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The Interview: Xu Lirong

FILLED WITH LIGHT from the large floor-to-ceiling windows, the meeting room looks out over a gentle curve of the Huangpu river, which meanders through the Shanghai metropolis, China's economic centre.

Ships and boats shuttle in an endless stream. On the banks, glittering high-rises are interspersed with smaller buildings, a few of which remain under construction.

China COSCO SHIPPING Corp — born from the merger of two previous shipping giants Cosco Group and China Shipping Group in early 2016 — moved its head office last year into this new modern mansion at the southwest edge of the city's Lujiazui central business district.

After a few minutes' wait, the company's chairman Xu Lirong walks in.

Local media recently published a number of articles featuring him at the vanguard of reforming China's shipping industry, a title that he had probably never imagined earning when starting his first job in 1975 as a seafarer for Cosco.

Time has left its mark on his face. Leading the state conglomerate that runs the world's largest merchant fleet is presumably no easy task.

The last time Lloyd's List had an exclusive interview with Capt Xu was three years ago, shortly after he took office. Since then much has happened following the shake-up in container shipping after the Hanjin Shipping collapse, the surge in scrubber installations, let alone various trade disputes — but the veteran is still a man of the most equable temperament.

"I hope I didn't keep you waiting too long." He smiles as he offers his hand.

It takes more than just self-possession to soldier on in this top job. COSCO SHIPPING, as the group wants to be known, boasted Yuan870bn ($122.9bn) of total assets as of August 2019. It runs a business portfolio that spans across container shipping, dry bulkers, tankers, ports, shipbuilding and even finance.

None of the divisions can rest easy on a solid ground beneath the shifting sands of today's markets.

Consolidation and trade war

The conversation starts with consolidation in liner shipping, where the Chinese giant operates its crown jewel business.

The container trades suffered from cutthroat price wars for several years because of supply and demand imbalances. However, freight rates are now more settled following industry consolidation through a series of acquisitions and mergers, as well the formation of global alliances between leading carriers.

Consultancy Sea-Intelligence noted that the sector had "now reached an unprecedented level of global rate stability" since early 2017, shortly after South Korea's Hanjin Shipping, at that time the world's seventh-largest carrier, went bankrupt.

"After so many years of brutal competition, we've gradually come to our senses," Capt Xu tells Lloyd's List. "Now this hard-earned situation should be cherished by all of us."

The advice represents a meaningful gesture at the time when the ongoing US-China trade war is triggering shifts in cargo flows and may even hit the overall shipping volumes if tensions escalate further.

There is no question that an escalating trade war can take a toll on container shipping lines, especially a major line based in China. The question is how to deal with it.

For the first half of 2019, carriers had overall performed better than expected, partly thanks to "rational competition" in which they have displayed discipline in managing capacity, the chairman says.

Besides, a more consolidated fleet shared by members in bigger alliances has increased the degree of agility for carriers to respond to the changing demand between various regions.

Through the Ocean Alliance and the takeover of Orient Overseas (International) Ltd, COSCO SHIPPING itself has expanded its networks into more third-country markets, such as the transatlantic and intra-Asia routes, which are now seen as useful buffers against the tariffed Sino-US trade.

And both its liner brands — the homegrown Cosco Shipping Lines and the acquired Orient Overseas Container Line — turned the year-ago losses into decent profits for the first six months.

"Competition is an indispensable part of liner shipping, but that shouldn't prevent us from having appropriate cooperation to maintain a healthy market," Capt Xu says.

But as the fallout of the confrontation convulsing Washington and Beijing spreads into the broader global economy, the competition may become stiffer.

Following the International Monetary Fund's downgrade on global economic growth in July, Alphaliner in August revised its container trade growth outlook from 3.5% to 2.5% this year. And the forecasts came even before the White House's latest announcement to put more tariffs on Chinese goods.

At the same time, spot rates in the traditional summer-autumn peak season this year have failed to perk up.

"The development of the trade dispute will be a key factor for liner shipping next year. So far we can handle it quite well by adjusting our capacity deployment, but I hope the impact will not grow beyond the extent to which our global networks can adapt," Capt Xu says.

He then expresses optimism. "I believe the US-China trade war will be resolved because it has put pressure on the entire world economy, which gives the push to all parties involved to reach a settlement," he says. "If they can resolve the issue next year, the prospects for container shipping will be very promising."

The Chinese trade delegates who recently returned from Washington had "constructive" discussions with their US counterparts, state news agency Xinhua reported. That should pave the way for the next round of trade negotiations in October, the results of which are still anyone's guess.

Expansion and acquisition

That said, the trade war doesn't seem to have frustrated COSCO SHIPPING's ambition for expansion.

In August, it completed the $560m purchase of the majority assets of Singamas Container Holdings, previously the world's second-largest box maker.

The aim is to secure the source of supply for the rapid growth of the company's box fleet, explains Capt Xu.

"My company runs not only the third-largest containership fleet but also the second-largest container leasing company Florens, whose combined demand for boxes amounts to 6m-7m teu."

He says that tally will reach 10m teu within a few years, boosted by a strong synergy with OOCL and fast growth of its feeder services in areas such as Southeast Asia and the Caribbean.

"We cannot expose that huge amount of demand to the risks in the market. That's why we decide to enhance our box-making capacity, which is already part of the industry chain we've built."

The Singamas acquisition has effectively boosted the market share of COSCO SHIPPING's container manufacturing business to about 35%, trailing China International Marine Containers (Group) with a share of nearly 50%.

The deal has also reignited earlier speculation about the state giant's pursuit of Singamas's parent, Pacific International Lines.

The Singapore-based carrier ranks the ninth in Alphaliner's league table with a capacity of about 390,000 teu at last count. It was said that PIL's expertise in Africa and Middle East markets would make a strong complement to the bigger Chinese rival, and its chairman SS Teo has kept in close contact with the top management in Shanghai.

"Rumours are just rumours," Capt Xu replies, adding that his company is not targeting any specific carrier.

But never say never. "If there are more M&As, shipping lines with a relatively small fleet, shaky finances and a limited network of services can still be acquisition targets of the others," he adds.

He also talks openly about the plan to order a small number of supersized containerships, which has been the subject of market speculation since last year.

COSCO SHIPPING currently has 28 vessels of 20,000 teu or above, including the sextet owned by OOCL. It would need another five to six units to complete three loops consisting of a homogeneous fleet of this class in the Asia-Europe trades.

"It is true that we still lack a few 20,000-teu class ships. It is likely and justified for us to add five or six of them to our fleet based on need to improve our route arrangement."

Customer first

However, the consolidation and the scale, as important as they have been, are not the end goal but a means for his company to better serve the customers, the chairman believes.

He admires Huawei, the world's largest telecommunications equipment supplier now leading in 5G commercial contracts despite the US ban.

"Huawei's market share today does not only derive from its advanced technologies, but more importantly, its customer-centred mindset. They believe customers are the soul of the company.

"I told my staff that shipping should be along the same line that COSCO SHIPPING exists to serve customers, who are the soul of us, too."

The statement, of course, needs to be taken with a pinch of salt. After all, ocean shipping has been long deemed as a provider of commoditised products that are only differentiated by price.

"We've made lots of improvements although we're still far away from achieving customer satisfaction," Capt Xu concedes. "But the consolidation and digital technologies are enabling positive changes."

He speaks of the latest version of OOCL's Integrated Regional Information System, known as IRIS-4.

"It's one of the best in liner shipping. It's one of the biggest benefits we've gained from the acquisition."

The system will be adopted by the Chinese giant's entire box shipping networks by the end of this year. That will help streamline process and increase visibility, he says. "Expect our service quality to move up another rung next year."

The Global Shipping Business Network, the blockchain-based digital platform initiated by OOIL's CargoSmart, represents a long-term vision.

CMA CGM, Hapag-Lloyd, Hutchison Ports, Port of Qingdao, PSA International, and Shanghai International Port Group signed service agreement in July to become partners of the

programme, in addition to COSCO SHIPPING's liner shipping and port arms.

Each of the parties has committed to providing resources to support preparatory work required to establish the network, which is being billed as a not-for-profit joint venture.

The development of the platform is still at an early stage, Capt Xu says, and it is pending approvals from anti-trust authorities to proceed further.

"As you know competition authorities treat shipping quite strictly nowadays, even more strictly than they do to some other industries. I hope they can be more understanding towards shipping companies for their contribution to the global economy and the hardship they face in operation."

But the vision of GSBN is clear. He says the aim is not to make profits by controlling data, but to gain efficiency and safety by sharing information with industry players.

One pilot project being worked on by CargoSmart is the application for dangerous cargo documentation, a solution to shippers' misreporting which has been the main cause of numerous onboard fires and explosions in recent years.

By sharing that information with other carriers, ports and customs regulators via the blockchain technology, the increased transparency can significantly reduce such fraudulent practice.

As the end of the interview approaches, the topic inevitably switches to the International Maritime Organization's emission rules.

Capt Xu outlines a straightforward strategy of this company to comply with the 2020 sulphur cap.

Liquefied natural gas is not an option for now. Scrubbers will be installed only on a very limited number of ships. The vast majority of the fleet will use low-sulphur fuel oil.

It seems that COSCO SHPPING has no plan to follow its Ocean Alliance partner CMA CGM, which has opted to power a series of newbuildings of 15,000 teu-22,000 teu by LNG.

"If we order large containerships now, they won't be fuelled by LNG or equipped with dual-fuel engines," Capt Xu says. "It's a promising future marine fuel but the infrastructure is just not there yet."

At the same time, he reveals that his company has ordered exhaust gas cleaning systems for 60 vessels, mostly boxships and dry bulkers, accounting for 4% of its entire fleet. But the company has no intention to increase the uptake.

One of the major reasons that owners choose to install scrubbers on board is the estimates of a large spread between LSFO and HSFO prices. But Capt Xu expects mass production of LSFO to soon narrow that differential.

"It is not difficult to produce the blends with low sulphur content. When the volume ramps up and more producers start to compete, the price will fall."

Cosco Shipping, which runs a bunkering joint venture with state oil giant PetroChina, has already locked up some 80% of the LSFO expected to be consumed by its containership fleet between October this year and March next year at floating rates, senior executives told reporters earlier.

Looking further ahead, the IMO 2050 carbon targets will have to be dealt with by Capt Xu's successors, as he is reaching his retirement age.

Turning bloated state-owned businesses into globally competitive players has been at the core of the old hand's responsibility. He has delivered important achievements, while the constantly fast-changing shipping markets, complicated by rising geopolitical and regulatory uncertainties in this era, will be a continued test for his legacy.

WHAT TO WATCH

Cosco caught offguard in Huawei headwinds

WHEN the US imposed sanctions on Shenzhen tech giant Huawei earlier this year, along with 140 other Chinese companies quietly added to Washington's infamous "entity list", it was framed in the US as punishment for wrongdoing.

Back in Beijing the view was that this had more to do with aggression born of fear as US rivals helplessly watched China's ascent to tech leadership status.

So the fact that senior Chinese officials have already

characterised US sanctions on Cosco subsidiaries as thinly veiled leverage in advance of next months' trade negotiations is entirely understandable, just as the US stance has positioned this a straight case of ratcheting up pressure on Iran.

But both explanations represent over-simplification of the detail behind this extraordinary story that has sent shockwaves through the shipping industry as tanker rates surged, lawyers were put on stand-by, P&I Clubs moved to pull cover and charterers rushed to protect themselves from potential sanctions risk, switching away from Cosco tonnage.

The facts of the case are simple enough - the US Treasury department blacklisted two of Cosco's tanker subsidiaries on Wednesday for shipping Iranian oil.

That provocative move caught both Cosco and the wider market off guard because, despite Washington's unquestionably unambiguous policy towards Tehran, it has been well known by everyone for some time now that China had remained one of the last few buyers of Iranian crude.

OFAC, the US Treasury department responsible for the sanctions has known about China's willingness to import Iranian crude for some time.

Despite the subterfuge and opaque nature of Iran's remaining oil trades, and despite vessels' AIS signals being turned off, the exploits of Iranian tonnage have been well documented, not least by Lloyd's List.

To suggest that the US government were in the dark until now would be disingenuous in the extreme.

So why now?

Senior management at Cosco was caught off-guard and have been rushed back to Beijing to discuss solutions with government officials.

With the next round of trade talks between officials from the US and China set to take place in Washington in two weeks' time the suspicions being discussed are almost inevitable.

But while the timing may smell somewhat suspicious, there were signs that Cosco was well aware of the risk and had already taken precautions.

Complex structure

This requires a quick deep dive into Cosco's labyrinthine structure to fully appreciate.

The two blacklisted units, Cosco Shipping Tanker (Dalian) Seaman & Ship Management Co (the Shipmanager) and Cosco Shipping Tanker (Dalian) (Cosco Dalian)—were both subsidiaries of Cosco Shipping Energy Transportation (CEST), the Shanghai-and Hong Kong-listed oil and gas shipping arm of Cosco Shipping. The original structure was:

CSET owned 100% of Cosco Dalian who owned 100% of the Shipmanager. The Shipmanager had already been implicated in Iranian oil subterfuge as it was shown as the manager of the Kunlun Shipping tankers – the entity Lloyd's List reported earlier this year was shuttling crude from Iran to offshore Malacca for ship-to-ship transfer on to Iranian owned tankers for onward sailing to Asia.

However, in July this year, Cosco Dalian disposed of the entire stake in the Shipmanager to Cosco Shipping Investment Dalian, which is not directly affiliated with CEST. Analysts in Asia saw this as a precautionary move to cut the ties of the Shipmanager with the Cosco Shipping's tanker business. But apparently the US had targeted the Shipmanager before the disposal, so it included Cosco Dalian, not the investment unit, into the sanction list. That in turn has ended up being sufficiently troubling for CEST to see them halt trading of shares on Thursday.

CSET has several subsidiaries, including Cosco Dalian, that own and operate its tanker fleet consisting of over 150 ships on the water. But only the company itself knows how many vessels are under Cosco Dalian and are now subject to sanction restrictions. This is also one of the reasons that charterers and brokers are panicking right now.

The reality is that the US could have announced the sanctions at least a couple of months ago, if not earlier, so the timing of the sanctions salvo so close to the next round of China-US trade negotiations are at least suspicious. Furthermore there are already fears that if these trade talks don't work out for Washington, the sanctions could expand to CEST or even the ultimate parent Cosco Shipping.

No doubt certain other state shipping giants, who owns as many VLCCs as Cosco Shipping does, will be equally concerned as to whether they might now become the next target of the US.

So while Cosco perhaps should not have been quite so confident that this wasn't an inevitability, it's

equally fair to say that the US application of its sanctions on Iran and Venezuela this year has been haphazard, inconsistent and mercurial. Ships have been blacklisted, and others related to the same entity allowed to trade.

Entities have been sanctioned sweeping up ships that have no connection whatsoever.

It seems OFAC wants to confuse and infuse fear and is deliberately leave opacity, providing wriggle room if needed.

The stage is set for trade talks where the US has both the upper hand (if it wants to play it) and the ability to offer face-saving alternatives to the Chinese government.

Seized British-flagged tanker departs Iranian port

DETAINED product tanker *Stena Impero* has weighed anchor and has started moving out of Iran after being freed, according to Lloyd's List Intelligence data.

The UK-flagged tanker, detained by Iran in July, has exited Bandar Abbas Port, where it had been anchored after being detained by Iran's Revolutionary Guard in the Strait of Hormuz for alleged marine violations.

Automatic Identification System data shows the vessel is heading east-southeast at 10.6 knots back into the straits.

Stena Bulk president and chief executive Erik Hanell confirmed the tanker's release.

"We are moving and still in Iranian waters but we shall be in international waters in a few hours," he told Lloyd's List.

The product tanker is heading for a port in the United Arab Emirates, but the ultimate destination has not been decided, he said. "There are a few options," he added.

Iranian authorities have not charged Stena over any of the initial allegations, nor has the company been fined, Mr Hanell confirmed.

When the vessel was seized by the Islamic Revolutionary Guard Corps, officials made varying claims, such as that the ship had caused pollution or had collided with a fishing vessel, resulting in its detention.

The crew will be taken off at the UAE port to a debriefing and will be replaced, he said.

UK Chamber of Shipping chief executive Bob Sanguinetti welcomed the news of the release of the crew and the vessel.

"It is imperative that all ships are permitted freedom of navigation without fear of interference. The recent events in the Middle East clearly demonstrate the need for international diplomacy to ensure stability in the region, underpinned by robust security to guarantee freedom of navigation," he said.

Mr Sanguinetti reiterated that without the safe passage of goods, consumers and businesses could suffer with increased costs, particularly at the petrol pump.

"We will continue to work closely with the UK government and others to help guarantee the safety of ships and their crew in international shipping lanes," he said.

OPINION

Farid Salem leaves lasting legacy at CMA CGM

FARID Salem, the man regarded as "the architect" of French liner giant CMA CGM alongside Jaccques Saadé, is retiring today after 41 years with the business, *writes Janet Porter.*

While the late Jacques Saadé was very much the public face of CMA CGM during the 40 years of growth from a single ship company to one of the world's top container lines, Mr Salem was at his side throughout the whole period.

The pair teamed up back in 1978 when they and two others acquired Compagnie Maritime d'Affrètement, which operated a single vessel between Beirut, Latakia, Livorno and Marseilles.

Over the following four decades, the duo worked together to ensure the French group not only survived in the cutthroat container shipping trades, but thrived. Through a combination of both organic growth and takeovers, CMA CGM now controls a fleet of over 500 ships calling at 420 ports, has a presence in more than 160 countries around the world, and annual revenue of $31bn.

"I have never met anyone who knows this business as well as Farid," says Claude Lebel, who joined CMA CGM 15 years ago and is now chief executive of the group's European multimodal operation Containerships.

According to CMA CGM's chairman and chief executive Rodolphe Saadé, his uncle was very much "the architect of the CMA CGM adventure" alongside his father Jacques. "His unique expertise, outstanding qualities as a negotiator, and his incredible capacity for work are recognised around the world, both in our industry and beyond," he says.

But that's not just the view from management. Mr Farid is also regarded with deep affection by CMA CGM staff, who describe him as a people person, a good listener, and involved in all aspects of the business.

Christine Cabau, who first joined CMA CGM in 1987 and then returned at the start of the year as executive vice-president in charge of group assets after running the port of Dunkirk and then Marseilles-Fos, says Mr Salem was a mentor to her generation.

"He was the best boss ever," she reckons. "Even when I was away from CMA CGM, and had some difficult decision to make, I would ask myself, what would Farid do in such a situation?"

Mr Farid and Jacques Saadé were the perfect team as they worked together to build up CMA CGM into the powerhouse it is today, says Ms Cabau. She describes their legacy to the shipping industry as "immense".

Coinciding with Mr Salem's retirement, CMA CGM this week took delivery of the 23,000 teu CMA CGM Jacques Saadé, the first of a series of ultra large containerships that will be fuelled by liquefied natural gas, a world first and further underlying the group's determination to be at the forefront of change.

Family man

Mr Salem is also family, the brother of Jacques Saadé's wife Naila, who is president of the CMA CGM Foundation.

Those connections matter in the world of shipping, where a family's passion and commitment to the business it has created make a huge difference. In the case of CMA CGM, there have undoubtedly been some turbulent times, yet the group pulled through, thanks largely to the Saadé family's tenacity. And that includes Mr Salem.

"The CMA CGM Group owes him so much, as does the shipping industry," said Tanya Saadé Zeenny, executive officer of the CMA CGM Group and Mr Salem's niece. "For 41 years Farid Salem worked alongside Jacques Saadé, and then with Rodolphe, with unparalleled loyalty, discretion and efficiency," she tells Lloyd's List.

"He has always been committed to sharing his expertise and has mentored many executives who today within the CMA CGM Group pursue his strong values and strategic vision."

He was appointed chief executive vice-president of CMA in 1986, and then held the same position in the enlarged group following the merger with Compagnie Générale Maritime in 1999. In 2006, he was made president of the group's North Africa operations, and then executive officer of CMA CGM in 2010, when he also joined the board.

Since the death of Jacques Saadé last year, Mr Salem has been special adviser to his nephew, chairman and chief executive Rodolphe Saadé, who succeeded his father and has shown the same pioneering spirit and ambition to grow CMA CGM as the previous generation.

But after more than 40 years with CMA CGM and turning 80 in April, Mr Salem decided the time had come to retire at the end of September.

He may have had a lower profile than Jacques Saadé, but he is nevertheless a highly respected and popular figure throughout the container shipping industry, known for his hands-on approach to business, an eye for detail in negotiations, industry knowledge, and integrity.

Born in Lebanon in 1939, he obtained a master's degree in law and economics from Beirut's Saint Joseph University before embarking on a business career that first introduced him to the shipping industry.

From 1964 to 1973, he was a director and partner of the Lebanese company Packfreez, importing and

distributing food products and then overseeing industrial fishing operations in Madagascar for the company. When Madagascar nationalised fishing companies in 1974, he founded Polyfreez, which specialised in importing seafood products into Lebanon.

Two years later, he was appointed director of fisheries for United Fisheries of Kuwait, with a fleet of 52 freezer trawlers.

Since 1978, his working life has been dedicated to CMA CGM which, despite setbacks along the way, now ranks among the handful of global carriers to have kept going and growing through endless rounds of consolidation over the past 40 years.

ANALYSIS

Safe pair of hands, safe pair of offices

STRADDLING both Cyprus and Greece — and both the public and family company models — Safe Bulkers is a company that seems easily to combine elements that for others present stark choices.

Last year was a notable one as it celebrated 60 years of the Hajioannou family presence in shipping, as well as the company's 10th anniversary on the New York Stock Exchange.

The company's initial public offering in 2008 stemmed from a perception during the dry bulk boom that the fleet could be grown if company shares were sold, instead of continually selling the vessels.

"We had never planned to become a public company but definitely, since going public, we have become a better company," says chief executive Polys Hajioannou.

"We respect our shareholders and our ambition is to keep the public structure," he says. He wants to maintain the family's stake at more than 50% so that it can be passed on to the next generation.

For a large family especially — Mr Hajioannou has five children — the transparency of the public structure can be a good fit despite the contrasts often drawn between corporate and family company cultures.

All three daughters and two boys are said to "have some interest in the business and would like to do some work in the office at some point".

"The public side of the business is helpful to encourage their interest and everyone knows the value of their share. For a family, this is a big bonus," says Mr Hajioannou.

His father Vassos Hajioannou, the group's founder, came from a family of 12 children that grew up in the village of Pedhoulas in the Troodos mountain range at the centre of the island.

In 1953, he migrated to Jeddah to join eldest brother Loucas in an agency and stevedoring business that made the pair their first capital. In 1958, they put their funds into buying a first small freighter, the 16-year-old Thistledale, renamed Nedi.

The partnership continued after the brothers relocated to London but by the mid-1960s, Vassos had established Alassia Steamship Co, which was very soon managing a fleet of four dry cargoships, while Loucas moved on to Athens, where he bought his first tanker and named his company Troodos Shipping.

Over the following years the brothers each kept to their own sectors so as not to compete between themselves. Alassia became a substantial operator of bulk carriers and Loucas went on to earn himself the nickname 'king of tankers'.

In the 1970s, Alassia also established its main office in Piraeus and managed the steep market downturn of that decade partly through trading cargoes of cement and timber and transporting them to Saudi Arabia.

Vassos Hajioannou is credited with choosing Safety Management Overseas as the new name for the Greece-based operation when son Polys took the reins of the business in 1994.

It has since gone on to earn a reputation for a young, diligently managed fleet of mid-size bulkers and for particularly close commercial and shipbuilding relations with Japan, where it first went to order vessels 20 years ago.

Currently, the Safe Bulkers fleet stands at 41 bulkers, comprising 14 panamaxes, 10 kamsarmaxes, 13 post-panamaxes and four capesizes.

"We can't be the biggest in our sector, but we want to be one of the best owners," says Polys Hajioannou. "We did not go public to spoil our name."

Stability

The company is seen as one of the more financially solid in the dry bulk game. In August, it reported balance sheet cash of close to $80m and remaining orderbook capital expenditure of $30m, with the option of financing up to $13.2m of this through periodic stock issues.

At the same time, the company has opted to retrofit half of its fleet with exhaust gas-cleaning systems at an estimated average cost of about $2m per scrubber. By end-August, the retrofitting of five vessels was already completed and those scrubbers commissioned.

According to company president Loukas Barmparis, "adapting the approach to market realities" is a hallmark of Safe Bulkers.

Take the age of the fleet, which is currently at a very respectable average 8.5 years. This has been gradually ascending, after a period in which the owner was known for ordering newbuildings and replacing vessels in some cases only three or four years old.

He says: "Despite the fact that charter rates have improved, this has not so far been reflected in the asset market. Today you have the ability to earn money in the market and you lose this ability if you sell the asset. Nowadays we sell only when we can find value in it and we are trying to maintain our fleet even better than in the past."

In the fleet, there are a number of shallow-draughted Japanese-built panamaxes, kamsarmaxes and post-panamaxes that have reached or are approaching their 15th birthdays, which the company now intends keeping for the foreseeable future, unless a booming market makes selling a tempting prospect again.

"They are still competitive, with very low operating expenses and, if the ship is well kept, it can generate as much revenue as many five-year-old ships for perhaps another 10 years," says Mr Barmparis.

"They were built with above-market specs, such as thicker paint in cargo holds and larger generators. We are now getting the payback from this as the ships age."

Among the company's most interesting recent moves was establishment of Safe Bulkers Management in Limassol in 2015.

Mr Hajioannou says he had wanted to do something in his family's native Cyprus for a long time, and the imposition of capital controls and the general economic depression that hit Greece gave an additional prod in that direction.

Around that time, a number of other Greece-based owners were looking at Cyprus as their 'Plan B', he notes. "For us, it was easier to make Cyprus Plan A."

Although the initial idea was for a "smaller, second home", the Limassol office proceeded so smoothly that today a majority of the fleet is managed from Cyprus, although the two companies are seen as having equal importance.

"We keep all our options open, but the hands-on approach remains the same, or perhaps even more focused," he says.

"It is the hands-on approach that enables you to make 10% more revenue than the market on the earnings side and at least 20% better on operational expenses.

"You need to make better than average in order to survive the bad years and it can only be done with a hands-on approach and when you have good people in the office."

Mr Hajioannou himself moved to Cyprus in June 2015 and plays a full role in the life of the local shipping community, especially as vice-president of the Cyprus Union of Shipowners.

He says Limassol makes an "attractive" base, "with an international flavour and a very safe city. For me, Greece and Cyprus are the same thing, and equally good.

"In any event, both offices work on the same platform with the same procedures and they are fully interchangeable."

'We must continue to evolve'

"THESE 18 months have been very intensive," says Natasa Pilides, a former director-general of Invest Cyprus, who was appointed to head the new deputy ministry of shipping created in March 2018.

In that time, she believes a lot has been achieved in terms of modernising the island's shipping administration.

Ticking off some specifics, she says the maritime administration — which, before being upgraded to cabinet status, was the department of merchant shipping — has been restructured, according to best practices identified in an independent study.

The deputy ministry has already overhauled the Cyprus maritime brand and has begun to implement an intense promotional programme along with a new digital marketing strategy.

"A significant ongoing effort" to upgrade digital services includes relaunching of the deputy ministry's website and launching online services that include electronic verification of registry certificates, an online seafarer's certificate, the digitalisation of records and automating the ship registration process.

"Undoubtedly, there is a strong link between digitalisation and competitiveness," says Ms Pilides.

The updated registration policy aims to offer flexibility while ensuring quality and the registry is also updating its pricing policy to attract more oceangoing vessels.

The administration's 24-hour service was recently enhanced and is said to be working "very efficiently", based on feedback solicited from companies.

Cyprus is one of the few countries that can boast a successful international registry and, at the same time, has not neglected a genuine, thriving cluster.

However, safety remains a key focus.

"We have signed updated agreements with recognised organisations and we are enhancing our presence in our offices abroad, as well as our network of independent inspectors worldwide, in order to ensure that the highest standards are maintained," says Ms Pilides.

To further develop the maritime sector, "it is important to provide all the right elements for the cluster to continue developing in a balanced and sustainable manner", she says.

"This involves maintaining and safeguarding the stable, business–friendly framework available to foreign investors in shipping, but also embracing and encouraging innovation and blue growth."

Ms Pilides recently spoke at the launch in Larnaca of the Cyprus Marine and Maritime Institute, which has secured about €40m ($44.3m) in funding from the Cyprus government, the EU and the private sector.

The goal is to establish a centre of excellence for research and innovation in the Eastern Mediterranean region, in collaboration with a number of universities, institutions, companies and organisations from Cyprus, the UK, the Irish Republic, the US and the surrounding region.

"Cyprus is a modern, efficient and integrated shipping cluster but to maintain success, it is imperative to further enhance education, research and innovation with a view to ensuring the sector's sustainability. This is where CMMI comes in," Ms Pilides says.

Problem-solving approach

The new facility is intended to take a problem-solving approach to respond to real industrial and societal needs, at a global rather than just a national level.

Its contribution to jobs and investment in talent and infrastructure will strengthen Cyprus' credentials as a maritime centre, she says.

At present, the administration is at an advanced stage of talks with the European Commission on prolonging the Cyprus tonnage tax system for a further 10-year period, Ms Pilides confirms.

At the same time, it is examining possible "further tax and other incentives, within the framework of EU regulations, in order to ensure that Cyprus remains at the edge of the competition as a shipping centre".

While the island's resident shipping community is international in scope, the deputy minister would also like to encourage more Cypriots into shipping.

"We are very proud to see many of our Cypriot shipowners thriving, not only in Cyprus but in the international arena, and this greatly contributes to the size and quality of the Cyprus registry and to the sophistication of Cyprus as a maritime cluster.

"We believe that the opportunities opening up in the energy sector will definitely offer a wider scope for shipowners active in Cyprus and, as a government, we certainly aim to continue enhancing our business-friendly environment and shipping expertise."

Lloyd's List Future Fuels Forum looks through haze to a brighter future

IRONING out the operational implications of the shipping industry's switch to low-sulphur rules will for last years beyond the looming January 1, 2020 deadline, but the work required to hit the 2050 targets on decarbonisation can't start soon enough.

That was the view from industry experts gathered in Houston this week for the Lloyd's List Future Fuels Forum.

While lack of compliant low-sulphur fuel availability, uncertain quality and potential price spikes remain concerns with only three months to go before the new sulphur rules kick in, the focus is now shifting beyond the initial implementation hiccups and concern is growing that operational consistency may be the larger problem.

"Getting the initial kinks out with the first load of the new blend that comes in is probably workable and doable," Kathy Metcalf, president and chief executive of the Chamber of Shipping of America told the Forum.

"But vessels don't always come back and bunker in the same place. So they are going to have to get fuels in another port that may not be compatible with a 0.5% fuel that they had previously loaded," she continued.

Initial availability issues are widely expected to be resolved relatively swiftly, even if initial coverage is patchy beyond the major bunkering hubs. However, growing concerns regarding fuel compatibility and operational issues may require more input from the shipowners themselves and ultimately prove more difficult to overcome quickly.

One of the side-effects of the 2020 fuel requirements has been to highlight how unprepared many shipping companies are in dealing with the technical specifications of fuel management.

Addressing the Forum, Melissa Williams, global sales and marketing manager for marine fuel at Shell, reminded operators that compatibility issues with fuel blends would not emerge until new fuels are introduced to something else on board the vessel.

"Are their crews prepared to handle that?" she asked industry participants attending the Houston event.

"For those of us in refining, we are used to that. But for the shipping industry, that's going to be a learning that's going to take time."

Fuel suppliers have been quietly concerned for some time that the transition from fuel procurement to fuel management is going to be an issue for many owners and the 2020 shift could end up as a wake-up call for an industry that has seen technical expertise eroded in recent years as shipping companies outsourced much of their technical operations.

Only last week at the International Union of Marine Insurance conference in Toronto, marine insurers and underwriters forecast that claims related to engine damage are expected to accelerate in 2020 as a result of the shift.

Insurance risk concerns are focused on the stability and compatibility of new fuels and different compositions, as well as vulnerabilities in the bunker supply chain and inadequate international specification standards.

Speaking on the panel, Joe Walsh, a partner at the law firm Collier Walsh Nakazawa, confirmed that the fuel compatibility issue was a key concern from a legal perspective, raising the question of who will bear responsibility in case of "damage to engines or to components".

An incremental, but urgent approach to carbon

Switching focus to the longer-term question of decarbonisation in shipping, the Fuels Forum considered a pragmatic and incremental approach towards zero-emission vessels.

The discussion took place less than 48 hours after an industry coalition of 60 companies, many of them major international corporations, committed to developing commercially viable, zero-greenhouse gas emissions vessels by 2030.

Addressing the Forum, Giorgios Plevrakis, head of business development at ABS, highlighted why the "ambitious deadlines" being committed to today require immediate action from industry stakeholders.

"As you move towards the 2030 milestone, you have to have some sort of a balance, in order to reach that

40% reduction, between new designs that are coming into play and optimisation on the utilisation front," he said.

"So, at the turn of the next decade, in 2020, it doesn't mean that all the old vessels are going to disappear" or that "all of a sudden we are going to have new designs with new fuels".

"There is going to be a gradual adoption and transition to that 2030 milestone," he said, adding that "of course, the discussion has to start yesterday on how we bring new ships in new designs".

Mr Plevrakis considered the very real concerns of shipowners moving forward with the changes and their effects on investment: "What type of specifications should I build my tanker on so that it will still be relevant in 2035?"

While understanding the incremental approach, John Hatley, vice-president of marine solution at Wärtsilä North America, urged the audience to keep in mind the fact that pollution is growing.

"If we wait for any emissions friendly process — that's decades away, we're accumulating ever more stocks of pollution on planet earth, which aggravates the mountain that we have to come off of 2030, 2050," he said.

"In 30, 40, 50 years, there will be much better technologies, fuels, systems, deliveries. But we've got to act now we can't just keep waiting."

IN OTHER NEWS

Limetree Bay refinery restart will boost low-sulphur supply at Caribbean hub

CRUDE and product tankers could soon see an uptake in business following the decision by Limetree Ventures LLC to bring its new single-point mooring buoy into service in October and to restart operations by year-end at the idled and former 650,000 barrels per day Hovensa LLC refinery at Limetree Bay on St Croix, US Virgin Islands.

Key restart work at the site, which began in 2018, includes a reformer unit to produce low-sulphur fuels that will meet the requirements of new emission rules.

Last November, Limetree Bay Refining LLC said it entered into definitive agreements with BP PLC's supply and trading arm for tolling, supply, and product offtake of the refinery beginning in late 2019.

Pengerang's MGO trade volume surges ahead of IMO 2020

THE past three months have seen a visible uptick in the lifting and storage of marine gas oil from Pengerang — home to Malaysia's largest deepwater oil and gas terminals.

Kuala Lumpur-listed Dialog Group noted that bunker tankers have been loading marine gas oil at the first of three deepwater terminals developed under a tank farm project dubbed PDT.

Traders and refiners have also been ramping up storage of gas oil at tanks built under the first phase of PDT ahead of the green shipping regulatory deadline, executives told reporters on Thursday.

Dynagas Partners posts lower earnings

LIQUEFIED natural gas carrier owner Dynagas LNG Partners has posted lower-than-expected second-quarter earnings influenced by reduced revenues from two vessels and increased operating and financing costs.

Voyage revenues dipped slightly to $30.8m, from $30.9m in the same quarter last year.

Since August 2018 the partnership has been earning a lower charter rate on the Arctic Aurora due to its roll-over into a new charter with Equinor, while Lena River required a 30-day repositioning voyage to deliver for its new charter with Yamal, reducing fleet utilization to about 94%.

MSC and Hapag-Lloyd linked to zero-emissions coalition with DNV GL

MAJOR companies in the shipping industry are considering joining a cross-industry coalition to develop zero-emission vessels by 2030.

Box carriers MSC and Hapag-Lloyd, along with classification society DNV GL, have suggested they will assess joining the Getting to Zero Coalition that was launched during the United Nations Climate Action Summit in New York earlier this week.

Maersk, Lloyd's Register and Citi are among organisations already involved.

MOL joins Novatek and JBIC on Arctic LNG transhipment project

NOVATEK is moving forward with the development of LNG transhipment projects in Kamchatka and Murmansk, to the east and west of Russia.

Building on the success of ship-to-ship transfers of

liquefied natural gas from its Arctic projects, the company has signed an agreement to work on the projects, which envisage building floating storage units to tranship LNG cargoes from ice-breaking LNG ships to conventional LNG ships, with Mitsui OSK Lines and Japan Bank for International Cooperation.

The FSUs will be located in Kamchatka and in Murmansk and will be used for the transhipment of LNG cargoes produced by Novatek's Yamal LNG Project and Arctic LNG 2 Project.

Performance Shipping sells post-panamax boxship

PERFORMANCE Shipping has sold one of its three remaining containerships, the sector that was its pure focus when the company was known as Diana Containerships.

The Nasdaq-listed owner, that changed its name last year, said that it was selling the 13 year-old post-panamax Pucon for just over $20.2m to an unaffiliated buyer.

Delivery is expected to take place by December 5. The 6,541 teu vessel is currently on a charter to Wan Hai Lines that is due to terminate between the end of October and end-November.

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