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China approves merger of shipbuilding giants

THE MERGER BETWEEN China's two largest shipbuilding groups has progressed, having been given the green light from Beijing and the designation of a new management team.

The State-owned Assets Supervision and Administration Commission of the State Council, which oversees the country's state-owned enterprises, said in a statement that the two companies will be integrated into China Shipbuilding Group Co.

CSSC's current head Lei Fanpei has been appointed as the chairman and party secretary of the new entity, according to state news agency Xinhua.

The second in command role has been taken up by Yang Jincheng, president of CSSC, while his counterpart in CSIC Wu Yongjie has been named as an executive director and deputy party secretary at CSGC.

Mr Lei, a rocket engine major at China's Northwestern Polytechnical University, held the top seat at a state giant China Aerospace Science and Technology Corp before moving into vessel construction in March last year.

He has been long speculated to take the helm of the merged shipbuilding conglomerate, especially after CSIC's former chairman Hu Wenming retired last month.

In an August interview with local media, Mr Hu said the marriage of CSSC and CSIC will not create a monopoly as their combined shipbuilding capacity was less than 50% of the country's total.

Clarksons data showed that the combined orderbook of CSIC and CSSC accounted for about 15% of the world's total in compensated gross tonnage terms at last count.

Beijing earlier offered the pair nearly $5bn of bailouts in total via a debt-to-equity swap supported by state-backed investors to clean off bad debts of their subsidiary yards, paving the way for today's merger.

Meanwhile, CSSC's main listed units in China have also unveiled capital increase plans as they consolidate assets as part of the broader restructuring being launched by the parent.

ANALYSIS

Trade war still denting confidence on transpacific trade

CONTAINER trades between Asia and the west coast of North America are still struggling to ward off the impact of the trade war between China and the US, according to Drewry.

Despite providing a welcome boost for carriers last year, as front-loading ahead of the imposition of tariffs lifted volumes, the artificial stimulation of shipments has since regressed, the analyst said.

"After eight months, loaded traffic from Asia to the west coast of North America, covering the US, Canada and Mexico, had shrunk by nearly 3%," it said. "The slack was at least picked up by the smaller Asia to North America east coast route, which increased by almost 6% to produce a flat total net result for the year-to-date period."

Recent US-only data confirmed the trend, Drewry noted, with west coast volumes falling 5.8% compared with 6.9% growth at east and Gulf coast ports.

But the "extraordinary environment" in which carriers on the transpacific were operating made it difficult to evaluate actual trading performance this year, it said, adding that it expected growth to return in the "not too distant future".

"The transpacific has thus far managed to avoid significant contraction thanks to a combination of factors, including a weakening of the Chinese currency, willingness from some Chinese exporters and American importers to absorb some of the additional costs arising from the new tariffs and some trade substitution within Asia," said Drewry.

But ultimately, it was the strength of the US economy that would serve to drive growth again.

"The underlying strength of the US economy that hasn't been derailed by the Washington and Beijing shenanigans and has continued to create jobs and raise incomes throughout," the analyst said.

Nevertheless, this year's peak season had failed to deliver for carriers, with data indicating a 1% decline in volumes from Asia to the US west coast in the third quarter.

Carrier efforts to ameliorate the slowdown by blanking sailings and withdrawing tonnage helped keep load factors up, but these "artificial supply manoeuvres" were not enough to raise spot freight rates, which have been stuck at around $1,500 per feu, according to Drewry.

Last week's Shanghai to Los Angeles World Container Index was down by 47% on the same week last year, it added.

"The immediate outlook for the transpacific is heavily tied to the trade war, which is currently in one of its more peaceful settings but is still liable to sour at any moment," Drewry said. "Assuming carriers refrain from returning too much capacity, there is a reasonable hope for higher freight rates as we approach Black Friday and Christmas sales."

Shipping summit sets sights on safety, sustainability and skills

MARITIME leaders are meeting to address some of the biggest challenges facing shipping, having chalked up some considerable successes over the past 12 months.

They will also hear, though, that the industry is relatively unprepared to cope with many of the issues that could impact shipping over the next 10 years, with details due to be released in the Global Maritime Forum's 2019 monitor in Singapore this week.

Senior executives from AP Moller-Maersk, Cargill, DSME, DFDS, Electrolux, JP Morgan, Inmarsat, Kuehne+Nagel, Lloyd's Register, PSA, Shell, Baltic Exchange, V.Ships, and Yildirim Group are among more than 200 delegates from across the industry.

The Global Maritime Forum, a not-for-profit organisation dedicated to shaping the future of global seaborne trade, will again focus on safety, skills, climate change, and sustainability at its two-day meeting which is regarded as shipping's equivalent of the World Economic Forum.

Since the inaugural summit in Hong Kong last year, the forum has made real progress on ship emission reduction targets, bank lending principles, and nurturing talent.

That in part reflects the fact that many of the sessions are conducted on Chatham House rules, enabling participants to talk frankly and openly behind closed doors, before coming to some firm conclusions.

Following discussions about safety last year, a working group subsequently developed a set of guidelines and principles that will be presented this week by Grahaeme Henderson, vice-president shipping and maritime at Shell, and Graham Westgarth, chief executive of V. Ships.

GLOBAL MARITIME FORUM | Unleashing the potential of the global maritime industry

In June, the forum revealed the Poseidon Principles, the world's first sector-specific, self-governing climate alignment agreement, signed by 11 leading financial institutions, representing a combined shipping loan portfolio of approximately $100bn.

After the call to action on decarbonisation, it also announced the Getting to Zero Coalition at the UN Climate Action Summit in New York in September.

The coalition is an alliance of 70 companies within the maritime, energy, infrastructure and finance sectors, supported by key governments and intergovernmental agencies, which have set a mutual goal of developing commercially viable zero emission vessels for the deepsea trade routes by 2030.

The forum, which emerged from the Danish Maritime Forum, includes industry veteran and former AP Moller-Maersk partner Flemming Jacobs, Wan Hai Lines director Randy Chen, Citi banker Michael Parker, and Lazard head of shipping Peter Stokes, who is also GMF chairman.

A round table plenary discussion at the end of the two days will decide on the next steps and how to put ideas and visions into action plans.

The ultimate aim, says the GMF, is to "unleash the potential of seaborne trade and increase sustainable long-term economic development and human well-being".

MARKETS

Vale anticipates lower freight costs to year-end

BRAZIL'S mining giant Vale anticipates slightly lower freight costs in the fourth quarter owing to a higher long-term chartered fleet.

"Higher availability of long-term contracts and the incorporation of new vessels to the long-term chartered fleet" will reduce its exposure to the spot market, the miner said in a statement.

In the third quarter, Vale's freight cost was $19.10 per tonne, $2.60 higher than in the previous quarter. That was attributed to a rise in rates as it returned to the capesize spot market, combined with increased volumes available to ship.

Vale's chief financial officer Luciano Pires said on a call that there was a sudden spike in rates following the restart of its Brucutu operations as it was forced into the spot market. It had sold some contracts of affreightement that spanned one to two years as it was not sure whether it would be able to use them, he said.

It expects a further reduction to about $18 per tonne in 2020, according to Marcello Spinelli, head of the ferrous minerals unit.

The average weighted capesize time charter on the Baltic Exchange surged to a high of $35,664 per day on September 10. It has since dropped to $24,945 per day at the close last Friday.

The Brazil to China voyage was assessed at $20.44 per tonne on the Baltic Exchange on Friday versus $28.11 per tonne at the end of August.

"The spot price was impacted by Vale's return to the capesize spot market as it had been virtually absent since the Brumadinho [dam collapse] accident and exacerbated by the preparations for IMO 2020, as a significant portion of the capesize fleet headed to shipyards to install scrubbers, which usually takes between 30 to 45 days," Vale said.

Vale said that for 2020, it expects to offset the impact of the International Maritime Organization's sulphur regulation with scrubber installations completed in 74% of long-term contracts, reaching 95% in 2022.

Looking ahead, Vale said it remained positive on the long-term demand for higher grade ore from newer and bigger blast furnaces not only in China, but also being developed in other emerging economies such as India and Southeast Asia.

It is also positive on the long-term outlook for nickel and copper due to demand for these commodities to make batteries for the growing electric cars market, although its near-term expectations are subdued.

Meanwhile, the near-term market for cobalt is oversupplied due to output growth in the Democratic Republic of the Congo, Vale said, although significantly higher output is needed for battery demand longer-term.

Cobalt is one of the other key metals used to make lithium-ion batteries for electric vehicles. It is a by-product of nickel and copper mining.

IN OTHER NEWS

New Canadian LNG project to supply large-scale exports

CANADA'S western province of British Columbia is joining the Vancouver Fraser Port Authority and FortisBC to establish the first ship-to-ship LNG marine bunkering service on the west coast of North America.

BC premier John Horgan expressed confidence in the ability of his province to join the global network of ports that "deliver LNG direct to the ships of the future".

Bruce Ralston, minister of jobs, trade and technology, cited initial projections which forecast that LNG-powered ships could begin calling in Vancouver as early as 2020.

Salvage of tanker grounded off Goa delayed by storms

SALVAGE operations on the India-flagged product tanker that ran aground off Goa on India's west coast last week are being hampered by rough weather caused by Cyclone Kyarr.

The 16,705 dwt *Nu-Shi Nalini*, owned by Arya Ship Charterers and managed by Elektrans Shipping,was damaged by fire while it was anchored off Kochi Port for technical repairs in June 2018, with one crew member injured, who later died on the way to hospital.

Carrying several thousand tonnes of naphtha, oil and diesel, the 2012-built vessel had been anchored unmanned at the outer anchorage of Mormugao port when it dragged anchor and ran aground near Dona Paula due to stormy weather on October 24, Lloyd's List Intelligence reported.

Vale eyes restart of Samarco by end of 2020

BRAZILIAN iron ore producer Vale expects to restart operations at its Samarco venture at some point toward the end of 2020 after it received a corrective operation licence from the government.

Samarco, which is a joint venture with Australian miner BHP, now has all the environmental licences needed to restart operations, Vale said in a statement.

Operations at the mining complex were suspended following a tailings dam failure in early November 2015 that killed more than a dozen people and displaced hundreds.

EU maintains mandatory reporting rules for shipping emissions

THE European Union is to retain crucial mandatory reporting requirements for vessels using bloc ports.

A meeting of the Council of the European Union decided that cargo-reporting requirements for vessels must remain compulsory to ensure a "better understanding of the fuel efficiency of ships".

The EU Monitoring, Reporting and Verification system requires all vessels that use EU ports to provide annual reports of their total CO_2 emissions, including several parameters, such as the CO_2 emitted per time and distance travelled, time at sea and details on the cargo they have carried.

K Line to build woodchip carrier

JAPANESE shipping giant Kawasaki Kisen Kaisha is building a new woodchip carrier to be employed by Nippon Paper Industries.

K Line said the new 3.6m cu ft carrier will be delivered in 2022 and will be employed on consecutive voyage contracts to carry woodchips for paper materials.

The vessel, which will be fitted with a scrubber, will also be used to carry woodchips for biomass power generation at Tomakomai which will start operations in 2023, K Line said.

Marsh appoints Gard's Louise Nevill as UK marine chief

INSURANCE giant Marsh JLT Specialty has appointed Louise Nevill as chief executive of its UK marine and cargo business.

Ms Nevill, who will be in charge of a team of over 200 marine and cargo insurance brokers, joins Marsh from leading premium and insurance provider Gard, where she was vice-president heading the marine underwriting team.

Prior to that she established the marine business of WRB Underwriting, Lloyd's Syndicate 1967, back in 2010 and became director of underwriting.

Diana Shipping names founder's daughter 'heir apparent'

DIANA Shipping has named its founder's daughter as deputy chief executive officer and heir apparent.

Semiramis Paliou, 44, has served as a director since 2015 and as chief operating officer since last year. She will continue to serve New York-listed Diana in these roles.

Her father, Simos Palios, 77, is expected to remain "fully engaged" and to continue in his current role as chairman and chief executive "for the foreseeable future," the Greece-based owner of 43 bulkers said in a statement.

Classified notices


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