Lloyd's List

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The race is on: Who will lead the IMO into a new era?

IMO has confirmed the names of the candidates standing for election as secretary-general

THE period for countries to nominate candidates for election as the next secretary-general of the International Maritime Organization is now closed and the IMO has confirmed the names of the candidates standing for election, *writes Craig Eason.*

There are six candidates on this year's list, just like there were four years ago at the last election. Only one of those candidates from 2011 is standing again.

The IMO is the single most important rule-maker in shipping and its secretary-general has a critical role in moving the organisation forward, keeping it a modern, relevant and productive organisation.

Earlier this year, in anticipation of the vote, we published a thought-provoking piece on how the IMO must change to meet the demands of a changing shipping industry.

Owing to the nature of the industry, where flag states, port states and a range of other stakeholders can have a regulatory and operational influence on the business of shipping, the existence of the IMO allows for what is seen as a key requirement for shipping: the potential of a level playing field. There has always been criticism of the IMO, but it still acts as the only international rule-maker for the industry, although there have been challenges of late, and the tendency of the IMO to create aspirational regulation that is difficult for shipping to comply with has not helped its cause.

The regulatory decisions of the IMO are made during its committee meetings. IMO member states send experts to the meetings, they submit papers and thus regulations are agreed by consensus.

However, the IMO, which is based in London, is a diplomatic institution. It is part of the United Nations and subject to its mechanisms and influences. As such, it is also subject to the impact of the diplomatic favour game, where countries, who pay fees to be IMO members, can support each other in return for votes, or even business.

So who will be the next secretary-general?

Candidates have been nominated by the following six countries: Cyprus, Denmark, Republic of Korea, Kenya, Philippines, Russia.

However, the IMO secretariat will in due course confirm that all the countries have made official submissions, if there has been a last-minute candidate put forward.

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Election special

Denmark: Andreas Nordseth

Cyprus: Andreas Chrysostomou

The Philippines: Max Mejia

Russia: Vitaly Klyuev

South Korea: Lim Ki-Tack

Kenya: Juvenal Shiundu

Go to lloydslist.com/regulation to read profiles of all six candidates

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The vote will take place in the week beginning June 29, when the 40 member states that form the IMO Council meet.

There are likely to be some diplomatic favours pushed and played for in the period between now and the election. The vote is secret and it is a first-past-the-post election.

If the first round does not reveal a candidate with 21 or more votes, then the candidate with the least number of votes is out, and there is another round of votes.

This continues until a winner is found. Country representatives are known to try to cajole failed countries to support their candidates in subsequent rounds.

If current secretary-general Koji Sekimizu had decided to stand for another four-year term, there would have been a simple vote about it at this year's IMO Council meeting.

Andreas Chrysostomou from Cyprus and **Andreas Nordseth** from Denmark are considered by some to be the strongest candidates, likely to gain the required votes. Both are familiar within diplomatic circles, and have the capability to secure votes.

Mr Nordseth is a former seafarer and long-term bureaucrat, having joined the Danish Maritime Authority in 1997. He helps push Denmark's agenda at the IMO; he is head of the Danish IMO delegation.

Mr Chrysostomou has perhaps the most prominent industry profile of the six candidates, having chaired the IMO's marine environment protection committee for 10 years, with time before that involved in other committees on behalf of Cyprus.

Widely respected

He is the one candidate that has made a previous bid to become secretary-general, when he was nominated in the election that saw Japan's Mr Sekimizu win by a large margin in the second round.

The Philippine candidate, **Max Mejia**, is widely respected and has a number of years at the World Maritime University, but his work with the development of crew working hours and rights is less well-known within UN diplomatic circles.

The Philippine foreign office will have to work hard to secure enough votes for Mr Mejia, as will South Korea to give their candidate, **Lim Ki-Tack**, a chance of winning.

Mr Lim has spent the past two and a half years heading up the Busan Port Authority, and prior to that was head of the Korean Maritime Safety Tribunal, so he has not been actively involved in IMO circles.

However, sources suggest South Korea has some powerful contacts and may be able to secure the required votes from the IMO Council members.

Kenya's candidate **Juvenal Shiundu** has been a long-serving member of the secretariat, as was Mr Sekimizu at the last election, but there are those who would like to see an external candidate, ie, from one of the national maritime administrations or other body, brought into the IMO to help provide a new perspective.

Mr Shiundu is likely to win votes from the African and possible Middle East members of the IMO Council.

Russia's candidate **Vitaly Klyuev** fits that requirement for a non-secretariat proposal, but the Russian Federation will have a steep hill to climb, given the current diplomatic tensions regarding the Ukraine sanctions.

Of the 40 IMO Council members, almost half are involved in economic sanctions. While the election of a secretary-general should not be swayed by these sanctions, they are still likely to cast a shadow.

The six candidates will spend the time between now and the IMO Council meeting canvassing for votes from other members. Mr Shiundu, Mr Klyuev and Mr Chrysostomou have campaign sites. The Kenyan and Cypriot candidates also have active Twitter and Facebook profiles.

Six new ultra large ships for OOCL makes G6 look more formidable

With MOL's recent six-strong order, G6 will be able to compete directly against 2M and Ocean Three on the Asia-Europe trades

Yesterday's order gives OOCL and other G6 members the critical mass needed to compete with other alliances on the Asia-Europe trades.

IN THE race to get the biggest containerships on the water, the G6 alliance has always seemed the least inclined to rush to the party, *writes Cichen Shen.*

The 2M match-up, consisting of Maersk and Mediterranean Shipping Co, and the Ocean Three alliance — CMA CGM, China Shipping Container Lines, and the United Arab Shipping Co — are already well-stocked with ships of 18,000 teu or larger, whether currently operating, or due for delivery.

Yesterday's announcement that Hong Kong-listed Orient Overseas (International) Ltd, parent of OOCL, has ordered six 20,000 teu vessels changes that story — and the industry's power equation. The order, placed at Samsung Heavy Industries at a price of $158.6m apiece, now gives OOCL and other G6 members the critical mass needed to compete with the other alliances on the Asia-Europe trades.

Last month, G6 member Mitsui OSK ordered four 20,000 teu ships, also at Samsung, and chartered two same-capacity ships from Shoei Kisen. MOL's move made it inevitable that one or more of the other G6 members would follow suit. Now OOCL has clinched it.

Stanley Shen, head of investor relations at OOIL, told Lloyd's List that the vessels, together with the MOL order, will be able to form a weekly loop service to Europe when the ships are delivered in 2017, competing directly against the 2M powerhouse of Maersk and MSC.

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Other G6 alliance partners are Nippon Yusen Kaisha, Hyundai Merchant Marine, Neptune Orient Lines, and Hapag-Lloyd.

With OOCL and MOL firmly placing the G6 in the big-ship club, pressure will mount on the one remaining alliance to quickly super-size its fleet profile.

Last week, news emerged that China Cosco Holding and Taiwan's Yang Ming were each mulling an 11-strong order of ultra large ships, with Cosco confirming to Lloyd's List that it was seeking 19,000 teu vessels and already talking to shipyards.

However, Wang Haimin, deputy general manager of China Cosco Holding, admitted some reluctance about the order. Among his concerns was the company's capability to fully load those megaships, as well as ports' ability to receive the vessels.

He said Cosco has not made a final decision on whether to buy and, if it does, the number of vessels it will ultimately order. Yang Ming has so far not confirmed reports of its order.

Mr Shen admitted similar concerns, saying: "Terminals and ports still have to be upgraded to handle the large vessels of the future."

Six 20,000 teu containerships on order for OOCL
Hong Kong-listed container line is latest to shake off its resistance to ordering mega ships, as Asia capacity war heats up
http://www.lloydslist.com/ll/sector/containers/article459548.ece

When asked whether the mounting number of ultra large boxships will worsen ship oversupply on the Asia-Europe trade route, Mr Shen shrugged off the idea. He pointed out that new vessel orders were necessary and a natural replacement, since the average age of the existing containership fleet is high, at 14 years old. Moreover, lines generally have undertaken aggressive fleet upgrades over the past five years, he said.

Mr Shen also discounted concerns over ebbing European demand.

"The economy of the European countries last year wasn't very healthy as far as GDP is concerned, but the trade growth for imports was 7.5%," he said.

Cosco is listening.

Shipping confidence falls to lowest level since 2012

Overtonnaging and oil price lead industry concerns, Moore Stephens finds

LEVELS of confidence in the shipping industry have slipped to a two-and-a-half-year low amid fears about overtonnaging, high levels of outside investment and low oil prices, according to the latest Shipping Confidence Survey from accountancy firm Moore Stephens, *writes David Osler.*

In the February 2015 edition of the survey, the average confidence level expressed by respondents in the markets in which they operate was 5.5 on a scale running from a low of one to a high of 10.

That represents a drop of 0.2 from the 5.7 recorded in November 2014. This is the lowest figure since August 2012, and compares with the record high of 6.8 when the survey was launched in May 2008.

Biggest fall

Charterers recorded the biggest fall in confidence, down to 3.9 from 5.4 in the previous survey.

Confidence on the part of owners was also down, from 5.5 to 5.4, while that expressed by managers was slightly up, from 6.1 to 6.2. Confidence in the broking sector was unchanged at 5.0. Geographically, confidence was down in all main areas covered the survey.

A surplus of tonnage, particularly in the dry bulk trades, dominated the comments of those who responded to the survey.

One said: "Dramatic over-ordering in the dry cargo market in the past two years has led to the catastrophically bad market we have today.

"What is now even more frustrating is that those clever guys who thought that dry cargo newbuildings were a good idea are now starting to convert them to tankers.

"Excellent! Let's hit another sector that has just found its feet with more unnecessary orders! When will people learn?"

Falling oil prices were another recurring theme among respondents, with one respondent warning that the trickle-down effect of cutbacks in the oil sector will result in a decrease in business across the board for companies in the shipping industry.

A surplus of tonnage, particularly in the dry bulk trades, dominated concerns raised by survey respondents. *oxtock/Shutterstock.com*

A number of respondents expressed concern about the effect on the markets of new money from non-shipping investors.

One complained: "Excessive liquidity from US markets being invested in Far East shipbuilding programmes is killing any improvement in the market."

The survey revealed that the likelihood of respondents making a major investment or significant development over the next 12 months was down on the previous survey, on a scale of one to 10, from 5.3 to 5.1.

That is the lowest figure since February 2012, although managers were more confident in this regard than they were three months previously.

The number of respondents who expected finance costs to increase over the next 12 months was down by eight percentage points to 32%, the lowest figure in the seven-year life of the survey.

Demand trends, competition and tonnage supply featured as the top-three factors cited by respondents as those likely to influence performance most significantly over the coming 12 months.

Capital Product scores better rates for tanker duo

Nasdaq-listed owner takes the first of five dropdown newbuildings from Greece-based sponsor

Capital's *Avax* has been fixed to Brazil's Petrobras at $15,400 per day for three years.

CAPITAL Product Partners, the Nasdaq-listed tanker and containership owner, has scored improved rates for two of its existing tankers as it expands the fleet with five newbuildings acquired from its sponsor, Greece-based Capital Maritime & Trading, *writes Nigel Lowry*.

Its nine year-old suezmax *Militiadis M II* this month starts a new 11-month charter to Petróleos Mexicanos at a gross daily rate of $33,000.

The vessel is already on charter to the Mexican state oil company, but at a rate of $28,000 per day.

Meanwhile one of the partnership's handymax product tankers, *Avax*, has been fixed to Brazil's Petrobras at $15,400 per day for three years, starting at the end of April.

Currently the vessel has been among several in the fleet that has been trading for Capital Maritime. *Avax* has been earning a rate of $14,750 per day.

The new charters bring charter coverage to 89% for this year and to 67% for 2016.

Meanwhile, Capital Product has taken delivery of the newly-built 50,000 dwt chemical-product tanker Active from Samsung Heavy Industries (Ningbo) Co.

The new tanker goes straight on to charter with Capital Maritime for two years at a $17,000 daily rate, plus 50/50 profit share on actual earnings settled every six months.

Dropped down

Active is the first of two new medium range sisterships being dropped down to the public company under a master acquisition agreement with the sponsor, which also includes three 9,160 teu newbuilding containerships that are under construction at Daewoo Mangalia Heavy Industries in Romania.

The three boxships have all been chartered by CMA CGM, while the remaining tanker will also be chartered by Capital Maritime.

The partnership has options to acquire an additional six 50,000 dwt tankers under construction at the Samsung Ningbo yard for Capital Maritime.

GasLog completes $460m acquisition of BG duo

Brings to eight the number of LNG carriers taken from BG in last 12 months

GASLOG, the Monaco-based liquefied natural gas carrier owner, has completed the takeover of two more ships from BG Group under a deal struck last December, *writes Nigel Lowry*.

GasLog has paid $460m to acquire the tri-fuel diesel electric-driven 170,000 cu m *Methane Becki Anne* and *Methane Julia Louise*, both built in 2010, drawing down on a $460m credit facility led by DNB Bank.

The two vessels have been chartered back to BG for periods of nine and 11 years, with further options by the charterer to extend each term of employment by either three or five years.

The length of the charters qualify the two vessels as eligible for dropdown into GasLog Partners, the master limited partnership formed by GasLog.

More news online
HSH returns to profit as shipping provisions plunge 70%
http://www.lloydslist.com/ll/sector/finance/article459572.ece

Gargiulo replaces Heimann at IMEC
http://www.lloydslist.com/ll/sector/ship-operations/article459562.ece

The acquisitions bring the fleet of GasLog to 22 LNG carriers, including 13 in service and another nine on order, of which another five are under GasLog Partners.

The company has now taken eight vessels from BG in the past 12 months and it remains BG's technical manager for a further four LNG carriers.

"We believe this transaction reaffirms our commitment to BG and their appreciation of GasLog as a long-term service provider of LNG shipping," said chief executive Paul Wogan.

He said it was also "an important step" towards the company's goal of having a fleet of at least 40 vessels by 2017.

"We are continuing to develop further attractive opportunities to grow our fleet," Mr Wogan said.

GasLog this week priced an offering of preferred shares that so far has netted the company more than $97m in additional funds, with proceeds likely to go towards vessel acquisitions or investments.

Howe Robinson and ICAP finalise broking merger

New Singapore company started trading yesterday

HOWE Robinson has finalised the merger of its shipbroking activities with those of ICAP Shipping, first mooted last November, with the launch yesterday of a Singapore company called Howe Robinson Partners Pte, *writes David Osler.*

Owned 65% by Howe Robinson and 35% by ICAP, HRP will be chaired by Peter Kerr-Dineen. Its principal subsidiary, Howe Robinson Partners (UK), will be based in London.

The global shipbroking business is organised into three divisions, covering the container, dry cargo and tanker markets. The divisional managing partners are, respectively, George Hulse, Guy Hindley and Henry Liddell.

Each division has its own executive management committee to run its global broking activities, which initially will be transacted through its offices in Singapore, London, Shanghai, Hong Kong, Tokyo, Hamburg, Copenhagen and Gibraltar.

It is expected that ICAP Shipping's current operations in India, Dubai and the US will be transferred to HRP in due course.

ICAP's forward freight agreement broking operations will continue to be run by ICAP Energy, but it is expected that both businesses will benefit from enhanced co-operation between the FFA market and the physical marketplace.

Howe Robinson's specialised subsidiaries, Maritime Strategies International and Shyvers Savoy Shipping, will continue independently.

Slight rise in activity ushers out miserable first quarter

Increased trading in the Pacific and Atlantic provides some relief for struggling capesize owners

FIRST quarter 2015 is done and dusted and it's been a time of limited activity for the capesize sector, *writes David Sexton.*

The Baltic Capesize Index started the year at 456 points and ended the first quarter at 475, with a peak of 971 in late January proving the only highlight.

"Even with a few cyclones off Western Australia and some good volumes, the oversupply issue is hard to avoid," a Singapore broker said.

"We've still got ships ballasting from China to Singapore and of course off South Africa and even the Atlantic. There's no easy way out of it."

While the impact overall may have been limited, there was some useful trading on the key trade routes, Brazil–China (C3) and Western Australia–China (C5).

"There was some very prompt activity [this week], with BHP Billiton fixing two vessels at \$4.60 and \$4.80 [a tonne] for estimated time of arrival April 5-6," another Singapore broker said.

"Otherwise later dates are getting done at \$4.45 for arrival April 15-20."

He said the C3 was coming under pressure, with slightly lower rates for the second half of April for the \$10 to \$10.15 range.

"Tonnage is a bit thinner but fundamentally we still have some ships sitting spot off South Africa and in the Atlantic, with owners reluctant to fix at these levels," the broker said.

Analysts Banchero Costa noted some Atlantic activity, but the number of capes available forced owners to accept rates of just \$4.75 or \$4.80 per tonne for the Bolivar–Rotterdam voyage.

There has been some talk about shipowners opting to idle their vessels rather than accept low rates, but the second Singapore broker said resulting effects had been limited.

"It's not had too much of an impact so far," the broker said. "Fundamentally, to see any sustained improvement in the freight market, we are still looking to see more scrapping of the older vessels and more longhaul business leading to higher tonne-miles."

One positive sign is that capesize scrapping rates have picked up.

Figures from Allied Maritime Research show 32 capesizes totalling 5.2m dwt were scrapped during the first quarter, compared with 23 capesize carriers of 3.9m dwt during the first quarter of 2014.

Key commodity prices are reported to have plunged again, with iron ore for immediate delivery to Tianjin (China) trading at \$51 per tonne, 3.6% down from the day before (\$52.90).

This might be expected to make seaborne iron ore more attractive for Chinese buyers, but the Singapore broker said it was not so simple.

"More longhaul business only really comes about with better commodity prices, so [we are] looking to the iron ore and coal markets to improve," he said.

Banchero Costa also noted a slight increase in global crude steel output (0.6%) in February compared with last year, as China increased production, while the weak Russian rouble prompted mills in that nation to boost export output.

Global steel output totalled 128m tonnes in February, with China accounting for 65m tonnes.

Dry Bulk Perspectives
Capesize

More bulk news online
Paragon posts larger loss in fourth quarter
http://www.lloydslist.com/ll/sector/dry-cargo/article459561.ece

Box line reliability up in February

Hamburg Süd replaces Maersk Line as most reliable carrier

AFTER all-time lows in January, global carrier schedule reliability grew by nearly five percentage points in February, with 19 of the top 20 carriers improving their on-time performance, *writes Linton Nightingale.*

The latest figures published by SeaIntel Maritime Analysis show that on-time performance, comprising 9,931 vessel arrivals, rose to 72.2% in February, having slipped to as low as 67.8% the previous month. Only Japanese carrier K Line witnessed a drop in its monthly performance.

Hamburg Süd overtook Maersk Line to become the most reliable carrier in February, after recording an on-time performance of 86.2%.

Danish carrier Maersk Line slipped to third place, as CSAV climbed up to second position. The lines recorded schedule reliability of 83.4% and 84.4% respectively.

It was the first time since February last year that

Hamburg Süd overtook Maersk Line to become the most reliable carrier in February

Hamburg Süd held the title of the world's most reliable carrier; however, SeaIntel analyst Morten Berg Thomsen noted that this should not come as a major surprise, as the German carrier has ranked first in February in both of the past two years.

At the wrong end of the list, it is the CKYHE members Yang Ming, Cosco and K Line that are propping up the table, sitting in 18th, 19th and 20th places respectively.

However, the most important incident that occurred in February, according to Mr Berg Thomsen, was the news that the Pacific Maritime Association and the International Longshore and Warehouse Union finally reached a tentative labour agreement for dockers on the US west coast.

The impact of the labour dispute took its toll in February, with the reliability on the transpacific eastbound trade lane, based on 999 vessels, falling for the seventh consecutive month to 39.8% and box delivery slipping 20%, both representing all-time lows for the route, according to SeaIntel.

"The situation at the US west coast can return back to normal, although it will take some months," said Mr Berg Thomsen.

"In February, we saw that the transpacific eastbound trade lane declined to a level that is lower than even some of the trade lanes to Africa that notoriously are known for having a very low performance, due to low productivity in the ports and very poor hinterland infrastructure."

"This just underlines how important this agreement was to the industry and the US."

Meanwhile, on the key Asia-north Europe trade carrier reliability, with data comprising of 730 vessel arrivals, improved by 23.2 percentage points on year to 73.2%. The Asia-Mediterranean trade, based on 735 ship arrivals, saw on-time performance slip to 63.4%.

SeaIntel also said INTTRA data shows that container delivery was also up in February. Based on 2.8m arrivals, container delivery increased to 54.2% compared with the 49.1% reliability recorded in January.

Zim looks to expand on US east coast

Carrier is considering adding extra services to Atlantic seaboard in light of increased demand

ZIM is examining the possibility of expanding its coverage from Asia to the US east coast in response to customer demand for more service to the Atlantic seaboard, *writes Damian Brett.*

Following on from the announcement of its fourth-quarter results, head of global sales Nissim Yochai said that in response to the congestions issues experienced on the west coast during the first part of this year, it had completed three ad-hoc sailings to the US east coast through the Suez Canal in response to customer demand.

One of the sailings utilised a 10,000 teu ship, while the other two used 8,500 teu tonnage. All three of the ships previously sailed on the carrier's Asia-Europe services.

The ad-hoc sailings proved such a success with customers that Zim is now looking to make the service permanent. "All of the vessels were completely full and were a great success to the point we are now considering operating a line to the east coast through the Suez on a regular basis, covering mainly south China and Southeast Asia.

"Some companies [shippers] are trying to evaluate their risk assessment in terms of [which coast to call following on from the west coast issues].

"I don't think [coastal marketshare] will change completely but I think a bigger portion of the traffic will move to the east coast because of what happened on the west coast."

At present Zim offers four Asia-US east coast services; one via the Panama Canal in co-operation with the G6, one through the Panama Canal that it operates on its own, and two through the Suez Canal that are operated with the G6.

Mr Yochai said it would consider operating the new service either on its own or as part of a co-operation.

Looking at alliances,

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2M carriers enhance transatlantic service
Fourth loop added as alliance partners continue in the upgrade of their east-west network
http://www.lloydslist.com/ll/sector/containers/article459580.ece

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he said that Zim was still considering its options, although he pointed out that it also had co-operations with many of the major carriers.

He added that co-operations can have their advantages over full alliance membership as they are much more flexible and easier to adjust.

Mr Yochai also touched on the subject of vessel orders, saying the carrier was still considering its options.

Executives from the carrier have spoken in the past about the need to order or charter tonnage of around 12,000 teu in line with the expansion of the Panama Canal in 2016, which will enable post-panamax tonnage to transit the artery.

"At this stage, we are evaluating the charter market and considering ordering the vessels ourselves. So over the next few months we will need to make a decision if we want the ships in time for the opening of the expanded canal," he said.

Overall, Mr Yochai said the carrier was happy with its fourth quarter 2014 performance, although he acknowledged there was room for further improvement.

This was the first full-quarterly result since the carrier completed its restructuring earlier in the year.

Its fourth quarter earnings before interest, tax, depreciation and amortisation, excluding a $21m expense due to the re-evalution of fuel hedging transactions, totalled $51m compared with $41m in the previous quarter.

It also recorded a fourth quarter net loss of $4m against a $20m loss in the previous quarter. Yet, with the $21m one-off hedging related expense stripped out it would have recorded a $17m profit for the period.

"We have seen an improvement in the fourth quarter on the operational profit which is a major achievement for us.

"We continue to go along with our business plan, so from that perspective it is satisfactory and we are very optimistic for the future."

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.

Zim recently completed three ad-hoc sailings to the US east coast through the Suez Canal in response to customer demand.

Rickmers Group swoops on three boxships

The three post-panamax vessels will be chartered to CMA CGM

THE Rickmers Group has purchased three post-panamax vessels, which are currently on order, for a total consideration of $260m, *writesDamian Brett*.

The fourth service to operate between north Europe and the US from April will complement the alliance's three existing loops, Maersk Line said in a circular.

The vessels are being built at the STX Jinhae shipyard. Two are due to be delivered within the next six months and the third is due to arrive in February 2016.

The order comes through the group's shipowner subsidiary Rickmers Reederei and the investment has been made jointly with an unnamed bank and financial investor. "Long-term charter contracts for all three vessels have already been agreed with the French company CMA CGM," Rickmers said in a statement. "The contracted terms total a charter income around $200m."

Chief executive of Rickmer's maritime assets division, Holger Strack, said: "Our newbuilds stand out thanks not only to their significantly decreased fuel consumption, which amounts to more than 70% of ship operating costs, but also through radically lower emission values, especially of carbon dioxide, sulphur oxides and nitrogen oxides."

Rickmers declined to name the company from which the vessel order had been purchased.

India demolition enjoys resurgence

Improving steel plate prices and a stabilising rupee behind increased activity

A JUMP in scrapping sales has been reported in India, as the market for old ships comes back to life after a difficult period, *writes David Sexton.*

The latest activity was mirrored in neighbouring countries Pakistan and Bangladesh, with all three sub-continental nations now paying high $300s for scrapping general cargo vessels and around $400 for tankers.

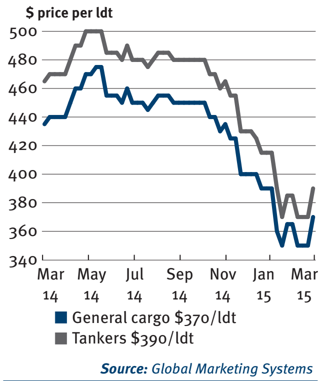
According to Clarkson Research Services, activity has been characterised by several smaller dryships entering the scrap market.

"Indian shipbreakers seem to have woken from their slumber and have begun to offer more aggressive prices compared with recent weeks," Clarksons said.

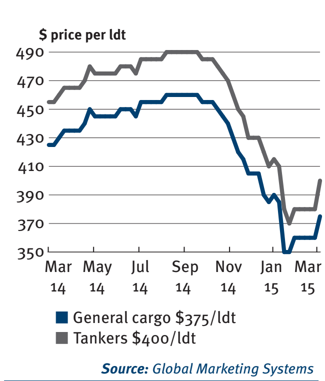
This was part of "an effort to procure tonnage for their empty yards, especially for the less risky, smaller financial deals", it added.

"This is encouraging, as there has been little activity from these breakers and perhaps we may see some healthy competition created among the recycling destinations in the Indian sub-continent in the forthcoming weeks."

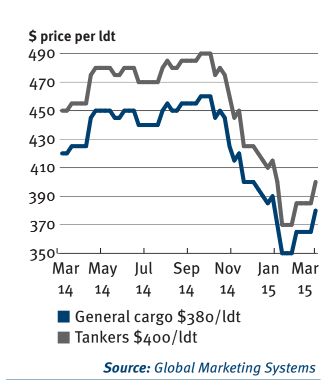
INDIA DEMOLITION RATES



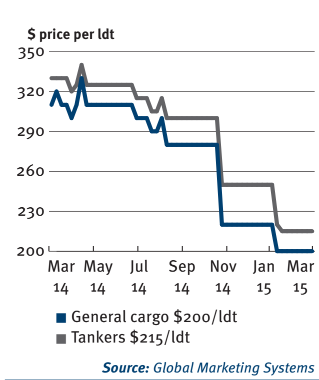
PAKISTAN DEMOLITION RATES



BANGLADESH DEMOLITION RATES



CHINA DEMOLITION RATES



US firm GMS wrote of "several weeks of positivity", following an earlier slump that shaved 30% from the market price.

Helping drive recovery was improving steel plate prices and a stabilising Indian currency.

"Several market sales took place [last] week at improving rates and a number of other units were under negotiation at speculative levels as cash buyer competition ramped into overdrive once again," GMS noted.

According to GMS, vessels sold included the Singapore-flagged, 7,175 ldt 1993-built multipurpose vessel *Kota Berjaya*, which was sold in India at $405 per ldt or $2.9m.

The 1994-built 10,283 ldt handymax bulker *Golden Trader* secured $405 per ldt or $4.16m.

Capesize bulkers

GMS said the majority of market tonnage sold had been heavy capesize bulkers, with almost 35 vessels sold this year — a welcome development, no doubt, for shipowners, who continue to battle issues of oversupply.

Bangladeshi buyers were also said to have entered the fray, with some "increasingly competitive pricing", while Pakistan was said to have "lost out" last week.

According to Clarksons, with Pakistan's and Bangladesh's budgets both due in early June, some competitive pricing could be expected, "as shipbreakers strive to place tonnage at their yards prior to their budget announcements".

Meanwhile there was little evidence of activity in either China or Turkey.

LLOYD'S LIST INTERVIEW

Sovcomflot shrugs off sanctions as it returns to profit

Improvement due to company's own efforts as well as better market, Kolesnikov insists

SOVCOMFLOT has returned to profitability and will now press ahead with its international growth plans, with sanctions unlikely to have much of an impact on the Kremlin-owned Russian tanker giant, according to its chief financial officer, *writes David Osler.*

Nikolay Kolesnikov granted a rare interview to Lloyd's List after the company announced last week that it has booked an $83.9m profit for 2014, reversing the full-year loss seen in 2013.

Much of the improvement will simply be down to the improved market, with the rising tide lifting all tankers, although the pick-up did not really start until the opening months of this year.

Mr Kolesnikov acknowledges that the first quarter of 2015 has basically been strong for the segment, both on the crude and the product side.

But we are not witnessing a simple repetition of the first quarter of 2014, and the recovery looks like it will probably continue at least into the second quarter, he believes.

Moreover, each company's own efforts are all part of the picture and need to be included in any balanced assessment. "I'm sure you'll hear different stories from different owners," he said.

"Obviously we've been preparing for this and the strategy we have been pursuing

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for a number of years has served us well.

"We are firm believers in the more diversified energy shipping model, rather than that pursued by more pure-play tanker companies."

In particular, SCF has benefited from good support from the industrial side of its business, which is based on fixed-rate, fixed-term gas transportation and upstream work, such as shuttle tankers and supply ships. This has provided a cushion of stable cashflow and earnings.

For instance, SCF has gas carriers on long-term charter to Gazprom and VLCCs backed by contracts with PetroChina, with healthy margins in both instances.

"At the same time, we are still one of the bigger players on the commercial tankers side and, as a big player, we are positioned to read the benefits of the upturn in the tanker markets.

"We have sustained six years of misery. Now that the market is turned, we are well positioned to capture that growth."

Sovcomflot has obviously built a strong domestic base, servicing exports of Russian hydrocarbons by lifting crude and product from all the export terminals in the Baltic, the Black Sea and the Russian Far East.

Mr Kolesnikov claims it is involved in every offshore development off the Russian coast, including the expanding Sakhalin project.

Nevertheless, the company seeks balance, both in terms of geography and with its clients, and uses the rule of thumb that no more than 10% of business overall should be with any one client. Two-thirds or more of

SCF has benefited from good support from upstream work, such as shuttle tankers and supply ships.

its business is now with non-Russians.

"Russia is our backyard and it is easier for us to grow here. But we are trading our vessels all around the globe and following our clients, who are all global players.

"Basically what we are doing is, we are exporting services. Not only are we servicing the Russian foreign trade but we are working with our international customers in providing them [with] a marine service that is performed by a Russian company.

Sovcomflot IPO will 'happen when it happens', says Kolesnikov
http://www.lloydslist.com/ll/sector/tankers/article459507.ece

"I don't think we want to change that; that's the way we see our strategy going forward. We are believers in globalisation and we want to stick to our principles."

But of course, one of the pitfalls facing Russian entities active in international markets is the sanctions imposed by the US and EU over the stand-off in Ukraine.

Mr Kolesnikov acknowledged that this is an issue to which SCF needs to be sensitive, but maintained it has largely done its homework on the matter.

"As an international group, we have done our own analysis and risk assessment. We need to make sure we don't expose the group," he said.

The company already has a multinational management team, including a US national main board director, while its vessels fly flags of countries other than Russia.

It has also adopted a blanket policy of not calling at ports in countries subject to sanctions, in an effort to highlight its squeaky clean credentials.

"Where there is some indirect impact, is that certain of our Russian energy customers have been subject to this or that sanctions regime recently," said Mr Kolesnikov.

"That obviously, in certain instances, may be restricting their access to capital and affecting their growth plans."

Projects contemplated by clients may take longer to materialise, and such concerns may even reassess their investment programmes, so Sovcomflot is both targeting new business and looking at opportunities elsewhere.

Meanwhile, Russia remains a major provider of hydrocarbons to global markets.

"Shipowners are optimists by nature; it's a tough enough industry already to make it even more complicated.

"But look, we've survived piracy in East and West Africa, we've survived one of the most protracted crises in the industry, so I'm pretty sure we'll get over current issue and ultimately common sense will prevail. I'm sure about that.

"I just want politicians to do their part of the job and find a political solution."

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