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Serious moves being made to improve Shenzhen air quality

China 'moving fast' to put Shenzhen ahead in becoming a greener port

The rapidly deteriorating air quality situation in major Chinese cities has given an impetus to the efforts of the Hong Kong shipping community to push for stricter emissions controls in neighbouring Shenzhen.


Arthur Bowring

After years of slow progress, "Beijing has now come to the table and told the Guangdong government to move fast on this," Hong Kong Shipowners' Association managing director Arthur Bowring said.

This has resulted in an aggressively accelerated timetable, Bowring added. The first of the initiatives for Shenzhen ports will see shore power being fitted to container and cruise ship terminal berths with 15 being ready by the end of next year. In addition, it is also planned that LNG will be introduced to help power port equipment.

The second major initiative will be to promote the use of LNG/diesel hybrid engines to power river trade vessels by as early as the end of July next year. This will have a major impact on Hong Kong as an increasing number of these vessels are now being used for transhipment from other Pearl River Delta ports to Hong Kong's container terminals and pass through the territory's congested waterways on the way in and out.

There is also a proposal to impose a speed limit of 12 knots on all vessels within Shenzhen waters, Bowring added. What this will eventually lead up to is the long-awaited development of an emissions control area (ECA) in the Pearl River Delta where ocean-going vessels will have to use 0.1% low sulphur fuel within a 20nm area. The government aims to have 85% of vessels operating there compliant by 2015.

Regional coordination will be strengthened, Bowring said. And he sees "within a not too long period", a proposal for a Pearl River Delta ECA going in to the IMO. Further to this, a Shanghai and Yangtze River Delta ECA could soon follow if the Hong Kong and Pearl River Delta ECA proves successful.

"An ECA is firmly on the agenda now and having it so makes the lines happy as it will mean a level playing field for the whole Pearl River Delta area," Bowring concluded.

Tanker owners celebrate as charter rates spurt

Tanker-heavy Indian shipping companies, such as state-run Shipping Corporation of India (SCI) and private sector shipowners Great Eastern Shipping and Essar Shipping, are likely to clock significant revenue growth in the October-December 2013 quarter, thanks to a spurt in tanker charter hire rates.

Jitters of a war involving Iraq and an increase in global demand for oil for heating purposes have combined to push tanker rates up over the past three to four months, to their highest levels in 2013.

Earnings from VLCCs on the benchmark Arabian Gulf-Asia Pacific route have exceeded the $50,000 per day mark – after averaging just $10,000 and $6,000 per day in the previous two quarters – as freight rates have hit Worldscale 63.86, a rate that translates into daily earnings of $52,743.

UK-based Clarksons said that suezmax charter rates have, in fact, soared to an average of $65,000 per day (in the cross-Mediterranean market), with earnings potentially able to pay for a newbuilding costing $80m to $90m.

During November and December last year, the same rates were below an average of $15,000. Rates of aframax tankers have also jumped.

"A 100% increase in charter rates of suezmax tankers and VLCCs may mean bad news for the Indian economy, but the three Indian shipping majors have made a killing in the spot market," said a shipping analyst.


Sanjay Mehta

Most market observers feel that, after a prolonged difficult period, the tide has finally turned for tanker operators who have kept their vessels in the spot market.

"We are closely watching the market now, as the pressure is towards upward movement," said Sanjay Mehta, managing director of Essar Shipping. "As the Iraq war is feared to break out before the end of the week, most countries are ensuring adequate oil reserves by increasing supply."

Essar has locked two of its six suezmax tankers into a 180-day contract, while all others are in the spot market, making good returns.

Since refineries stock their requirements by fixing charters 30 days in advance, industry officials said the fixtures for March were in place.

"The rates may remain high for the next four to five months. We are a conservative company, with a 50:50 exposure to spot and time charter markets, so our returns have improved substantially," said KM Joseph, SCI's director - bulk carriers and tankers.

Brokers expect rates to stay firm as more and more VLCCs are removed from the tonnage list in the Arabian Gulf.

"Charterers have been cutting to the chase and agreeing immediately to owners' demands," a Singapore-based broker said. Chinese charterers have been the most active, with Unipec taking two VLCCs on the spot market and another eight VLCCs on contract-of-affreightment terms.

Malaysian players win big from latest Petronas contracts

The recent award of contracts for a massive block of 13 work packages from Petronas to six local companies to some extent signals the coming of age of the Malaysian offshore services industry.

The hook-up and offshore platform maintenance contracts worth a combined MYR10bn ($3.1bn) over five years, is one of Petronas' largest service contracts currently in place, CIMB Research oil and gas (O&G) analyst Norziana Mohd Inon was quoted as saying.

Petronas said earlier this week that the contract involved the hook-up and commissioning and maintenance services for offshore facilities and included all the necessary services, such as manpower services, marine spread services, and tools and equipment required for the execution of the respective work scopes.

The local contractors would be providing services to nine Petronas production sharing contractors, namely, Petronas Carigali, Sarawak Shell Bhd & Sabah Shell Petroleum Co, ExxonMobil Exploration and Production Malaysia Inc, Murphy Sarawak Oil, Hess Oil and Gas, Talisman (M), Newfield Peninsula Malaysia Inc, and JX Nippon Oil & Gas Exploration (M).

The package is part of Petronas' Pan Malaysia Integrated Hook-Up & Commissioning and Topside Major Maintenance Contract (Pan Malaysia Integrated HUC and TMM Contract) and was awarded to Kencana HL, Dayang Enterprise, Petra Resources, PBJV, Carimin Engineering Services and Sigur Ros from this year.

These represent the best and brightest of the local players and reflect Petronas' certain obligations to build up the local industry, especially among bumiputra players. The contract winners were no surprise and analysts said the awards had already been priced in.

SapuraKencana Petroleum unit Kencana HL, scored a huge win with two packages worth a combined MYR800m. Analysts said the company is already working on these projects with almost two thirds of the work scope requiring the provision of various offshore support vessels, which SapuraKencana provides from its owned fleet.

Malaysia's offshore O&G sector looks set to grow with a steady flow of contracts this year. According to Infield systems data, Malaysia's offshore service expenditures could rise by 54% to $17.6bn in 2011-2016, compared to $11.4bn in the preceding five-year period.

Much of this has come with Petronas' investments, with the continued development of marginal fields and enhanced oil recovery projects as well as the HUC as it reaffirms its commitment towards spending an average of MYR60bn a year in the next few years to meet its MYR300bn five-year capital expenditure plan.

Could shipping provide the catalyst for global biofuel?

Glycerol could be a viable alternative to using low-sulphur marine diesel

Given the poor quality of fuel on which many ship engines currently run, the global shipping industry has been pilloried recently for its poor emissions performance. Now, it has an opportunity to assist in shore-side emissions reduction by once again consuming some of the products which nobody else wants.

Glycerol, also known as glycerine, is a by-product of the biodiesel production process. Biodiesel use is growing in land-transportation applications because of its favourable emissions profile, but experts are saying that refiners will have to find uses for the surplus of glycerol in order to make a ramping-up of production financially viable.

If adopted by shipping, glycerol could potentially match the emissions-saving properties of low-sulphur marine diesel or even liquefied natural gas at a fraction of the cost of the dirtiest bottom-of-the-barrel fuel oil, and would be available in plentiful supply. Now, the Glycerine Fuel for Engines and Marine Sustainability (GLEAMS) project, a joint programme involving Lloyd's Register, Aquafuel Research, Gardline Marine Sciences, Redwing Environmental and Marine South East, is moving to facilitate exactly that.

Currently, the infrastructure is simply not available for a quick adoption of the new fuel. However, there is an extremely strong case if distribution can be set up. David Rea, project manager at Marine South East, tells Seatrade: "Glycerol represents a more thermally efficient combustion process than marine diesel oil (MDO) or heavy fuel oil (HFO), and therefore the basic carbon reduction calculation is improved. Cleaned fuel-grade glycerol will be 2-3% of the carbon level of MDO or HFO."

On top of this, glycerol is more stable than most fossil fuels - nearly impossible to ignite accidentally, water soluble, and non-toxic, potentially making storage and retrofit far easier. "The marine [storage] requirements will need to come from other sources," Rea notes, however: "On land we prefer internally coated steel fuel tanks or stainless steel tanks; no fire risk criteria and no vapour risk criteria."

Many standard HFO engines could be converted with relative ease; retrofit would include new fuel piping, automated fuel valves, automated inlet air valve installation and exhaust catalyst installations, Rea explains. "If the standard engine automation and control systems are at a low level then additional automation hardware and software may be required."

Glycerol has already been adopted by a number of land-based industries, including Anaerobic Digestion (AD) plants and Cogeneration (CHP) plants. The improving utilisation has increased its price from $80 per tonne to $240 in recent years – still less than a third of the price of heavy fuel oil in many bunkering locations - where it has remained relatively stable. However, Rea notes, "The quantity of crude glycerol produced from biodiesel production will increase due to the accepted increase of biodiesel manufacture."

Now, shipping faces the intriguing prospect of being able to do for biofuel production what it has done for oil refining. The prospect of a workable distribution network before the IMO's 2020 sulphur deadline is wildly optimistic, but to a shipping market squeezed by rocketing fuel costs, the possibility of an alternative could be an exciting proposition.

MSTC plans ship recycling yard at Alang under PPP

Indian state-owned trading firm MSTC, which operates under the Steel ministry, has proposed the setting up of an integrated ship recycling yard under the Public Private Partnership (PPP) route at Alang on the Gujarat coast.

A Steel Ministry panel, headed by its Additional Secretary and Financial Adviser, Vinod Kumar Thakral, has suggested that MSTC take the proposal to the Gujarat state government or the Gujarat Maritime Board (GMB), which regulates shipbreaking activities at Alang.

"The project can bring in substantial revenue for the government in the form of taxes and levies on the real value of goods as recorded in the e-commerce transactions," MSTC had said in its proposal.

The joint sector project would also ensure that steel and allied products from shipbreaking were sold through transparent and fair transactions.

MSTC suggested that ship recyclers who evince interest in setting up an integrated ship recycling yard at Alang could avail the services of the government-run body "for disposal of various scrap material and e-waste through e-auction for safe handling and better price discovery".

Alang houses Asia's largest shipbreaking yard, producing 3.5m tonnes of re-rollable steel per year and employing around 50,000 people. It has 167 developed plots along a 17-km long coastline, with an aggregate annual breaking capacity of 4m tonnes.

For the record, as many as 1,514 vessels were received for breaking up at the Alang yard between 2009-10 and 2012-13, compared to less than 200 ships at Mumbai and Kerala ship demolition yards.

The MSTC proposal comes at perhaps the wrong time – a time when the Indian rupee has been weakening again against the US dollar, and is in imminent danger of breaching the INR63 per dollar mark. Many end buyers in the demolition market are chary of committing on new units.

Many ship recyclers fear another catastrophic depreciation in the rupee that had seen 20-25% of the value of their inventories wiped out earlier this year.

Steel prices have also suffered something of a roller-coaster week with some worrying reversals corrected only in the latter part of the week to bring back some much needed stability to the proceedings.

Steel mill owners took the opportunity to stock up, causing demand and prices spike impressively upwards over the course of the week. However, it seems as though most mill owners have stocked up and that demand may fall from the forthcoming week; therefore, this most recent of spikes may not be something that endures.

Shanghai to set up shipping insurance association

Shanghai is awaiting the establishment of a shipping insurance association by the end of this year as part of the city's master plan to become a global financial and logistics hub, reports said.

Pei Guang, head of the Shanghai bureau of China Insurance Regulatory Commission (CIRC), said China's insurance sector has fallen behind the country's rapid growth in international trade in recent years.

"It is very difficult to develop international trade without insurance. You have to insure the ship before it hits the water and navigates, and international cargo should be insured too, before leaving," Pei was quoted saying.

"We are pushing the development of shipping insurance by inviting more companies to set up centers in Shanghai. We are also pursuing the formation of a shipping insurance association. Our efforts will eventually pay off, as the shipping insurance association will officially launch by the end of the year," he said.

The People's Insurance Co (Group) of China, China Pacific Insurance (Group) Co, Ping An Insurance (Group) Co, and CIRC's Shanghai bureau have started preparatory work for the association to start in January 2014, China Daily reported.

Gan Aiping, a professor at Shanghai Maritime University, believed that the association will attract more domestic insurance companies and international players to expand their operations in Shanghai. It will also serve as a platform for members to share business and academic views, protect their interests and make their voices heard, Gan said.

The creation of the shipping insurance association will allow market forces to play a decisive role, which is in line with one of the visions of the country's important Third Plenary Session of the 18th Central Committee of the Communist Party of China, according to Zhou Dequan, deputy director of the shipping market research department of Shanghai International Shipping Institute (SISI).

"The association will shoulder some of the government's responsibilities, such as coordination among companies and industrial internal management," Zhou said. He added that the newly carved out Pilot Free Trade Zone of Shanghai presents the right opportunity to try out this concept.

Bumi Armada cracks into Kraken market

Malaysian firm secures its first FPSO contract with EnQuest Heather Limited

Bumi Armada has cracked the North Sea market, securing its first FPSO contract there with EnQuest Heather Limited.

The company's UK unit Bumi Armada UK signed a Letter of Interim Agreement (LOIA) with EnQuest ENS Limited, First Oil and Gas Limited, Nautical for the award of a contract for the supply and operations of a floating production, storage and offloading vessel (FPSO) to Bumi Armada UK to operate in the massive Kraken field (UKCS Block 9/02b) in the UK sector of the North Sea.

The LOIA is intended to allow Bumi Armada to proceed with critical activities and the procurement of long lead items, ahead of the final award, which is expected to be signed before 30 November 2013, Bumi Armada said in a stock market announcement.

First oil is anticipated in 2016/2017.

"The North Sea contains western Europe's largest oil and natural gas reserves and is one of the world's key non-OPEC producing regions. The North Sea contains significant reserves that have yet to be developed. We expect that the heavy oil production technology applied in the Kraken FPSO will unlock similar heavy oil reserves in the North Sea and other parts of the world," said ceo and executive director Hassan Basma.

"Our first time entry into the North Sea ushers in a new era in our relentless stride to join other similar contractors competing on their strength in execution competency and value add services," he added.

The FPSO will have a storage capacity of 600,000 cu m and will be moored by a buoy turret mooring system.

"The Kraken FPSO, which takes our fleet of FPSOs to seven, places Bumi Armada firmly in the top league of FPSO players. This is a testimony to our track record and focus on safety and quality built up over the years," Hassan said.

Perdana Petroleum sees boost from new Malaysian offshore projects

Active offshore projects back company's fleet expansion

Future contract flows from new developments in the Malaysian oil and gas industry such as enhanced oil recovery (EOR) initiatives and marginal fields should benefit Perdana Petroleum, local reports said.

Executive director Henry Kho said that in the future, the company would assist in EOR projects as well as the continued development of marginal fields. "There would be spin-off requirements (for offshore support vessels) because everything is offshore," he was quoted saying.

"All in, we would see robust requirements going forward. At the end of the day, there are opportunities for all the marine vessel suppliers for whichever niche they are in. So, they too will be expanding their fleet just because of the increase in activities," Kho said.

The company is planning to expand its current fleet but would be cautious about buying new assets, which should be able to meet future requirements which may be more stringent.

By the end of the second quarter of 2014, Perdana Petroleum would have 18 ships comprising anchor handling tug supply ships, workbarges and workboats. The fleet's utilisation rate stands at about 80%, but Kho foresees it improving on the back of the company's longer-term contracts kicking in as well as positive outcomes from upcoming tenders. Perdana is currently bidding five of its vessels, and results should come in by year-end or early next year.

For the third quarter, the company posted a net profit of MYR15.5m ($4.9m), higher than the MYR15.23m the year before, while revenue fell 8.6% to MYR68.17m from MYR74.63m previously.

Round the region

MMA warns of lower H1 earnings

Mermaid Marine Australia (MMA) has warned of lower than expected results for the first half of financial year 2014 due to delays in a number of key offshore projects.

The Australia-based offshore vessels owner said its performance in the first half would be lower than expected as "a number of key projects and drilling operations have commenced or are commencing later than anticipated."

MMA said it now expects to deliver a full year net profit in line with the last financial year, with slightly over 60% of earnings weighted to the second half.

Fujian Guohang orders five 64,000 dwt bulkers

China-based Fujian Guohang Ocean Shipping (Group) Co has placed an order for five 64,000 dwt bulk carriers at Chinese yard Taizhou Sanfu Ship Engineering Co.

The newbuildings are scheduled to be delivered to the owner between 2015 to 2016.

The prices for the vessels were not disclosed but market estimates have put the price tag at around $25m per ship.

Fujian Guohang currently operates 40 dry bulk carriers comprising of handymaxes and panamaxes with a total tonnage of around 2m dwt.

Earlier this year, the shipowner had spent RMB10.3m to purchase a 47,000-dwt bulker built in 2000.

Ningbo Marine disposes two old bulkers

Ningbo Marine will send two old dry bulk carriers to the scrapyard to pocket around RMB15m ($2.46m).

The Shanghai-listed marine firm said it will dispose of the 1985-built, 52,450 dwt Mingzhou 29 and the 1988-built, 52,450 dwt Mingzhou 30 to domestic scrapyard Fujian Saijiang Shipbreaking.

The two elderly vessels will be sold at a total price of RMB56.5m, raising net proceeds of about RMB15m for Ningbo Marine. They will be delivered to the scrapyard by 5 December this year.

Ningbo Marine said the disposal of the two old ships would help to streamline the company's fleet and reduce the age profile of its vessels to better meet demands of the market.

Chang Jiang Shipping to hawk off four more ships

The troubles of Chinese shipping companies continue, with Shenzhen-listed Chang Jiang Shipping Group Phoenix, which is already in danger of being delisted, putting up another four ships for auction.

Local media reports said the Wuhan-based firm had already auctioned off five ships earlier this year, and another four ships will be sold by auction on 14 December in Wuhan, Hubei province.

The group has made losses of about RMB500m ($82m) from January to September, and will face delisting if it cannot return to profit this year.

Hong Kong port volume recovers in October

Hong Kong's port volumes seem to have recovered slightly in October showing a slight increase of 1.6% to 1.88m teu for the first time since January, although on a year-to-date basis they are still 5.4% lower than the year before.

Recovery was across the board, with the main Kwai Tsing terminals seeing a 1.5% rise to 1.45m teu while the non-Kwai Tsing terminals saw volumes rise 2% to 430,000 teu.

Lines may switch to Shenzhen after HK clean fuel law kicks in

Additional fuel bill costs of $600,000 to $1m a year for switching to cleaner fuel for vessels when legislation to make it mandatory kicks in next year may force lines to switch from Hong Kong to neighbouring Shenzhen, reports said.

The government should consider extending a scheme that subsidises them for the extra cost of the clean fuel, the South China Morning Post quoted shipowners as saying.

Under a three-year incentive scheme that ends in September 2015, shipping lines willing to switch to low sulphur fuel at berth have half of their port dues waived. However, an official from the Environmental Protection Department said an extension is unlikely after the law is put into place at the beginning of 2015.

Logindo to launch IPO in Indonesia

Indonesia-based Logindo Samudramakmur is aiming to raise up to IDR715bn ($61.6m) from a planned initial public offering (IPO) in Jakarta.

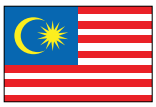
Logindo plans to issue up to around 193.28m new shares representing up to 30% of its enlarged issued and paid up capital. The bulk of the funds to be raised have been earmarked for fleet upgrade and expansion.

The IPO date is scheduled for 11 December, and the stock is expected to be priced between IDR2,800 to IDR3,700 apiece.

Eddy Logam, president director of Logindo, told the local media that the company would utilise 60% of the proceeds for fleet expansion, possibly adding up to five new vessels.

He added that the company will use 10% of the proceeds for working capital to use for spare parts puchases and ship maintenance costs. The remaining 30% will be used to help pay its $18m debt to two creditors.

Northports' six new cranes to boost capacity



The smaller player in Malaysia's Port Klang, Northport (Malaysia) Bhd expects its six new quay cranes, which it purchased for MYR170m ($53.4m), to contribute to higher productivity in its container handling operations, according to local media reports.

NCB Holdings chairman Ahmad Sarji Abdul Hamid was quoted as saying the six cranes are capable of an outreach of 24 containers on the

vessel, a good six containers longer than what the older cranes are capable of.

With the additional cranes, the port operator's crane fleet for quay-side operations has been boosted to 32 units.

Ahmad Sarji said two of the six cranes, which arrived earlier this year, are being used to support operations at Container Terminal 2 (CT2). The remaining four cranes, which will be fully operational by next year, will be used for its CT4 operations.

Northport ceo Abi Sofian Abdul Hamid added that the new quay cranes will boost capacity to 5.6m teu as of 1 January 2014.

Alam Maritim Q3 profit jumps

Malaysian offshore services provider Alam Maritim, saw third quarter net profit jump 40% to MYR 21.7m ($6.8m) from MYR15.5m previously as the offshore support vessels (OSV) segment performed well due to higher revenue from both owned and third party vessels as the average vessel utilisation rate improved considerably.

Profit from the segment more than doubled on higher operating margins from own vessels and higher share of results of jointly controlled entities.

For the year-to-date, the group recorded a turnover of MYR346.9m as compared to MYR335.1m for the same period last year. In the third quarter, revenue rose to MYR179.9m from MYR116.3m previously.

"The business outlook for Alam Maritim Group is contributed by the level of energy industry spending by the oil majors to increase its oil and natural gas reserves. Based on the current market condition, the domestic oil and gas industry will benefit from the government's explicit and implicit support, given its strategic importance, and remains as the core revenue generator to the nation's economy," Alam Maritim said.

Tacloban port restarts after typhoon closure

The Philippines' Port Authority (PPA) has resumed full commercial operations at the port of Tacloban, which was closed for about 12 days after Typhoon Haiyan struck.

PPA and International Container Terminal Services, Inc. (ICTSI) were working round the clock to restart operations at Tacloban, according to an update from GAC Philippines.

Cargo handling equipment from ICTSI to help temporarily run Tacloban port until it recovers from damage caused by the storm has arrived on Wednesday. The equipment includes 12 forklifts, six tower lights to support night operations, several reach stackers for mobility of cargo, and an additional five payloaders for cleaning.

GAC Philippines added that all relief missions are coursed through Cebu due to limited operations at ports and airports due to lack of equipment.

Swissco buys three OSVs at Chinese yards

Swissco Holdings has spent SGD35m ($28.1m) to purchase three offshore support vessels (OSVs) at Chinese shipyards.

The offshore marine service provider will take delivery of the two anchor handling tug supply (AHTS) vessels and one multipurpose utility tug in 2015.

The latest order brings Swissco's vessels under construction to a total of 11, comprising of AHTS vessels, accommodation vessels, utility tugs, crew boats and barges. The company currently owns and operates 33 OSVs.

"Expansion and renewal of the fleet will help us tap on the growing demand for offshore support vessels, and give us the capability to provide high-quality and competitive services to meet the needs of our clients," said Alex Yeo, ceo of Swissco.

Keppel wins jack-up rig order from Ensco

Singapore's Keppel FELS has secured a contract to build a harsh environment jack-up rig from a subsidiary of Ensco for around $265m.

The latest order, scheduled for delivery in the second quarter of 2016, will be the fourth Ensco 120 Series jack-up rig that Ensco has ordered from Keppel FELS since 2011. Ensco has an option to order a similar rig.

The Ensco 120 Series rigs can operate in water depths of 400 feet and drill to depths of 40,000 feet.

Singapore handles higher box volumes in October

Singapore, the world's second busiest container port, handled larger box volumes in October, according to preliminary estimates by the Maritime and Port Authority of Singapore (MPA).

Singapore moved 2.82m teu of boxes last month, an improvement of 5.2% over 2.68m teu seen in the same month of last year, data from MPA showed.

Throughout in October also improved 3.7% compared to 2.72m teu recorded in September this year.

In the first 10 months of 2013, Singapore registered a total throughput of 27.13m teu, up 2.6% compared to 26.44m teu in the previous corresponding period.

Rickmers Maritime launches note programme

Rickmers Maritime has established a SGD300m ($241m) multicurrency medium term note programme to raise funds for capital expenditures and general corporate purposes.

The Singapore-listed shipping trust told investors that under the programme, the issuer may issue notes in series or tranches from time to time in Singapore dollars or any other currency as agreed.

DBS Bank and HSBC have been appointed as joint arrangers and dealers of the programme.

"The establishment of this programme further diversifies our access to funding across various sources, and enables us to issue debt over different tenors. It also provides us with the flexibility to tap the market according to corporate needs," said Thomas Preben Hansen, ceo of Rickmers Maritime.

"On top of our move to strengthen our balance sheet over the past quarters, this better positions us to capitalise on growth opportunities as and when they occur," he said.

Super typhoon hits the heart of seafaring

The super typhoon that hit the Philippines, described by the country's president Benigno Aquino as a "national calamity", have claimed the lives of more than 4,000 people and left more than a million homeless, and countless others are still missing. Natural disasters are, sadly, familiar scenes in the history of the Philippines. But another prominent fact about the Philippines is that the country is the world's largest supplier of international seafarers.

Being a part of the maritime industry, we see that Typhoon Haiyan has struck at the heart of the international seafarer community.

It is heartening to see tremendous efforts undertaken by seafarer charities like Sailors' Society in appealing for donations and shedding some light on the plight of Filipino seafarers who are affected by the storm.

"Imagine being thousands of miles away when the storm hit. Imagine not knowing if your wife, your husband, your children or your parents made it out alive. A huge majority of the world's seafarers are Filipino, and had to face this nightmare. Stuck in foreign lands without communication facilities, many are still waiting to find out whether they will have a family and a home to go back to," Sailor's Society said in an emergency appeal statement.

And it is even more heartening to see that donations have poured in for the Sailors' Society Typhoon Haiyan Relief Appeal. As at press time on 22 November, the appeal has raised £67,076.97 from 180 donations, since the storm whipped the Philippines on 8 November. The target amount is set at £100,000.

Separately, generous Japanese shipping firms NYK and MOL have donated $100,000 and $30,000 respectively toward emergency relief efforts. The shipping lines are also providing free transport of relief supplies by containerships to the central Philippines and to those directly affected by the typhoon. Both companies have also organised charity donation drives within the group to further raise funds.

Donations aside, the support and understanding of employers for Filipino seafarers is also much needed during this time, as urged by Philippine Seafarers Union, to offer emergency compassionate leave if needed.

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Competitive cooperation

Chinese shipping leaders have expressed their desire to see greater cooperation in order to ride out the storm, Lee Hong Liang reveals

The global shipping recession is into its fifth year, and as 2013 is coming to an end, it is becoming clear that 2014 will not be the year of a firm upturn for the various segments of shipping. The recent results season still left many shipping companies in the red or with their profits slashed, and the market itself is still inundated with spare vessel capacity.

The problems of the shipping industry have been repeatedly all too often – low freight rates, high bunker fuel and operational costs, defaults on contracts, excessive shipping tonnage, uncertain levels of demand, and even China's slower economic growth rate at below 10% a year. And the problems, thankfully, have solutions – ultra slow steaming, vessel lay-ups, recycling younger ships, using eco-ships to reduce operating costs, or the company can simply declare itself bankrupt.

On closer examination, the shipping industry needs more than just 'technical' and 'operational' solutions. Taking a holistic approach to tackle the current industry downturn, there is the need for

companies to look to the 'software' aspect of the solutions. At the recently concluded World Shipping (China) Summit 2013, Chinese shipping leaders managed to play up the point as they believed the required response to the market's challenges is 'competitive cooperation'.


Ma Zehua

Ma Zehua, group chairman of China Cosco, the country's largest state-owned shipping group, said: "Shipping companies and shippers have always played to the cyclical market's uptrend and downturn, which is a very shorted-sighted strategy. Apparently cooperation among owners with the aim of achieving overall cost reduction is the key to overcome the present challenges, rather than continuously competing for market share and mindless fleet expansion."

Ma added: "We also urge shipping enterprises to build up their credibility and global brand through open communications between the regulators and the banks for them to understand how shipping works."

Indeed, the top man of China's Minsheng Financial Leasing is looking forward to seeing a less expansionistic mindset of shipping companies, as banks are no longer focusing on what assets the companies have, especially after the global financial crisis of 2008. Zhou Wei, ceo and director of Minsheng Financial Leasing, called upon shipping companies to "focus on service and cooperative competition rather than continual fleet expansion."

He said that companies engaged in irrational buying of new ships and expanding of yard capacity would find themselves having trouble in securing credit facilities from the banks, as lenders are now more focused on the companies' product quality rather than quantity.

"Minsheng encourages the advancement of technology both on the side of owners and shipyards. If the industry can make use of the current downturn to streamline operations, improve efficiency and refine the technological edge, they will be putting themselves in a better position to ride on the next upturn," he said. Zhou added that the bank will not shy away from supporting companies that can prove that they are actively engaged in raising quality, regardless of whether they are small or big firms.

"If the fleet capacity growth continues, the shipping recession will be extended."
Ma Zehua

Bunker fuel costs are currently taking up the bulk of a vessel's operating expenses, and bunker bills are expected to remain costly on the back of firm crude oil prices. On top of that, the trend of a shortage of seafarers is also increasingly putting pressure on labour costs for owners as wages move up, according to Su Xin'gang, vice president and general counsel of China Merchants Group.

"I would like to urge owners to focus on broadening and widening cooperation during this downturn. Cooperation should extend to governments and conservation groups, while owners themselves can look at slot sharing, mergers and acquisitions and establishing joint ventures to streamline the industry. There are certainly greater business opportunities available through deeper cooperation," he said.

"Some owners have entered the newbuilding market to take advantage of low prices and to go after larger and more efficient ships. Though there is a business sense to this, it will only worsen the overcapacity problem. The market would be better off if owners start demolishing their older vessels, reuse secondhand vessels and focus on customer service," Su continued.

The highly unprofitable business of shipping at the moment is "troubling" for owners, hence it is understandable that some owners are aggressively trying to expand their market share and lower operating costs via ordering bigger and newer vessels, according to Zhang Shouguo, executive deputy president and secretary-general of China Shipowners' Association.

"Owners are not concerned about ships getting bigger, but they should be concerned if the excess capacity cannot be absorbed," Zhang said.

In container shipping's main Asia-Europe trade, fleet capacity rose by 25.9% between 2003 to 2013. In dry bulk shipping, fleet capacity rose by 26.6% over the same period and oil tanker tonnage increased by 14.7%, according to a forecast by China Cosco. "If the fleet capacity growth continues, the shipping recession will be extended. The industry will require a long time to absorb the supply glut," China Cosco's Ma said.

Chinese shipping leaders have certainly brought across their point about 'competitive cooperation'. It is no doubt a complex model of cooperation that requires mountainous effort from all the cooperating parties. But the Chinese shore has made it clear that whatever steps taken to lift the industry out of the current slump will not work if the cooperation factor is missing.

2013 newbuilding orders surpassing 2,000 amid oversupply

Strong newbuilding orders are likely to hold back the upturn for the shipping market

This year is poised to end with newbuilding orders surpassing 2,000 for the first time since the end of 2008, posing a "serious high risk" on any optimistic expectations of an upturn for the global shipping market, according to analyst Golden Destiny.

Investment Trends: ↑ Secondhand – ↑ Newbuilding – ↓ Demolition

In the first 10 months of this year, there were 48 newbuilding orders on average every week based on reported transactions, an increase of 100% compared to 24 recorded in 2012, according to the Greek-based analyst.

"In the newbuilding arena, bulkers, tankers, gas tankers and containers still record remarkable upward movements from last year's ordering activity with the number of newbuilding orders making new record levels for the first time since the end of 2008," Golden Destiny said in its latest report.

In the bulk carrier segment, shipping players seem to concentrate their interest in the capesize and ultramax segments with Chinese shipyards winning the largest share of contracts.

In the tanker segment, the ordering spree in the MR product tanker sector seems to be "endless" with South Korean yards maintaining their dominant position in securing new contracts, and also for the construction of large LPG or LNG carriers, the analyst noted.

"In the container segment, October marked soft activity in the construction

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of post-panamax boxships of more than 9,000 teu, but investors have not yet lost their interest for such mega ships," it stated.

The secondhand market is also witnessing slightly higher activities over the course of this year, seeing average weekly reported transactions of 27 compared to 22 in 2012.

"Bulk carriers and tankers remain in the focus of investors for secondhand purchases with lower purchasing interest for containers. However, October ended with a higher purchasing interest for boxships from last month with a focus in the sub-panamax segment," Golden Destiny said.

"Overall, secondhand investments continue to record lower pace of growth compared with newbuildings, and demolition activity keeps a downward incline from last year's levels," it added.

A glass not quite half full

It looked like being a slower week – what with an industry event in China taking some traders away from their desks and a feeling that things might be slowing down pre-Christmas – which was almost right.

After a quiet couple of weeks capesize paper came out of the gates sharply as reports of much stronger WOz fixtures circulated. December was the main focus of buying, trading from $16,650 to $18,100 but left the rest of the curve behind.

Brokers called Thursday 'sloppy' with the curve under pressure on reports of weaker fixing in the Atlantic on a growing tonnage list. Increased activity in the Pacific, while a good sign, couldn't hold the market up and the week ended expecting a further retreat.

Panamaxes looked brighter, opening better bid largely driven by capesize sentiment since underlying offers were little to get excited about. November – December and Q1 pushed up to $11,200 and $9,950 respectively with buyers looking to repeat.

Again taking its cue from capesizes, we traded lower across the curve in light volume Thursday. However with a few more early US Gulf December cargoes emerging and a flattening index the sell-off lacked real conviction.

Supramaxes were more positive with rates increasing mid-week along with another positive index. There still seemed to be good support all the way down the curve with Q1 trading up to $11,000 and Cal14 $10300.

A touch softer Thursday with Q1 trading at $10800, however there seemed to be a reluctance to sell and rates soon stabilised. Once again a positive index helped and prevented a negative move, though the result was a pretty slow and steady afternoon.

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The best Korean company to work for is...

Fancy working for one of the best companies in South Korea? Put in your application to Busan Port Authority (BPA), which recently took the honour of being one of the '100 Best Companies to Work for in Korea 2013' and 'Best Companies to Work for Women in Korea' by US economics magazine Fortune.

The vote was conducted in 46 countries and it was introduced in 2002 by 'Great Work Place', or GWP Korea, which promotes trust between management and staff, employee pride in their workplace, and enjoyable and close relationships among colleagues.

BPA said its president Lim Ki-tack encourages active communication between the senior management and the staff through email and mobile messenger application KakaoTalk.

NYK Group offers aid

Japan's NYK Group has displayed its generosity by donating $100,000 through the NYK-TDG Friendship Foundation to help victims of the Philippine typhoon. The Japanese shipping firm is also providing free transport of supplies to those directly affected by the deadly natural disaster which struck Philippines on 8 November.

In addition, NYK Group has started to collect donations from executives and employees at companies throughout the group.

"NYK has deep concern for those harmed by this natural disaster and offers its wishes for a quick recovery. In the hopes of aiding victims of disasters through our supportive action, NYK will continue its efforts to be proactively involved in contributing to the society," the company said.

Young shipping alive and well in HK

The younger generation of shipping in Hong Kong took an active part in the Hong Kong Trade Development Council's Asian Logistics and Maritime Week with the Young Professionals in Shipping Network (YPSN) holding its second seminar entitled "Shifting Tides - the future of the Maritime Industry" on 6 November.

With a future-focussed theme, the seminar had speakers looking at the challenges facing the logistics and shipping industries in the future. Speakers included Martin Holme (Damco Logistics), Thomas Timlen (BIMCO) and Tim Wilkins (Intertanko) who spoke on their individual areas of expertise.

The session concluded with a rousing panel discussion moderated by Mark Millar from M Power with panellists Davin Chan (ICS HK) Tim Polson and Ajaz Mir (Young Shipping Australia) and Claudio Chiste from SPNL, London giving their thoughts on the next generation of maritime professionals and what they can offer to the industry.

The same evening, the YPSN with the support of WISTA (HK), ICS (HK), SCLP, HKMLA and HKSOA, organised a Joint Maritime Associations Networking Event at the spectacular Azure Bar in Lan Kwai Fong.

The event, which was sponsored by Tai Chong Cheang Steamship (HK) Pte Ltd, Ince & Co, Reed Smith Richards Butler, WISTA (HK), ICS (HK) and NEPA attracted more than 200 professionals from all sectors of the maritime world including brokers, ship managers, operators, owners, lawyers, brokers and financiers and lasted till the early hours.

Events

The Business of Shipping – Asia
25 – 28 November 2013
Hotel Icon, Hong Kong
Contact: Seatrade Communications
Website: www.seatrade-academy.com

Marintec China 2013
3 - 6 December 2013
Shanghai New International Expo Centre
Contact: UBM
Website: www.marintecchina.com

Green Technologies Seminar
10 December 2013
Hotel InterContinental Singapore
Contact: Seatrade Communications
Website: www.greentech-seminar.com