Lloyd's List

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Sovcomflot IPO will 'happen when it happens', says Kolesnikov

Preparations ongoing behind scenes but no firm sell-off date, says Russian tanker giant's finance chief

PREPARATORY steps towards the privatisation of Sovcomflot — a move first discussed as long ago as 2004 — have been under way behind the scenes, although there is still no target date for a sell-off, according to the chief financial officer of Russia's state-owned tanker giant, *writes David Osler.*

Meanwhile, the company is not experiencing any major financial impact from Western sanctions imposed on the Kremlin as a result of the Ukraine crisis, and is still able to raise money from Western banks, Nikolay Kolesnikov confirmed.

Tanker IPOs have been much in the news so far in 2015, with Euronav undergoing a successful New York listing, while Greek owner George Economou flirted with the idea of spinning off DryShips' tanker interests before shelving the idea and buying the ships himself.

Mr Kolesnikov said that Sovcomflot — currently a stock company with 100% of the shares owned by the Russian state — seriously does want to go public, even though the on-off announcements for more than a decade now have left many observers slightly bemused.

It is also clearly the case that the Lehman Brothers crash of 2008 and the subsequent shipping downturn have muddied the waters, especially from the standpoint of an organisation as conservative as the Russian government.

In a rare interview with the Western media, Mr Kolesnikov commented: "It was very hard for us to recommend to the government, our shareholder, that they should be trying to privatise and cash out at the bottom of the market, given the cyclicality in the tanker industry.

"They had to put their plans on hold, or rather, we had to put our hands up, so they wouldn't rush ahead and do something they would regret in the future."

However, recent improvements in the tanker market have not gone unnoticed, and Mr Kolesnikov describes sentiment as very different from even one year ago.

That other tanker concerns have positioned themselves to tap the capital markets has also registered on the Kremlin's radar screen.

"For the government, nothing has changed. Sovcomflot is high on their list of privatisation candidates, but this is all as before subject to market conditions. In the meantime we have been doing all the preparatory work to be ready to go when the conditions are right." Recent developments include the registration of a new share issue with the local stock market regulator and with the central bank, he went on.

Kolesnikov: Sovcomflot is high on the government's list of privatisation candidates, but this is all as before subject to market conditions.

Lloyd's List asked whether the situation could be summarised as 'it'll happen when it happens'. He replied: "I think that is a good way to put it."

Perhaps the number one motivation is the desire to tap equity capital, although Mr Kolesnikov was at pains to stress that SCF has no current difficulty finding the funds to pay for its expansion plans.

Institutionally speaking, the company is governed no differently from a public company and most importantly, counterparties have never had an issue about what the ultimate ownership of Sovcomflot is, or what its national origins are, he insisted.

For example, an ING-led consortium of leading European banks was perfectly happy to sign off on a $319m 10-year limited recourse credit facility last December. The money went on a brace of ice-class LNG carrier newbuildings. There is also an unsecured bond issue, dating back to October 2010.

In private conversation, shipping bankers with SCF

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exposure freely admit that although aware of potential adverse publicity from working with a state-owned Russian concern, they are more than happy with the credit risk and regard it as a top-drawer client. Deals are, of course, subject to country limits and client limits, but that's about it.

"Sovcomflot is not subject to any sanctions, so it's business as usual for us. Obviously we are a big player in the industry and as such we are a major client for all the banks that do ship finance, historically and currently.

"We have relationships with most major banks that do shipping, with most export credit agencies depending on where we build our vessels, so we tap that pocket of money," Mr Kolesnikov said.

But being in a competitive business environment, SCF needs to be competitive with regards to the cost of its capital, and that is where an IPO could come in handy, although the company will proceed with caution.

"If we were to tap equity, we need to make sure we do not compromise ourselves on the cost of that equity. It would be very difficult for us to pass on additional costs to our clients," he commented.

An IPO is seen as preferable to private placement, as equity will provide a performance benchmark.

Oil majors typically do not wish to take equity positions in tanker operators, while private equity is largely interested in bottom fishing and should not regard SCF as an easy mark, Mr Kolesnikov maintains.

"We need to have some visible tools to measure our performance and what can be better than a stock price?

"Listing venue is a technicality, I wouldn't want to comment on it. We will be guided by the bankers as to where it is most appropriate for us to list.

"At the end of the day, people will be looking at the fundamental value and the outlook for the business as such. Then we can package it appropriately."

More tomorrow
Sovcomflot shrugs off sanctions as it returns to profit

Google Tax could punish shipping companies doing UK business

Crackdown on tax avoidance enters force today

SO-CALLED "Google Tax" could see shipping companies doing business in the UK face a punitive tax rate of 25% if they fail to come clean with Her Majesty's Revenue and Customs about overseas transactions, lawyers and accountancy experts have warned, *writes David Osler.*

As UK Chancellor George Osborne confirmed in his budget on March 18, the diverted profit tax — to give it its full name — enters into force today.

But it is not just in Britain that such a threat is emerging. The development comes against a backdrop of a multilateral crackdown on tax avoidance from the Organisation for Economic Co-operation and Development.

Shipping was one of the pioneers of the use of low-tax jurisdictions, and is likely to find its taxation situation somewhat less congenial as a result.

DPT was born partly on account of public distaste for the activities of multinationals such as Google, Amazon and Starbucks that are perceived as having entered into contrived arrangements in order to avoid tax. A case in point is retailer Amazon, which argues that its online transactions with customers in Britain legally speaking take place in Luxembourg, and that it is therefore entitled to pay taxes to that jurisdiction rather than to the UK tax authorities

UK Chancellor George Osborne with the traditional red dispatch box on budget day, March 18. © *2015 Kirsty Wigglesworth/AP*

But lawyers Angela Savin and Chris Bates of Norton Rose Fulbright point out that DPT is not solely aimed at the high-profile companies that generated the initial furore, and in principle applies to all companies with cross-border activity.

It could — for instance — hit a UK company outside the tonnage tax system if it bareboats in a vessel from an overseas group company of little substance, located in a low tax jurisdiction.

If it is reasonable to assume that the transaction was designed to secure a tax reduction, even if the UK company pays a market rate for the charter, then it could see a unwelcome extra tax bill land in its inbox.

Tonnage tax companies appear to be largely off the hook, because any transactions with related parties are unlikely to reduce the company's tax liability, as this is based on the net tonnage of vessels owned or chartered-in to the company.

However, the new rules could potentially affect many other

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companies, including those operating in the offshore sector, where the DPT rate runs as high as 55%.

In particular, HMRC is likely to come down hard on anything that smacks of illegitimate transfer pricing, and will be empowered to adjust taxation to what it believes would have been the level of profit had transfer pricing not been adopted.

In the past, transfer pricing disputes tended to run on for quite a few years and were very expensive for HMRC, often requiring the use of external consultants.

But under DPT, the Revenue will be able to make an assessment on its best judgement, which the taxpayer then has to pay. There is recourse to appeal, but HMRC will hang on to the money in the meantime.

Ms Savin and Mr Bates give advice that boils down to not trying to pull off any fancy footwork on these occasions.

"The Revenue has said that it is only going to look to challenge assessed tax under DPT if there is a problem with transfer pricing," said Ms Savin.

"If the charter in to the UK is properly priced, then they'll probably just deal with it through the normal corporation tax mechanisms. I think UK shipowners who play a very straight bat will escape the worst of it."

Shipping specialist accountants Moore Stephens points out that attempts to counter aggressive tax avoidance by large multinational enterprises are being undertaken by many jurisdictions worldwide.

Tax partner Sue Bill highlights a number of scenarios in which shipping companies could fall foul of the changes to the tax rules.

Take, for example, a foreign company with sales relating to UK activities of less than £10m ($14.8m), that deliberately structures its affairs to avoid a UK tax presence.

Thus it will not have a UK trading subsidiary or permanent establishment for sales relating to UK activities, because this is avoided by ensuring that an overseas company contracts with customers.

Alternatively, a company that is taxable in the UK may reduce its taxable profits by transactions involving a connected entity.

However, the entity or transactions have a lack of economic substance and it is reasonable to assume the transactions were designed to secure the tax reduction.

In both cases, the profits thereby deemed "diverted" will be taxed at 25%, or 55% if the UK entity is in the oil and gas regime.

However, the rules do not apply where the entities involved are either small or medium-sized enterprises, or to loans.

Broadly, an SME is defined as an entity in a group that employs fewer than 250 people and has an annual turnover of less than €50m ($55m) and/or a gross balance sheet of less than €43m. Certain linked and other enterprises will be taken into account.

Actions to combat abuse

The OECD is also taking action to counter aggressive tax planning under its Base Erosion and Profit Shifting initiative, which has identified 15 actions to combat abuse.

These include obtaining more information so that governments can ensure transfer pricing rules are applied properly, including country by country reporting of information relating to the global allocation of a multinational's taxes and certain indicators of economic activity.

There are no exemptions for any special industry groups but the proposals currently include a minor concession for shipping groups. In the UK, the Finance Bill 2015 gives HMRC the powers to implement the OECD's proposals for country by country reporting.

The OECD issued a report in September 2014 that proposes all tax treaties should include a so-called Principal Purpose Test.

This is a broadly drafted general purpose rule aimed at removing treaty benefits where one of the principal purposes is to obtain treaty benefits, and/or a limitation of benefits clause similar to that in US treaties. This is aimed at preventing "treaty shopping", one of the BEPS action points.

"It remains to be seen how effective the DPT and other current measures will be in discouraging aggressive tax avoidance, and to what extent they will affect groups who have not set up such structures," said Ms Bill.

"All multinational enterprises need to review their structures and be aware of the implications of these and future developments."

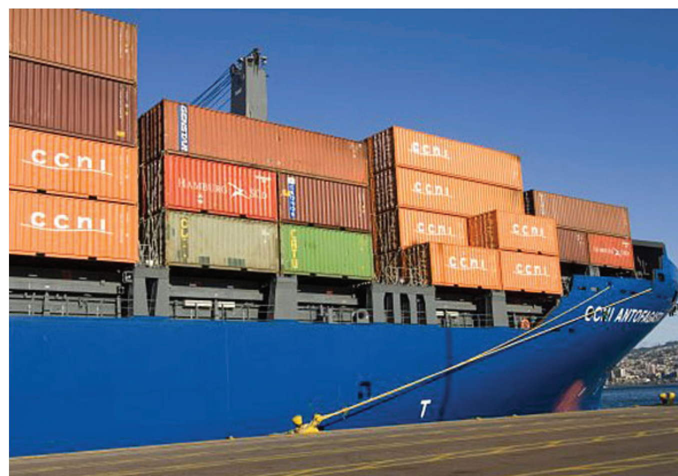
Hamburg Süd finalises CCNI deal

Brand name to be retained in routes to and from west coast of South America

HAMBURG Süd has pledged to keep the CCNI brand after finalising the takeover of the container shipping activities of Compañía Chilena de Navegación Interoceánica, the German line confirmed yesterday, *writes Janet Porter.*

The deal also includes the related general agency functions of Agunsa Agencias Universales, with headquarters in Valparaiso and Santiago de Chile.

Privately-owned Hamburg-Süd will move up from number 12 in the world to 10th place, with a fleet of almost 520,000 teu, now that it has purchased CCNI's container division, which operates capacity of close to 60,000 teu.



CCNI's container division operates capacity of close to 60,000 teu.

The companies said in a statement that closing took place at the shipping line's headquarters in the presence of management representatives from CCNI and Agunsa. The acquisition had previously been approved by the competent antitrust authorities.

The sale and purchase agreement was signed by Hamburg Süd and CCNI in mid-February.

Hamburg Süd will continue to operate the CCNI container liner business under the well-established brand name on the main trade routes between the west coast of South America, Asia, Europe and North America respectively.

China Rongsheng announces loss of $1.3bn to equity holders

Paring of shipbuilding contracts leads to revenue reversal of $725m

CHINA Rongsheng Heavy Industries reported a loss attributable to equity holders of Yuan7.8bn ($1.3bn) for 2014, compared with a Yuan8.7bn loss in 2013, as its shipbuilding exit saga and liquidity worries continued, *writes Tom Leander.*

The yard, which has been reduced from China's largest non-state shipbuilder to a pared-down, cash-strapped operation with a 35 vessels on order in a matter of four years, has signed a memorandum of understanding with a non-disclosed party to explore the sale of its shipbuilding assets.

Meanwhile, Rongsheng says it will optimise its shipbuilding operations ahead of any disposal and is pursuing a future as an energy company, with holdings in Kyrgyzstan.

Rongsheng has been busy cancelling construction contracts in order to pare its orderbook. In 2014, it showed a loss connected to cancelled contracts of Yuan4.5bn, while shipbuilding revenues amounted to Yuan728m, compared to Yuan1.3bn in 2013.

Cost of building existing ships amounted to Yuan2bn for the year, compared to Yuan2.8bn in the previous year. Meanwhile, reversal of contracts led to a gain of Yuan1.7bn, delivering a gross loss of Yuan4.1bn for 2014, compared to Yuan1.4bn in 2013.

Its operating cashflow for 2014 was Yuan2.8bn. Net financing costs for Rongsheng rose to Yuan2bn, from Yuan828m the year before.

Cash and equivalents amounted to Yuan7.1bn at year-end, compared with Yuan14.2bn at the end of 2013. Total liabilities stood at Yuan27.9bn, of which Yuan20.5bn was in borrowings.

Rongsheng Heavy Industries signed an MOU with a potential buyer in March to explore the sale of shipbuilding assets.

On March 16, Rongsheng announced that it had signed the MOU with a potential purchaser, and has emphasised in its earnings release that any deal is still pending. The deal would see core assets and liabilities of Rongsheng's onshore shipbuilding and offshore engineering business sold to a third party.

Rongsheng would use the proceeds to settle its remaining liabilities and to finance its push into energy. In August 2014, Rongsheng announced that it had bought a majority stake in New Continental Oil & Gas for $281.8m. New Continental, along with Kyrgyzstan's national oil company, operates four oilfields in the central Asian nation.

China Merchants Holdings profits from ports rises 10%

Recent terminal stake acquisitions boost volumes and profits

CHINA Merchants Holdings (International), the Hong Kong-listed subsidiary of China state-owned China Merchants Group, reported a rise in profits attributable to equity holders from port operations of 10% to HK$4.3bn ($555m), as new volumes from recent global terminal stake acquisitions and China growth contributed robust results, *writes Tom Leander.*

It achieved the profit on 5% growth in ports revenues year on year to HK$21.1bn.

Container throughput handled by the ports operations amounted to 80.8m teu, up 13% from 2013.

Mainland ports contributed 59.6m of this total, with a volume contribution up 5% year on year. The share of this segment from Shanghai Port International Group, the subsidiary that runs the main terminal operation in Shanghai, was 35.6m teu, up 5% over 2013 levels.

China Merchants has been expanding, with respective purchases of shareholdings of 49% and 23.5% in Terminal Link and the Port of Djibouti, which were reflected for the first time in 2015 volumes.

This pushed contributions from the group's overseas ports up 87% year on year to 14.1m teu.

Reflecting the new share ownership, profits earmarked as 'other location' — international ports — showed the biggest rise year on year, up 167% to HK$510m.

Profits from the Yangtze River Delta operations, which include Shanghai, were up 10% to HK$1.9bn.

Meanwhile, the group's bulk cargo-handling operations posted a 4% rise in throughput to 363m tonnes.

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‘We have no competitors’ — Bugbee urges private equity to create more of the likes of Scorpio Tankers

Scorpio Tankers president renews high-profile call on private equity-backed product tanker owners to consolidate among themselves

Bugbee: “I believe consolidation across all shipping markets is ultimately good for the industry and investors.”

ROBERT Bugbee has renewed his call to private equity: consolidate the fleets of product tankers you invest in and create companies like Scorpio Tankers for the sake of equity markets, *writes Max Tingyao Lin*.

“We have no competitors. We have no peers in the public market,” Mr Bugbee, president of New York Stock Exchange-listed Scorpio Tankers, told Lloyd’s List in an interview.

“Having such a competitor or peer, we believe, would encourage further good capital from traditional equity investors into our space.”

This was the second time Mr Bugbee publicly called for consolidation among private equity-backed product tanker owners in a month, as he saw consolidation efforts already taking place in dry bulk and crude oil shipping.

“We know when there is a will, there is a way,” said Mr Bugbee, citing the General Maritime-Navig8 Crude Carriers and Star Bulk Carriers-Oceanbulk mergers as examples of consolidation among private equity-sponsored firms.

“I believe consolidation across all shipping markets is ultimately good for the industry and investors.”

Mr Bugbee went on to name Blackstone, Wilbur Ross’ WL Ross & Co, and Apollo Global Management as the private equity groups that should initiate consolidation efforts, an unusual, high-profile move as business officials usually refrain from offering direct comments on other firms.

While industry players tend to shun merger opportunities when rates pick up like they do now, those “very experienced and successful” private equity companies should initiate consolidations and “show our industry” what could be done, according to Mr Bugbee.

Moreover, he listed several private equity-backed product tanker owners, including Diamond S, Ardmore Shipping, Overseas Shipholding Group and Torm as the ones that should seek consolidations.

“We would welcome any consolidation between such ventures, as we think that another well-capitalised, large product tanker company is of significance and interest to equity investors,” Mr Bugbee said.

He also called on private equity investors to refrain from launching initial public offerings of product tanker firms with low capital liquidity while freight rates are strong.

Instead, Scorpio Tankers would “welcome and support” the listing of any companies that combined their fleets together to create a new entity with higher capital.

However, when asked whether Scorpio Tankers would be interested in joining such consolidations itself, Mr Bugbee pointed out that his company is only interested in eco-ships so those tanker owners lack appeal.

“All those companies I was talking about have non-eco ships,” he said.

Hold on to Dorian LPG

Scorpio Tankers is not to have any imminent sale of its 16.3% stake in Dorian LPG, according to Mr Bugbee, even though its holding was registered with the Securities and Exchange Commission for disposal last December.

“We are a better buyer of Dorian shares than we are a seller,” he said. “We believe the company is significantly undervalued.”

The NYSE-listed Dorian LPG last traded at $12.89 per share, compared to its IPO price of $19 achieved in May, despite strong spot rates for very large gas carriers since last year.

Uncertainty over dry bulk recovery

Mr Bugbee, also president of Scorpio Bulkers, said he observed industry-wide efforts in curbing oversupply by scrapping, cancelling orders, converting bulker orders to tankers, and delaying deliveries of newbuilding ships — some of the measures have been taken by his company as well.

On the demand side, Mr Bugbee expected low commodities prices, interest rates and shipment costs would stimulate imports of consuming nations, saying Brazil-China iron ore trade could particularly benefit.

“Low shipment costs will benefit Brazil more than any other [producing] country because it’s the furthest away” from China, the world’s largest iron ore importer, he said.

However, Mr Bugbee refrained from predicting when dry bulk rates will pick up. “It’s not difficult to expect the next fundamental direction is upwards; what is difficult is determining when.

“As a company we are planning for an extended period of downturn.”

GasLog grosses $100m from fundraiser

More vessel acquisitions on the mind of Monaco-based owner

LIQUEFIED natural gas carrier owner GasLog has grossed $100m from a public offering of preferred shares that will add further to muscle available for fleet growth, *writes Nigel Lowry*.

The Monaco-based owner last year stated its goal of having a fleet of 40 LNG carriers by 2017.

The offering of 4m cumulative perpetual redeemable preference shares was priced at $25 per share with a coupon of 8.75%.

GasLog intends applying to list the Series A shares on the New York Stock Exchange.

Net proceeds are expected to be about $96.85m and underwriters also have a 30-day option to purchase up to an additional 600,000 shares to cover any over-allotments.

Joint book-running managers for the offering, which is expected to close in about a week's time, are UBS Securities, Morgan Stanley and Stifel, while Credit Suisse Securities is acting as joint lead manager.

The company plans to use the net proceeds from the offering for general corporate purposes, which may include making vessel acquisitions or investments.

Chief financial officer Simon Crowe said the offering broadened GasLog's capital structure and further diversified funding sources.

"The use of proceeds will be for general corporate purposes, including possible vessel acquisitions," said Mr Crowe.

GasLog currently owns 11 LNG carriers in the water and has another nine on order, with options for a further six vessels from Samsung Heavy Industries that are on the point of expiring. It is also in the process of acquiring two more ships from BG Group.

In addition, a fleet of five LNG vessels is owned by GasLog Partners, a master limited partnership formed by GasLog.

Zim still in the red despite smaller losses

Line managed to almost halve its net loss to $127m in 2014 from $216m previously

ZIM remained in the red last year, although losses were smaller than in 2013, *writes Janet Porter*.

In a year that saw widely varying results between global carriers, the troubled Israeli line managed to almost halve its net loss to $127m in 2014 from $216m previously.

Earnings before interest, depreciation, tax and amortisation came to $116m, an improvement of $118m compared with 2013.

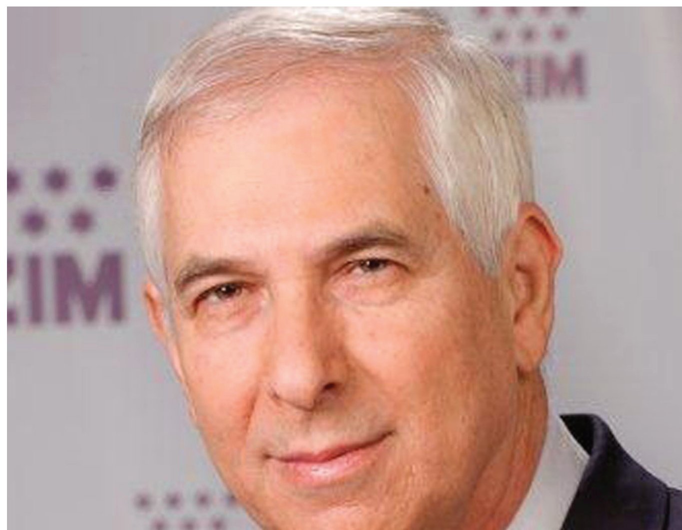
Zim has been struggling for years with huge borrowings, but the Israeli line said in a statement that the $3.4bn debt restructuring, which included a debt-to-equity swap of $1.4bn, significantly improved the company's financial strength and enabled it to report positive equity.

"The company recorded a sharp improvement in the fourth quarter, and continues to record a steady and ongoing improvement of its operating results," said Zim president and chief executive Rafi Danieli.

"Through the implementation of our business plan, enhancing efficiency and improving our service and sales, we aim to continue in order to return to profitability and growth in 2015."

Zim is virtually the only global player not to have joined or become affiliated to a major alliance, but hopes to co-operate with other carriers, now that a restructuring deal is in place.

The company said it was now concentrating its efforts on executing its business plan, which was a vital part of the restructuring. This means a focus on profitable trades where the company offers added value to its customers, while improving and upgrading its points of interface with customers and continuing to improve its operational efficiency.



Danieli: Zim recorded a sharp improvement in the fourth quarter and maintains steady improvement of its operating results.

"The improved results derive, among other things, from organisational changes and expanding the scope of co-operation with other shipping companies, which was unattainable before finalising the restructuring," Zim said.

Fuel prices

The reduction in fuel prices towards the end of the year also contributed to the improvement in the final quarter, despite these prices remaining unstable.

Zim achieved a profit in the fourth quarter of last year after excluding certain items.

The net loss for that period amounted to $4m, reflecting a $16m improvement compared to the previous quarter. But excluding a derivatives cost, there was a profit of $17m.

Zim carried 2.4m teu containers in 2014, a 6% decrease compared with 2013. Most of the decline was as a result of terminating the service from Asia to northern Europe as part of its business plan.

In the fourth quarter, the line shipped 577,000 teu compared with 646,000 teu a year earlier.

The total revenues in 2014 amounted to $3.4bn compared to $3.7bn in 2013. The average freight rate last year was $1,243 per teu, compared with $1,219 in 2013, a 2% increase.

In the final quarter, the average freight rate amounted to $1,271 per teu compared to $1,181 in the corresponding quarter in 2013, an 8% increase.

The latest addition to vessel upsizing came this week with Mediterranean Shipping Co's 19,224 teu *MSC Oliver*.

New capacity to increase pressure on Asia-north Europe rates

Influx of ultra large containerships will drive weekly capacity up 9.1% by the end of the year

VESSEL upsizing will drive weekly capacity on the Asia-north Europe trade up 9.1% by the end of the year, putting even more pressure on an already volatile freight rate market, say analysts, *writes Linton Nightingale.*

It was In its latest research, Alphaliner says while there are no new strings expected in 2015, of the 21 strings currently operating the route, as many as 18 will deploy ships with a capacity of over 12,000 teu by the end of 2015, compared with the 14 strings at the start, as lines look to replace their existing units of 8,000 teu-10,000 teu with new ultra large container vessels of 13,800 teu-19,000 teu.

Further, from December, the sole string currently offering an average weekly capacity of some 18,000 teu will be joined by an additional two.

Much of this growth will come from the Ocean Three and CKYHE carriers, which plan to increase their capacity by 15.2% and 15.3% respectively come December.

For the Ocean Three, CMA CGM, United Arab Shipping Co and China Shipping Container Line, total weekly capacity on the key route will increase from 52,540 teu at the start of the year to 60,500 teu, said Alphaliner.

This will include the upgrade of CSCL and UASC's joint AEX1/AEC1 string to the 18,000 teu scale and their AEX7/AEC string to accommodate 14,000 teu-15,000 teu scale ships, including UASC's new 14,990 teu ships and existing vessels from the AEX1/AEC1.

Meanwhile, Marseilles-based CMA CGM will introduce its 17,700 teu ships on its flagship FAL1 service, allowing for an average usable capacity of 15,600 teu by December. This number currently stands at 14,000 teu. Ships being displaced will be transferred to its FAL string, increasing weekly capacity here to 14,500 teu, compared to the 11,900 teu average seen at the start of 2015.

The bulk of new capacity to be added by the CKYHE carriers will be seen on the NE2 and NE7 loops, where new vessels of 13,500 teu-14,000 teu delivered to Yang Ming and K Line will replace the 8,800 teu-9,000 teu currently deployed by the alliance on the Asia-north Europe trade. The weekly capacity of these two strings will increase by over 50%, marking the largest service upgrades this year, said Alphaliner.

The 2M carriers, Maersk Line and Mediterranean Shipping Co, will increase their capacity by 6.5%, with 13 ships of between 18,000 teu and 19,000 teu due be added during the course of the year. So far, only the AE-10/Silk service operates with a fleet made up solely of 18,000 teu vessels.

However, the service will be joined by the AE-5/ Albatross, which will enhance its entire fleet to a capacity of 18,000 teu by August. The 2M's AE-2/Swan will also be upgraded through the deployment of new 18,000 teu ships, but also 15,550 teu and 15,900 teu units.

The lowest capacity increase seen on the Asia-north Europe trade will come from the G6, with no significant upgrades expected on their five FE-North Europe strings. According to Alphaliner, the only new ships scheduled to be added to the alliance's offering will be MOL's four 10,010 teu newbuildings, resulting in just a 1% capacity increase for 2015.

The latest Shanghai Containerised Freight Index shows that freight rates on the Asia-north Europe trade are below $600 per teu for the first time since mid-2013 at $583 per teu, having fallen steadily post-Chinese New Year.

Earlier this week, industry analyst Drewry said the core reason for falling rates is the failure of carriers to cope when utilisation levels slip below 90%. With carriers adding yet more capacity to the route as the year progresses, they will be under even more pressure to fill slots to ensure that rates climb to more sustainable levels.

IUMI stats point to continuing improved loss trend

Cargo insurance evidence of green shoots for world economy

SHIPPING is continuing to show an improved loss record, while there are tentative signs of a recovery in world trade, according to the latest quarterly statistics from the International Union of Marine Insurance, *a Lloyd's List Reporter writes.*

Hull losses show a general downward trend in total loss frequency for most vessel types. As a percentage of the world fleet, the frequency of total loss since 1997 continues to decrease and has more than halved, by both the number of vessels and tonnage.

However, an overall increase in percentage of the frequency of heavy weather and grounding-related total losses is reported.

Personal accident casualties also reduced year on year during the period 2007-2014. Groundings are reported as being a significant cause of this type of casualty.

Global economy

Cargo market statistics indicate the global economy is continuing to recover, although it remains volatile and uneven, with a recent slowdown in key emerging markets such as China, Brazil and parts of Europe.

Despite this continued recovery, inflation is likely to remain a factor, due to the extent of economic slack in the major economies and the short-term market interest rates continuing to be very low.

Oil and gas prices have fallen sharply, due to slower growth in key commodity importing nations.

Simultaneously, with US shale gas extraction and continued production by the Organisation of the Petroleum Exporting Countries, excess supply has also contributed to this dramatic fall.

The cost of salvage and wreck removal is also dramatically increasing, with superstorm Sandy likely to prove the sixth-costliest event in global insurance history on some estimates.

Cargo theft, mysterious disappearance and the misappropriation of cargo is also growing in severity.

In general, exposures and risks are growing in size and complexity and these will require stable solutions in the future.

Gibson finalises split from parent group

Shipbroker shuns mergers and management buy-outs in favour of being a mid-size employee-owned firm

EA GIBSON Shiproker has finalised the separation of the businesses from its parent group, London-listed Hunting plc, *writes Craig Eason.*

The move will bring the shipbroker firm into employee ownership after more than 121 years as part of the Hunting Group. The announcement of the split was made at the beginning of the year.

The consideration for the sale was $3.7m in cash, which will be in the form of $700,000 now and the remainder in equal annual instalments over four years.

Gibson has offices in London, Singapore, Hong Kong and Houston, and lists its businesses activities in the crude, clean and dirty products in the oil trades, vegoils, chemicals, lubes, LPG & LPG product broking, LNG, offshore, dry bulk, sale and purchase, period and projects and research and consultancy.

The group is against the trend of being part of a larger firm after consolidation.

"There are repeated claims that to provide a quality service, a prerequisite is to follow the current fashion of being one of the largest companies, involved in all aspects of shipping and its peripheral activities. We beg to differ and believe that the depth and quality of service to our clients is paramount and best served when the focus of the company is the core shipbroking activity. Our 121-year pedigree is testimony to this philosophy."

The company said it therefore rejects stock listed, partnership and management buyout options as the way forward for Gibson in favour of an employee ownership structure.

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