Shipping Lines as subject to sanctions, despite a recent European General Court ruling that overturned earlier listings as groundless, *writes David Osler*.

Lloyd's List has seen copies of letters sent by the Council of the European Union to M Taher & Co, the London law firm based in the Lloyd's building, which represented a number of Iranian concerns in the last legal action.

The companies singled out for attention are Ocean Capital Administration GmbH, First Ocean Administration GmbH and all other Ocean and Ocean Administration companies established in Hamburg which were applicants in case T-420/11, IRISL Maritime Training Institute, Kheibar Co, Kish Shipping Line Manning Co and IRISL Multimodal Transport Co.

The letters state that the European Council intends to designate these entities under sanctions rulings once more, essentially on the grounds that they are owned or controlled by IRISL.

Assuming that the intention is acted upon, continuity of sanctions — which would otherwise have expired at the end of the appeal window — will be maintained.

As M Taher & Co points out, comes just a few days before the celebrations of Norooz, the Persian new year, which starts on Saturday and which will see many businesses shut down for around a fortnight.

This is equivalent to tabling similar letters to European companies just prior to Christmas Eve, in the knowledge that they might find themselves poorly placed to respond.

"The EU Council has given a very short deadline for us to submit observations on our clients' behalf," the firm said.

"They have refused an extension of time because the appeal period runs out in early April and they want to make a decision by then."

Brussels is set to relist a number of entities allegedly associated with Islamic Republic of Iran Shipping Lines as subject to sanctions.

In practical terms, the primary impact for the shipping industry is that it is still not possible to use tonnage said by the EU to be linked to IRISL without falling foul of Brussels.

European insurers and P&I clubs remain barred from providing cover for Iranian tonnage under a separate EU blanket ban, which is not limited to designated entities. Moreover, US sanctions remain in place.

In a ruling in January, the EGC held that the EU had not proved that Ocean Capital Administration and other applicants had supported nuclear proliferation, the ostensible ground on which they have been sanctioned.

The European Council had not at the time of publication responded to a request for more information on its stance.

Talks between Iran and the P5+1 group of western powers, aimed at resolving the deadlock over Iran's nuclear programme, resumed in the Swiss town of Lausanne this week.

Boardley steps up pressure for MCA reform

New UK Chamber of Shipping president also asks for feedback on EU membership in inaugural address as association considers policy position

NEWLY-elected UK Chamber of Shipping president Tom Boardley is calling for an overhaul of the Maritime and Coastguard Agency, which manages the country's ship register, *writes Janet Porter*.

The decline in the size of the UK fleet comes at a time when Britain is reasserting itself as one of the world's leading maritime nations and will host the second London International Shipping Week later this year.

But while professional services in support of the shipping industry and other maritime activities are doing well, the number of ships flying the Red Ensign is now falling after several years of growth, to the alarm of government and industry alike.

"A more responsive, proactive, accessible and business-friendly MCA will make us more competitive as a country. It is as simple as that," Mr Boardley said in a speech delivered on Wednesday night following his inauguration.

"We have a chance, we must take it. It is a chance to boost the shipping industry. But it is also a chance to boost our global status as a maritime business leader."

The chamber's concerns about the MCA have been an open secret for some time and will be considered as part of the Maritime Growth Study launched last year.

In a wide-ranging speech earlier this month, UK shipping minister John Hayes noted that the UK's position as a global maritime centre was under threat.

"We are seeing some signs that we may be losing ground in the ensuing struggle," he warned.

"Since its high point around 2009, the UK ship register has declined by around 17% in gross tonnage. And estimates of the gross value added from shipping — although not necessarily reflecting the maritime sector as a whole — also show signs of shrinking.

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We simply cannot afford to stand still while others up their game. Or simply undercut us."

In his speech, Mr Boardley described the Maritime Growth Study as a "once in a generation" opportunity to address the situation.

"It is the product of a government that has listened and acted. But it is also the product of the chamber's experience and expertise. At a time when the UK fleet is falling, with global markets continuing to struggle, now is the time to be ambitious, to rejuvenate the UK shipping industry and make it as competitive as possible."

The study is being chaired by Clarksons director Jeffrey Evans, supported by CMA CGM UK chairman Michael Parker, a former UK Chamber president.

Both Mr Parker and Mr Boardley are members of an advisory panel, which also includes Harry Fafalios of Fafalios Ltd; BIMCO president John Denholm; Mark Rawson of Eyal Ofer's Zodiac Group; recently-retired top shipfinance banker Lambros Varnavides, representing the Baltic Exchange; and lawyer Richard Stephens of Watson Farley & Williams.

Department for Transport figures show that since 2009, the combined deadweight tonnage of the world fleet has increased by 34% to 1.7bn dwt. In comparison the UK fleet has shrunk 27% to 12.6m dwt. In terms of the number of vessels, the world fleet expanded by 5% from 54,125 to 56,759 ships, while the UK registered fleet decreased by 36%, from 712 to 453 vessels.

The UK's share of the world fleet was stable between 1999 and 2008, at around 1%, but since then, it has dropped from 1.3% to 0.8% in 2014.

Some of the world's top containership owners and operators have ships registered in the UK, including Maersk, CMA CGM, Evergreen and Zodiac Maritime. But whether they will put more ships under the UK flag remains uncertain, unless the MCA offers a more competitive, user-friendly service, say industry sources.

A more responsive, proactive, accessible and business-friendly MCA will make Britain more competitive, says Tom Boardley.

Mr Boardley, Lloyd's Register's marine director and the UK chamber's vice-president for the past year, said members had expressed their frustrations about the MCA.

"It is not unreasonable for international shipowners, who can ply their trade anywhere in the world, to expect something in return from the country in which they choose to base their business. The MCA isn't just a regulator, it can and should be a customer service arm of UK PLC."

The revival of the UK register began under Maurice Storey when he was head of the MCA, as he shifted the focus from regulation to customer service.

In his speech, Mr Boardley listed the numerous achievements over the past year under his predecessor Marcus Bowman and the leadership of chief executive Guy Platten,

"We are larger — with an increase of 10% in our membership. We are louder — with our mainstream media coverage increasing by 400%. For many, we are cheaper. Our call review has seen the cost of chamber membership for many of our highest paying members fall.

"We are on a more stable footing, the chamber making a surplus this year for the first time in many years. But most importantly, I believe we are stronger and more influential than ever before — light dues down by 20%, exemptions for gas carriers from IMO Nox requirements saving some of our members millions of pounds, a full review of seafarer training, redrafting of guidance notes on the Bribery Act."

He also welcomed the Chancellor of the Exchequer's announcement earlier in the day of cuts to supplementary profits tax for the oil and gas sector from 30% to 20%, "a move that will defend our offshore oilrigs, and boost our offshore support sector in the process".

Mr Boardley warned,, though, that the current visa regime is putting the UK's reputation as a maritime power at risk.

"If we are a global hub for shipping business, we need to be a global hub for shipping talent. We have a brilliant, skilled British workforce, but to be a home for international industry we need international ideas, and that means being able to employ the brightest and best from around the world."

But too often, inward investors are finding it more difficult to create skilled shoreside jobs in the UK because work permits for business leaders and their employees are getting harder to come by, often forcing them to leave our country and go elsewhere, according to Mr Boardley.

"This system is totally blind to the realities of modern, global business, and if we are to be a world leading country for maritime services - frankly, if we are to be a world leading country for business full stop, it has to change."

Turning the question of European Union membership and a possible referendum following the May general election, Mr Boardley called for feedback from members.

"If politicians want reform, they need to set out in detail what those reforms will look like. So I pledge that in the year ahead, the UK chamber will play a leading role in helping government understand and define the reforms we need."

He wants to hear from the maritime community about the EU's strengths and weaknesses, what needs to remain and what needs to change.

"Is it as simple as saying 'single market good, regulation bad'? Probably not. But it may be a starting point," Mr Boardley told UK Chamber of Shipping members.

Lower oil price is crucial driver behind product tanker improvements

Refineries are running at full throttle, taking advantage of lower oil prices, offering greater volumes for product tankers to carry and boosting the freight market

THE lower oil price is the crucial factor driving improvements in the product tanker freight market, according to Braemar ACM Shipbroking yesterday, *writes Hal Brown*.

The 50% drop in the oil price since last summer is having a huge impact on the margins of refineries, which need oil to make products, said Braemar ACM head of research Henry Curra.

Improved margins have resulted in refineries taking full advantage of the situation, running at full throttle to create more products.

As a result, more cargoes are becoming available for the product tanker fleet to carry, raising demand for product tankers, Mr Curra said at the product and chemical tanker conference in London run by the International Parcel Tankers Association and Navigate.

"The falling oil price is a very strong dynamic for the product tanker market," he said. "Refineries are making more money today than they've made in 20 years."

The refineries are "running incredibly hard" putting more products on the market, he stressed.

Stocks of oil products are not building up in any significant way, which means there is real demand for this new cargo supply, he said.

Extra demand for product tankers has helped boost spot earnings for medium range product tankers to around $36,000 per day. "I'm surprised how well the MR market is doing," said Mr Curra, noting how strong those earnings are.

However, there are threats to the present market dynamic. "The danger, of course, is that it can unwind if oil prices rise," he warned.

Oil prices rebounded in recent weeks but have since dropped back to around $53 per barrel for Brent crude, according to oil-price.net.

Lower oil prices resulting in improved margins have spurred refineries to run at full throttle, creating more cargoes.

Nevertheless, despite theats, improved market fundamentals in the product tanker industry still point to a more encouraging outlook than seen for a while.

Australia is importing greater volumes of products due to its refinery closures, and US naphtha exports are climbing — just a couple of the intriguing developments boosting product tankers.

On top of that, new Saudi Arabian refinery capacity has opened, offering new cargoes for product tankers.

Saudi Arabia's Yanbu refinery, for example, began operations in 2014.

Overall Middle Eastern product exports will rise 15% from 2014's 162m tonnes to around 196m tonnes by 2019, DVB Bank has forecast.

By 2018, Saudi Arabia will be producing twice as many refined oil products as crude, according to Chemical Management Resources managing director Leslie McCune.

"That's going to need a lot of shipping," said Mr McCune.

"Generally speaking, we're much more comfortable with the product tanker outlook than we were even four months ago," said Mr Curra.

Cheaper oil and new sulphur regulations help boost Aegean

Chairman Peter Georgiopoulos says good riddance to OW as Greece-based bunker supplier hikes profits

LAST year's OW Bunker bankruptcy and a number of major market changes are set to make 2015 a "materially bigger" year than 2014 for Aegean Marine Petroleum Network, management of the New York-listed marine fuels company has said, *writes Nigel Lowry*.

Talking after Aegean had reported an increase fourth-quarter profits for 2014, company chairman Peter Georgiopoulos identified the demise of OW as a positive development for the bunkering market and the Greece-based company.

"We are seeing much more rational pricing... because we are not competing against one big competitor that was playing in a lot of games," he told analysts in an earnings call.

"We had one competitor that would enter markets, undercut us on price to try and build up their volumes for various reasons," said Mr Georgiopoulos. "Now that that competitor is gone, good riddance."

For the fourth quarter, Aegean recorded a $3.3m bad debt stemming from OW's collapse, but it has also seized the opportunity to expand into markets where a gap was left by the disappearance of its competitor.

In the last few months it has taken over contracts or staff formerly belonging to OW to secure entry to the US Gulf

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coast, US west coast, Russian and German markets.

Mr Georgiopoulos said that the expansion geographically, which would also see operations on the US east coast enter their second year, promised to increase sales volumes for the company.

Aegean sold a record of more than 3m tonnes in the fourth quarter last year as cheaper oil prices also had a favourable impact on the business.

Mr Georgiopoulos said that in some cases shipowners were buying bigger quantities but cheaper oil also had "a serious benefit" for Aegean's working capital.

Being able to deliver greater quantities to a vessel also helped profitability because there was "minimal difference" in the amount of time required to deliver 200-300 tonnes versus 1,000-2,000 tonnes.

The company posted net income of $7.5m for the fourth quarter, up from $7m in the same period of 2013.

Adjusted net income – excluding the OW bad debt and sale of non-core assets – increased by 31% to $10.4m year-over-year.

Another cause for optimism was new sulphur regulations introduced on January 1 that require vessels to burn more expensive distillate fuels with a 0.1% sulphur content limit in designated emission control areas in North America and Europe.

Aegean president Nikolas Tavlarios said that the low-sulphur products had a higher profit margin than the heavier fuel.

"Aegean is uniquely positioned to capitalise on the new EU regulations regarding changes in fuel and accounting requirements," said Mr Tavlarios.

"Many companies in our industry lack the infrastructure to support the new sulphur grade requirements, which we believe will be disruptive to their operations, as these regulations come into effect.

Aegean, however, had "strong cash flow, limited debt, and vessels that can support multiple fuel grades" and expected to gain market share through the cleaner fuel segment.

Georgiopoulos: We are seeing more rational pricing… because we are not competing against one big rival playing a lot of games.

According to Mr Tavlarios, Aegean's prospects run counter to a period in which most of the maritime industry is struggling against headwinds.

"With recent volatility in our sector, we expect there to be even greater opportunities to enter new markets, he said.

But if Aegean does open new locations it would be likely "along the same lines" as its recent moves to take over OW locations, which were accomplished without investing significant amounts of company capital.

Executives said that the company has concentrated on reducing capital expenditure in the last couple of years.

In 2014 it sold seven older vessels for a total of $60.5m, leaving it with a fleet of 48 bunkering vessels at end-year.

Navigator doubles profits in the fourth quarter

Wilbur Ross-controlled gas carrier player benefits from lower costs and better rates

NAVIGATOR Holdings, the New York-listed, Wilbur Ross-controlled gas carriers owner and operator, reported net income of $24.3.m for the fourth quarter of 2014, or 122% increase on the $10.9m in the same period for the year before, *writes Tom Leander*.

The Wilbur Ross-controlled company reported net income of $24.3.m for the fourth quarter of 2014. *© 2014 Mark Lenihan/AP*

Net profits for the year also more than doubled to $84.7m from $41m it posted in 2013.

The company's operating revenue increased 17% to $78.4m for the quarter year on year, while the full year figure for revenues was up 28% to $304.9m.

The company has 38 ships, including 11 newbuildings. Twenty-six ships were operating at year-end, with a utilisation rate of 94.8% for the fourth quarter, up from 90.7% for the same quarter in 2013.

The lower utilisation rate in the prior year's quarter reflected repositioning of "a number" of the 11 of Navigator's ships purchased from Maersk, as well as 45 days offhire due to an engine room fire on the *Navigator Capricorn*.

The strong profitable showing stemmed from a combination an improvement in rates and substantially lower operating costs, due to lower fuel price and efficiencies.

The average time charter rate for the company's fleet including fully refrigerated vessels amounted to $30,646 per day, versus $27,300 for the day before.

Voyage expenses for fourth quarter dropped to $9.1m from $13.4m, or a 32% reduction in 2014 compared to the year before. Operating expenses also contracted, to $17.5m from $18.1m

GSI to conclude its $890m acquisitions and changes company name

Meanwhile, four directors have resigned but there is no divergence of views, says shipyard

GUANGZHOU Shipyard International announced on Wednesday that it is to finalise a Yuan5.5bn ($883m) acquisition and will change the company name, *writes Cichen Shen*.

The Hong Kong- and Shanghai-listed unit of state conglomerate China State Shipbuilding Corp will complete the assets transactions in the next few days and develop a more comprehensive business model by adding navy vessels and offshore equipment into its product portfolio, according to an exchange filing.

To echo this expansion, GSI also proposed to rename the company as CSSC Offshore and Marine Engineering (Group) Company Limited.

GSI announced its acquisition plan in November, including acquiring Huangpu Wenchong, a major shipyard that specialises in military vessels, engineering ships and offshore equipment, for Yuan4.5bn from its parent group.

It also planned to purchase some shipbuilding assets from privately-owned Yangzhou Kejin to expand its manufacturing capacity in handysize tankers.

Meanwhile, two executive directors Chen Ji and Chen Liping, and two independent non-executive directors Li Junping and Zhu Zhenyu resigned from their positions, according to the filing.

"There is no divergence of views between the four people and the company. And there are no matters regarding the resignations of which shareholders should take notice."

GSI reported net profit of Yuan151.5m for 2014, up from a loss of Yuan218.6m in 2013.

Guangzhou Shipyard International is to be renamed CSSC Offshore and Marine Engineering.

Charles Taylor launches rights issue after strong full-year results

Standard Club manager sees pre-tax profit jump 39%

CHARLES Taylor Group, manager of the Standard Club and other marine mutuals, yesterday unveiled a £30.6m ($44.8m) rights issue after announcing a strong set of full year numbers for 2014, *writes David Osler*.

Profit before tax on a statutory basis jumped 39%, from £6.9m to £9.6m, while revenue grew from £113.6m to £122.8m.

Chief executive David Marock flagged up the management services division, which manages the International Group member Standard Club and three other marine mutual, as among the group's best performers.

Mr Marock told Lloyd's List: "The management services business was definitely one of our stars. When you look at the underlying mutuals, they have had really strong years as well. Typically we do better when our clients do better, so that was good news."

Services are provided on a cost-plus basis and if the clubs grow, costs grow and ipso facto the cost-plus element increases too.

"The Standard Club has, over the last five years, continued to grow in absolute terms and in market share, supported by ongoing strong financial results and the services we help provide. That relationship has, over time, been very positive."

The Signal Mutual, which provides workers' compensation for longshore workers in the US, charges fees on the basis of the size of the underlying clients and has seen growth both organically and through business wins.

Charles Taylor has recently picked up the contract to manage the Strike Club, following competitive tender, which Mr Marock sees as a vote of confidence.

Management services revenue last year was around £44m, with segment operating profits of £7.7m.

Insurance support services were also spotlighted as a growth area, which is gaining new

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Marock: the management services business was definitely one of our stars.

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clients and tapping new sources of revenue, which is starting to flow through to the bottom line.

By contrast, adjusting services faces the most challenging environment of the three, as the global claims environment remained benign.

On the rights issue, Mr Marock said: "We've been seeing really good opportunities across all of our lines of business.

"Increasingly we are being approached with interesting opportunities and we want to make sure we have the financial firepower to capitalise on those opportunities and thereby accelerate the growth of the group."

California ports see better times ahead after February cargo plunge

Cargo backlogs starting to clear after months of congestion

THE big three Californian ports all reported a steep decline in cargo volumes during February as congestion continued to plague the US west coast, *writes Janet Porter*.

Los Angeles, the largest container port in the US, reported a 10.2% drop to 502,663 teu compared with the same period last year.

Across the bay at Long Beach, there was an even sharper fall as throughput plunged 20.1% to 413,114 teu.

Further north at Oakland, February saw a 36.7% collapse in container traffic as the port suffered additional industrial disruption.

But all three are hoping to clear the backlog of ships and cargo within the coming two or three months.

"Cargo flow has improved since the end of February and throughout March," said Los Angeles executive director Gene Seroka.

The ports have implemented a number of initiatives to help speed up cargo velocity, while a tentative agreement between employers and the International Longshore and Warehouse Union has eased labour tensions.

"The new inter-operable chassis fleet is up and running. We've seen promising results in conjunction with initiatives like the cargo 'peel off' programme and testing activity around Cargomatic, a company working to create a more efficient method of dispatching trucks to terminals," said Mr Seroka.

Los Angeles reported a decline in imports of 10.7% to 254,225 teu in February, while exports fell 10.3% to 131,806 teu.

At Long Beach, imports shrank almost 25% to 204,462 teu, while exports were 23% less at 110,711 teu.

The port said congestion issues that worsened in February played the biggest role in the cargo declines, just as they did in January, which had seen an 18.8% drop from the same month last year.

"However, the outlook is more promising," the port said. "By the end of February, a tentative new contract for dockworkers was announced, federal regulators granted permission for Long Beach and its neighbour the Port of Los Angeles to collaborate on congestion relief, and private chassis fleets in the region agreed to pool their resources."

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Oakland, the smallest of the trio, said the cargo backlog that caused the decline was on its way out.

"Cargo is moving and the backlog is shrinking," according to maritime director John Driscoll. "With capacity again available in our marine terminals, volumes should begin building soon."

In a sign that Oakland was recovering, the port said that on Monday, only three vessels were holding station in the Pacific Ocean just beyond the Golden Gate awaiting terminal berths. That represented a significant drop from the 20 vessels awaiting berths in mid-February.

A large part of the Oakland backlog resulted from severe congestion at southern California ports. Late-arriving vessels from Los Angeles and Long Beach bunched up in Oakland, disrupting schedules and causing container yards to overflow. The port said it had now cleared out much of the cargo backlog. Some lingering cargo delays were caused by ships still stranded in southern California.

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