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LEAD STORY:
China Merchants Port woos carriers as it faces low growth

WHAT TO WATCH:
Cosco Shipping reshuffles container liner management

EU could extend maritime security trial to Strait of Hormuz

OPINION:
Brand, reputation and marketing in shipping

ANALYSIS:
APL ship involved in fatal collision failed to follow safety rules

MARKETS:
Cosco Shipping Energy Transport expects tanker boom ahead of IMO 2020

Hafnia bets on tailwinds boosting product tanker market

IN OTHER NEWS:
Iranian tanker freed by Gibraltar headed to Lebanon

UK issues emergency port funding ahead of Brexit

SembMarine wins unique FPSO design FEED contract

CSSC Shipping in $190m leaseback for Exmar-linked FSRU barge

Belships expands fleet with two ultramax newbuilds

Hunter Group agrees new sale and leaseback deal

Songa takes a slice of scrubber fuel savings with charterers

Houston Ship Channel to start limiting large containership access

China Merchants Port woos carriers as it faces low growth

CHINA MERCHANTS PORT is seeking co-operation with other container shipping lines as its throughput growth faces growing economic headwinds.

One of its new ideas is to draw equity investment from carriers involved in some new and existing port projects operated by the Hong Kong-listed operator, a subsidiary of state conglomerate China Merchants Group, according to its managing director Bai Jingtao.

"We are in talks with them, and selecting the projects," Mr Bai told Lloyd's List on the sidelines of a company results press conference in Hong Kong.

The move comes as closer ties are being formed between ports and liner shipping industries, as the latter sector has become increasingly consolidated — with the mergers and alliance reshuffles of recent years — and hence become more influential on port traffic.

Zhang Wei, chairman of Cosco Shipping Ports, a rival of CM Port, this week said it normally took a period of between five years and seven years to break even for a greenfield project, but his company was confident of "reducing that time significantly" backed by the world's third-largest boxship fleet of its parent.

"More and more ports are teaming up with carriers nowadays," Mr Bai said. "This is perhaps something that we all have to do at the current stage of the industry."

He added that such a strategy would help reduce the "incubation period" of a new port project and shore up handling volume, which is particularly important for transhipment hubs.

The remarks also come with a falling throughput growth encountered by CM Port's terminals, both in domestic and overseas markets amid a weakening global economy and rising geopolitical uncertainties.

Total container handling of the company only edged up 1.4% year on year to 54.6m teu in the first half of 2019, while recurrent net profit from ports operation dropped 4.9% to HK$2.7bn ($338m).

Mr Bai estimated a 2%-3% full-year throughput growth — the slowest since 2009 — if it is materialised.

Breaking it down, CM Port's box handling in mainland China grew 1.3% in the six months, while that in Hong Kong and Taiwan declined 4.7%. Volume generated by overseas facilities increased 4%.

The crown jewel, Colombo International Container Terminals in Sri Lanka, was up by 5.75% in throughput, down from a 16.4% growth in the year-ago period.

One major exception was CM Port's TCP Participações SA in Brazil, which benefited from the shift of cargo flows amid the US-China trade war, Mr Bai noted.

The port saw volume surge 70% to 440,000 teu, driven by the increased trade of agricultural and meat products.

WHAT TO WATCH

Cosco Shipping reshuffles container liner management

STATE Conglomerate China Cosco Shipping Corp has embarked a major management reshuffle within its liner segment.

Wang Haimin, who was recently elevated to the top management as a vice-president of Cosco Shipping, will take over from Huang Xiaowen, another vice-president, to take charge of all the group's box shipping and ports business, sources familiar with the matter told Lloyd's List.

Accordingly, Mr Wang will assume the chief executive role at Hong Kong-listed Orient Overseas International Ltd currently held by Mr Huang.

The former's current role as the co-chief executive of OOIL's subsidiary, Orient Overseas Container Line, will be taken up by Yang Zhijian, the general manager of Cosco Shipping's dry bulker division but with long experience in box shipping.

The moves come as Mr Wang has already replaced Mr Huang as the vice-chairman of Cosco Shipping Holdings, the Chinese conglomerate's listed container shipping and port arm as well as the parent of OOIL, according to an exchange filing on Friday.

At the same time, Mr Yang has been designated as the general manager of CSH and head of its home-grown liner brand Cosco Shipping Lines. The two roles were previously held by Mr Wang.

Mr Huang, the most senior of the three, is said to be shifting his focus on the group's dry bulk shipping business.

The changes come following a series of personnel restructuring moves at the top management level since early this year, with several former vice-presidents replaced by younger executives.

EU could extend maritime security trial to Strait of Hormuz

THE European Union is set to co-ordinate merchant vessel protection activities in the Gulf of Guinea, with ultimate roll-out to the Strait of Hormuz not excluded.

EU high representative for foreign affairs Federica Mogherini unveiled the plan at a press conference in Helsinki following an informal meeting of the defence ministers of the 28-member trading bloc.

Ms Mogherini highlighted growing threats to freedom of navigation, and arguing that maritime security is a fundamental strategic interest for the EU, from both the economic and trade perspectives.

As a result, there is growing demand for an EU role as a maritime security provider not only in Europe but in Asia, the Pacific and the Indian Ocean.

"We discussed today an idea, a concept, which I presented a couple of months ago: the concept of co-ordinated maritime presences in certain areas of strategic interest to the European Union," she said.

"That would be an additional tool at the disposal of the European Union that would basically use the presence of national naval assets of member states that would be put together on a voluntary basis… [and] would remain under the chain of command of national authorities, but that would agree to share information, awareness, analysis."

Technical work is already under way, albeit at an early stage, and the first concrete steps will likely be taken off the coast of West Africa, where piracy remains a problem despite promises from some regional governments to eradicate seafarer kidnappings.

Asked explicitly whether the joint activity might be extended to the Strait of Hormuz in the light of the spate of attacks on tankers seen there in recent weeks, Ms Mogherini said: "I would not exclude that that could be an option in the future but, again, it is definitely too early to say that today that could be an option for the European Union to use in that area."

A US-led naval protection initiative, involving the UK, Australia and Bahrain, has started operations in the Strait of Hormuz.

The US has blamed Iran for several attacks on shipping in recent months, an accusation that Iranian officials have rejected.

OPINION

Brand, reputation and marketing in shipping

THE world is changing and the way we share and consume information is changing. And shipping must adapt, *writes Amie Pascoe, director at corporate communications consultancy BLUE.*

Our industry is now more 'consumer-facing' and accountable than it has ever been. On top of this, it is becoming increasingly commoditised and faces unprecedented consolidation, in a world driven by digitalisation, sustainability, and increased competition. Times are tough, but where there's adversity, there also lies opportunity.

Progressive companies within the industry are awakening to this new reality. And to help turn it to their advantage, they are professionalising the way they communicate.

They understand the emotional power of brand in driving decision-making and in creating organisations that have purpose and impact.

They also understand the importance of building a positive reputation that's aligned with that brand; founded on open and honest communication with their key internal and external stakeholders.

Over the past decade, many in shipping have realised that while sponsoring coffee mugs at events was a great way of, well, creating hot froth, it does not build a brand that encapsulates their values, what they believe in, and the impact they want to have on the market and society.

Nor does it build a positive reputation that truly resonates with customers, prospects and other important stakeholders in an influential and impactful manner.

The global, borderless nature of the internet has also triggered the knock-on effect of ratcheting up the importance of brand and reputation.

It wasn't long ago, for example, that a (hypothetical) Finnish Mewis duct manufacturer may have dominated the market in the Nordic region, whereas today they are competing directly with Chinese, Japanese and Turkish manufacturers for the same global customers.

And "what does all this have to do with my sales results and P&L?", we are often asked.

According to a McKinsey study, B2B companies with a strong brand outperformed companies with a poor one by 20%. That could mean the difference between success and failure in a market with so many other competing pressures to navigate.

Progressive maritime organisations, be they large or small, companies, industry bodies or non-governmental organisations, have been on the front line of professionalising the concept of brand and the role of PR and marketing in building reputation, seeking to meet the demands of raised expectations from customers, consumers, regulators, financiers, shareholders and others.

However, while progress has been made, significant work still needs to be done.

For many organisations, the myths around brand, reputation, PR and marketing, remain firmly intact.

There may be an increasing number of companies in shipping that are taking on the brand and reputation challenge, but there's still plenty of opportunity to adapt to this exciting 'new normal'.

ANALYSIS

APL ship involved in fatal collision failed to follow safety rules

THE crew of an APL container ship failed to follow international safety rules when it was involved in a fatal collision with a fishing vessel in the East China Sea, a report has found.

Singapore's Transport Safety Investigation Bureau said the *APL Southampton* had been steaming at 21 kts at night and in fog when the incident occurred in March 2018.

Despite a warning from nearby vessel traffic system regarding heavy fishing vessel traffic in the area, the 2012-built, 10,700 teu *APL Southampton* maintained its course and speed.

Only two crew — the third officer and an able seaman — were on the bridge when an automated collision warning over VHF was received, the report said.

Instead of calling the master to the bridge, the third office began manoeuvres to avoid a group of fishing vessels, including the *Zhe Ling Yu*.

The officer noticed a vessel crossing ahead of *APL Southampton* at close range on the radar, which coincided with a "clattering" recorded on the ship's vessel data recorder.

The crew member on deck also reported noticing a green starboard navigation light passing the vessel's starboard side.

At this stage, the bridge personnel questioned whether they may have collided with one of the fishing vessels and called the master to the bridge.

The master took control of the vessel but, despite the disappearance of the Automatic Identification System signal and radar target acquisition symbol, continued on passage.

Although no distress alerts were received, contact had been made with *Zhe Ling Yu*, which had subsequently capsized, resulting in the loss of two crew and injuries to eight others.

Radar signals indicated that a collision had been likely, but despite conversations with the bridge crew, the master made no attempt to contact the fishing vessel or report the situation to authorities ashore.

Graham Wilson, associate director at Britannia P&I manager Tindall Riley, said there were lessons to be learned from the incident.

"Neither ship properly assessed the risk of collision nor took appropriate actions to avoid the collision," he said, adding that the accident reiterates the importance of effective bridge watchkeeping and compliance with International Regulations for Preventing Collisions at Sea (Colregs).

"The investigation noted anecdotal evidence that the crew of fishing vessels in this area may lack familiarity with the Colregs; watchkeepers on board merchant ships therefore need to recognise the possible hazards of navigating in close proximity to such vessels," he said.

But *APL Southampton* did not comply with various aspects of the Colregs, including not proceeding at a safe speed appropriate to the traffic density, and not taking appropriate actions when navigating in restricted visibility.

Neither APL or its parent company CMA CGM responded to requests for comment from Lloyd's List.

The TSIB report acknowledged that the company had produced a company directive on navigating around fishing vessels following the incident.

It had also undertaken a study to enable its ships' masters to make advanced and informed decisions when planning their passage, taking into account concentration of fishing vessels along typical trading routes.

MARKETS

Cosco Shipping Energy Transport expects tanker boom ahead of IMO 2020

PEAK season demand coupled with a scrubber-fitting-led tonnage supply constraint could give a fillip to tanker shipping in the second half of 2019, according to Cosco Shipping Energy Transport.

The Shanghai- and Hong Kong-listed company, which controls a tanker fleet of more than 150 vessels, posted a Yuan468.9m ($65.6m) net profit in the first six months of this year, reversing the year-ago net loss of Yuan217.4m.

Revenue jumped 39.2% to Yuan7.1bn.

The results were largely lifted by a buoyant tanker market, especially in the very large crude carrier sector where CSET runs about 50 units.

China-based Shenwan Hongyuan Securities estimated the company's VLCC time charter equivalent rate stood at $20,000 per day in the second quarter, higher than Clarksons' market average of $11,565.

CSET, the oil and gas shipping arm of state conglomerate China Cosco Shipping Corp, remained optimistic about the second half, in particular the fourth quarter which is the traditional busy tanker season.

It forecast a fast growth of US oil exports that is expected to increase the tonne-mile demand of tanker shipping, while at the same time reduced newbuilding deliveries will ease the pressure on the supply side.

It also noted the increasing scrubber fitting activities among tankers ahead of the 2020 sulphur cap, which is set to further tighten the available carrying capacity in the market and hence strengthen rates.

Recent data from Clarksons suggested 23% of the VLCC fleet would have the exhaust gas cleaning systems fitted by the end of 2019. The tally will rise to more than one-third of the fleet by the end of 2020, the world's largest shipbroker said.

"The oil tanker industry has entered a new bullish circle, and the supply and demand fundamentals of the international oil transport market will continue to be good," the company said.

In addition, CSET also runs a liquefied natural gas carrier fleet, with 30 ships in operation and eight ships on order, via joint ventures with partners. The business contributed about Yuan286m in pre-tax profits in January-June to the company.

Hafnia bets on tailwinds boosting product tanker market

HAFNIA, the product tanker owner, expects the market to be favourable into 2020.

"Despite the recent slowdown, the fundamentals of the product tanker market beyond the immediate term are still encouraging," the company said in an earnings statement.

It cited the International Energy Agency as saying that refinery throughput in the third quarter is expected to increase by 3m barrels per day compared with the previous three months as facilities gear up for the International Maritime Organization's low-sulphur fuel use regulations.

New trade patterns and arbitrage opportunities as well as changes in demand for floating storage and reduced tanker fleet availability from port congestion are anticipated to emerge as the market adapts to the new regulations, the company said.

Those circumstances offer "favourable tailwinds" that can elevate the product tanker market against a backdrop of economic uncertainty stemming from trade tensions between the US and China and fear of recession, it said.

The company made a profit of $12m in the second quarter compared with a profit of $27.9m in the previous three months.

“I am very pleased with the organisation’s performance during the first half of this year, particularly considering the additional focus required on the integration process following our merger in January,” said chief executive Mikael Skov.

“The market conditions in the second quarter were challenging compared to the first quarter, mainly due to extraordinary maintenance of the refineries globally, preparing for the implementation of IMO 2020 regulations,” he said, adding that the company’s strong balance sheet and commercial performance provides a promising platform for the future.

In January, BW Tankers and Hafnia Tankers merged to form Hafnia. The integration, which is almost complete, makes it one of the largest product tanker owners around.

“Operating 183 vessels in the Hafnia pools, of which 88 are owned and chartered-in, is expected to lead to significant commercial, financial, technical and operational synergies,” the company said. “The expanded fleet allows us to utilise the data generated to further optimise vessel operation and planning,” it added.

IN OTHER NEWS

Iranian tanker freed by Gibraltar headed to Lebanon

AN Iranian oil tanker released by Gibraltar earlier this month is in waters south of Turkey and headed for Lebanon, according to reports.

The *Adrian Darya*, formerly called *Grace 1*, has been at sea since being freed by the British territory with a cargo of 2m barrels of oil. It was originally thought to be headed for Greece, but has changed course several times in the past week.

Media reports on Friday cited Turkey's Foreign Minister Mevlut Cavusoglu as saying the vessel is heading for Lebanon.

UK issues emergency port funding ahead of Brexit

THE UK government is providing £30m ($36.5m) in emergency funding for ports infrastructure as part of the country's preparations for leaving the European Union.

The Department for Transport said the funding will enable UK ports to “continue to thrive after Brexit".

It includes £10m for so-called Port Infrastructure Resilience and Connectivity — to pay for upgrades to enhance port capacity and maintain trade.

SembMarine wins unique FPSO design FEED contract

SEMBCORP Marine has secured a contract to work on a floating production storage and offloading design solution for the Cambo field in the UK Continental Shelf.

SembMarine unit Sembcorp Marine Rigs & Floaters has entered into an exclusive front-end engineering and design contract with Siccar Point Energy E&P Ltd to deliver an FPSO design solution which will be based on its proprietary Sevan geostationary circular hull.

The cylindrical hull design is touted as a cost-effective alternative to traditional ship-shaped and turret-moored designs, eliminating the need for a costly turret while accommodating a larger number of risers and flexibility for future tie-ins.

CSSC Shipping in $190m leaseback for Exmar-linked FSRU barge

CSSC (Hong Kong) Shipping has agreed on a $189.7m sale and leaseback deal for a floating storage regasification barge linked to Belgian owner Exmar.

The Chinese lessor, a subsidiary of state conglomerate China State Shipbuilding Corp, said in an exchange filing that it had entered into a memorandum of agreement and 10-year bareboat charter with a counterparty owned by a company incorporated in Belgium.

The charter hire includes the FSRU's value of $155m estimated on July 10 this year, and $34.7m in lease interests. CSSC Shipping did not identify the charterer.

Belships expands fleet with two ultramax newbuilds

BELSHIPS has agreed to bareboat charter two ultramax newbuildings from a Japanese shipbuilder for seven years, continuing its fleet expansion spree.

The company said it would get the two 61,000 dwt bulkers from the undisclosed yard in the fourth quarter of this year and the first quarter of 2020.

Belships said it would pay $3m per vessel before delivery and that it estimated the cash breakeven for the ships upon delivery to be about $11,000 per day, including operational expenses.

Hunter Group agrees new sale and leaseback deal

HUNTER Group, an Oslo-listed tanker owner, has said it has agreed a new five-year sale and leaseback deal for very large crude carriers.

The Erik Frydendal-led company said it had secured an agreement with a large leasing company. It did not disclose how many vessels the agreement covers.

“The board is of the opinion that the agreement is beneficial to all shareholders as it retains maximum flexibility for the company and eliminates the need for any additional equity in order for the company to take delivery of all vessels in the newbuilding programme,” Hunter said in a statement.

Songa takes a slice of scrubber fuel savings with charterers

SONGA Container has implemented a fuel profit-sharing scrubber clause into its time charter agreements with its container line customers.

The clause is based on the principle that actual fuel savings obtained are split between the charterers and the owners.

The Oslo-based feedership owner said that 80%-90% of any savings made by the charterers on fuel expenses are paid back to Songa.

Houston Ship Channel to start limiting large containership access

LARGER container ships face limited access to the Houston Ship Channel as new legislation designed to prevent holdups in the world's second-largest petrochemical port comes into force.

Vessels longer than 1,100 ft (333m) will not be able to enter the 52-mile channel from September 1 without prior approval from a newly created board of pilot commissioners.

Texas governor Greg Abbott passed two laws in June allowing the changes which were opposed by the Port Commission of the Port of Houston Authority.

Classified notices

A Major Listed Manufacturing Company in the Middle East handling bulk tonnages seeking to hire a Chartering Manager

Job Requirements:

• The successful candidate will have at least 15 years' experience in the chartering of Cape size and Panamax vessel out of a major shipping center
• Have obtained Suitable University or Technical chartering degree
• Experience in Ship management, purchase and Sale will be a plus
• Proficiency in English, written and spoken.

Relocation Package offered plus Key Benefits associated with the role plus a competitive salary

CVs to be sent in full confidentiality to office of the CEO at email address :
office.ceo2019@gmail.com

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The Next Generation Lloyd's List Intelligence

Uniquely powerful vessel tracking, characteristics, ownership and incidents data.

At the centre of Lloyd's List Intelligence is our online vessel tracking system, Seasearcher. This gives you access to the transactional and analytical data required to make a measured difference to your business, whether you are trying to increase operational efficiencies, manage risk, or develop new business opportunities.

The new Next Generation platform was launched earlier this year to offer our customers a greatly improved service and some fantastic new features including:

- A modern, simplified search and mapping interface
- Streamlined operational workflows and geospatial tools
- Enhanced visibility of port, terminal and berth activity including new alerting and filtering tools
- Increased vessel tracking data granularity with improved AIS capabilities
- Raw data manipulation through Excel downloads

To find out more about Lloyd's List Intelligence services, please email **info@lloydslistintelligence.com**, call **+44 (0)207 7017 5392** or visit **info.lloydslistintelligence.com**

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