Monday November 11, 2019

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

LEAD STORY:
Livanos calls on LNG owners to cut back on newbuilds

WHAT TO WATCH:
Gard turns losses round with positive result and zero increase

The Interview: George Economou

OPINION:
Reprieve for Cosco tankers to unnerve investors

ANALYSIS:
Dry bulk geared segment to benefit from IMO 2020

Prokopiou calls for speed limits and goal-based carbon measures

Shipping could be forced to full decarbonisation by 2050

MARKETS:
Real balances in fuel market may remain unclear until mid-2020

Logistics minnows eye outsourced software to match the big fish

IN OTHER NEWS:
Port of Los Angeles feels impact of trade war

Britain reduces threat level for shipping in Strait of Hormuz

Crew evacuated after chemical tanker catches fire off Singapore

Scorpio Tankers says the best is yet to come

Accident report finds naval vessel failed to follow procedures

Greek owners demand 'immediate' action over kidnappings

Pangaea sells two older bulkers

Livanos calls on LNG owners to cut back on newbuilds

OWNERS AND CHARTERERS of liquefied natural gas carriers should consider using older vessels rather than ordering new ones that will become obsolete due to decarbonisation targets, according to Peter G Livanos, chairman of GasLog and owner of Ceres Shipping.

He said modern LNG ships are unable to cut emissions to meet the International Maritime Organization's target of at least 50% by 2050.

While that is true for the vast majority of vessels today, it is an immediate problem for LNG vessels and potential newbuilds because they have longer lifespans than typical commodity carriers.

"If the LNG ships of today do not meet the 2050 aspirations of the IMO, one could safely assume that it would be financially foolish to assume that the ship is of much residual value beyond 2050," Mr Livanos said in London.

The IMO has committed to reducing greenhouse gas emissions from ships by at least 50% by 2050 compared with 2008, and try to cut their carbon intensity by 70%, compared with 2008.

Mr Livanos hailed the emissions improvements LNG ships have already made over the past few years and claimed today's vessels can meet the 2030 targets of reducing carbon intensity by 40% by 2030 compared with 2008.

But he acknowledged the 2050 targets for LNG carriers are not attainable without "fundamental change in propulsion technology". This reality for LNG ships also means that the industry's business model will likely have to shift.

With 2050 rules defining asset values and considering the upcoming liquefaction projects in Mozambique and Qatar that will likely come online around 2025, Mr Livanos said that it is challenging for owners to calculate the deprecating capacity of their new LNG ships.

"We need to be very prudent about how we look at the economics of ordering ships for 2025 delivery to go into rather modest seven-year charters in which our charterers take every opportunity to minimise the returns," he said at an event marking the 35th anniversary of the Costas Grammenos Centre for Shipping, Trade and Finance.

Lloyd's List Intelligence data shows there are currently 116 LNG carriers on order, in build or under construction.

Mr Livanos questioned why LNG facility operators insist on the construction of new vessels to service newly built projects, while at times taking these newbuilds in on relatively short time charters.

Owners should instead be pushing back and offering charterers their older vessels at good rates.

"The minute you start to see people actually think that way, you are going to start to see the corrective balance for how the fleet is going to deal with the transition and how it is going to pay for it," he said.

Mr Livanos claimed that around 45% of the LNG fleet today consists of vessels still fitted with earlier technology and propulsion systems that are not competitive compared with the newer dual fuel engines in terms of operating cost and environmental footprint.

While he recognised their shortcomings, he questioned what the actual environmental cost of building a new ship is compared with simply using one already on the water.

"It is a lot more than the $190m the yard makes you pay for it. And no one is talking about that," he said.

Despite the challenges he spelled out, Mr Livanos said he still considers LNG a key and long-term investment in shipping, but he said he was extremely cautious about the idea there might be unbridled growth.

"I suspect over the next few years we will see compression of margins by the industry as it looks to continue to attract new players into the sector with somewhat irrational financial expectations," he said.

Mr Livanos propped up the role of LNG as a potential transitional marine fuel to help decarbonise the industry and claimed the LNG segment will play a significant role in this development.

"We are indeed the laboratory animal that will allow the entire shipping industry to look at LNG as a transition fuel," he said.

He further argued that LNG will have a significant role to play as a global energy source in the years to come.

"It is unlikely to me, even with all the best will in the world, that a commodity like LNG will not have a valuable part to play in a carbon neutral transition in this world," he said.

WHAT TO WATCH

Gard turns losses round with positive result and zero increase

GARD has bucked the loss-making trend among International Group affiliates, turning what was effectively a $90m loss last year into a positive first-half result of $65m and a combined ratio comfortably below 100%, and has confirmed that it will not be seeking to raise rates next year.

The announcement from the Arendal-headquartered marine mutual comes after three of its peers have said they are looking for a 7.5% hike in premiums, and a fourth has said that it will increase pricing by an unspecified amount.

The Norwegian club's combined ratio came in at 96% net, while investment returns were $58m and equity some $1.2bn.

Chief executive Rolf Thore Roppestad said in a telephone interview that the strong half-year performance was down to a combination of a

strong technical results and a strong investment return.

The current CR is the outcome for the six months from February 20 to August 20. Experience shows that the second six months of any policy year, which coincides with the northern hemisphere winter, is likely to produce more claims than summer, and so may drift up.

In particular, Gard has both P&I and hull and machinery exposure on the Stolt Groenland/Bow Dalian double product tanker casualty.

“I think there has been a general positive development in the operational quality of shipping companies overall, and that contributes to the figure. We have been good at pricing the risks in a correct way, and that’s also very important,” said Mr Roppestad.

“We have been working very hard on the claims side to improve our claims handling. We have been working very closely with maritime authorities around the world on how to handle casualties when they happen. All of this contributes to a lower claims cost per gross tonne than average.”

Marine insurance is, by its nature, volatile and the handful of incidents that have or will attract payouts in excess of $1m make up more than 40% of total claims costs, he went on. But overall, claims costs have remained in line with expectations.

He also ruled out a GI, insisting that Gard had no need to impose one.

“We assess our premium based on results in our portfolio over time. We won’t look to what other clubs are doing, that’s their business. We have to do what’s right for our members. So, no general increase.”

The secret of success, even in the current difficult climate for P&I, is the non-rocket science formula of focusing on core business, pricing risks correctly, and handling claims efficiently, Mr Roppestad concluded.

The Interview: George Economou

WHEN George Economou first became a shipowner 33 years ago, selling his New York apartment to help raise the funds, it was in partnership with fellow latter-day Greek shipping luminary Petros Pappas.

DryTank, their 50:50 co-owned venture, acquired several ships at an opportune time in the market, but after three years a more conservative Mr Pappas wanted to realise some of the profits while his partner wanted to continue expanding.

Soon after Mr Economou was left with 90% of the equity in the company and that was how the partnership, by all accounts a good one, naturally dissolved.

According to Mr Pappas, his former college mate and partner was an “invincible force” to his “immoveable object”.

Fast forward three decades, despite a Parthenon frieze-length series of business adventures and drama in the interim, the George Economou giving this interview to Lloyd’s List still very much fits Mr Pappas’ description.

Yes, he probably spends at least as much time on the art business as on shipping these days. And yes, there has been at least some evolution in his appetite for risk. However, the modifications sound like fine brushstrokes.

Mr Economou seems as relentlessly forward-focused and engaged with the shipping business as he was back then.

We are talking in the wake of the recent delisting from Nasdaq of his signature DryShips company after 14 tumultuous years. Already an 83% majority shareholder, the shipowner paid $5.25 per share to outside investors for the remainder of the company and to take it private.

It means that the 32 vessels of the former public company join Mr Economou’s private group fleet, bringing it to 50 tankers, 57 bulk carriers, one containership, and six offshore support vessels. In addition, TMS Cardiff Gas, helmed by Mr Economou’s son Christos, manages an existing fleet of five liquefied natural gas carriers with 11 LNG newbuildings on the way.

“There are two reasons to for being public,” says Mr Economou. “You go public because you need the money to grow and it gives you an easier exit than selling the vessels in the market.”

But with the capital markets so shipping-averse for the past few years, exemplified by the lack of a

genuinely successful industry initial public offering since 2015, neither of these motivations had applied for some while, he says.

DryShips' stock had not moved and was trading below net asset value.

"Raising money below NAV is dilutive and it would have been a long uphill battle to convince retail investors that the company should be valued higher," says Mr Economou. Effectively, "the only way forward was to go private".

While stocklisted life has had its frustrations, he is not ruling out a return some time down the road even if the prospects for capital markets to reopen to shipping in the short term seem muted.

"I think if there is a team that would like to go back with a new project, yes, we could do it. I do not think that I will be the one doing the roadshows any more though," he says.

One obvious candidate sector would be the LNG carrier business. The 11 fully-owned LNG carriers under construction in carrier are all long-term chartered to leading energy companies and fully financed. But LNG carriers are expensive assets and it is a sector where it can be difficult to "grow organically", says Mr Economou.

Of the existing fleet, four 2011-built LNG carriers that are majority-owned by MatlinPatterson, the distressed investment fund, have been circulated for sale although there is almost no secondhand market for young LNG carriers.

The expiry date for the fund elapsed a couple of years ago and so the group's partners understandably are seeking an exit, Mr Economou explains.

One solution that has been under consideration for the best part of two years would be to combine the vessels with those of one or more other owners, including Golar LNG, in a spot-focused LNG fleet to be publicly floated in the Norwegian market.

Lloyd's List has separately reported that the Cool Company, as the project was to be named, has been delayed. According to Mr Economou, the project is "not dead" and, compared to trying to sell the vessels, "the easiest way forward is through a capital markets transaction".

While the group's LNG carrier fleet provides "a very good platform for growth", the shipowner is also optimistic about the immediate future for the other markets in which he still has considerable exposure.

"We have ahead of us two to three years of good markets both in tankers and dry bulk because the orderbooks are not so big," he says. "The question is to what extent demand will grow. There are some concerns here."

While there is a mini-bulge in capesize deliveries for next year that is larger than he would have liked, in general orderbooks are manageable, he believes. "But we hope that people will not order a lot more newbuildings," he adds.

Reflecting on what has been a 14-year-long roller-coaster ride on Nasdaq, he says: "Overall, the public story was good for us. We started with six ships and we were able to expand the company a lot."

DryShips was teetering on the verge of bankruptcy in 2016 and it has been an impressive act of resurrection to restore the business. "I did not want to have a failed public company," he says.

At the same time, his Nasdaq-listed offshore drilling company, former DryShips subsidiary Ocean Rig, was also being buffeted by the collapse of oil prices and with them the drilling market.

"We went into the drilling business because I saw volatility in the tankers and bulkers and that was an industrial play. The slump that happened was totally unprecedented and market conditions are still ugly even today."

A year ago, a $2.7bn merger with market leader Transocean was consummated, leaving Mr Economou with a 2% shareholding.

"If you want to be successful in the drilling business you need size, so we said let's merge," he reflects.

"We have taken a lot of risks. We have gone through the ups and downs and we've been beaten up so many times. Going forward we want to take more seasoned decisions that will be less risky."

Mitigate technological risk

One aspect of this is to mitigate as much as possible what he sees as aggravated technological risk in the industry.

"The problem is that the means to cut emissions by 2050 and substantially by 2030 currently does not exist," says Mr Economou. "Today the only way

forward is LNG-powered ships. As a fuel, LNG offers a better footprint for now. But we would not do anything without a long-term charter because otherwise there is too high a risk of new ships being developed that are better for cutting CO2.

"Suddenly you can have a very young fleet that has become obsolete."

At the same time, however, the group has embarked on one of the industry's largest exhaust gas cleaning system programmes.

Mr Economou has no hesitation as describing International Maritime Organization legislation allowing for scrubbers as "the wrong decision", for industry reasons rather than scientific or environmental qualms.

However, it has plunged ahead with installing scrubbers on every vessel, irrespective of size, that is under 15 years of age.

The total cost of the programme of about 100 ships, including drydocking and other costs, is said to come to about $450m. Of the direct scrubber acquisition costs, about 30% is understood to have been financed.

So far scrubbers have been installed on 20 bulkers and a dozen of the tankers.

"By June next year we should be complete although if the markets are good in the next two quarters, we may put that back a bit," he says.

The scrubber programme appears to be a striking bet in the grand Economou-style. Unlike many leading shipowners that are opting for scrubbers, he is neither publicly listed nor getting time charterers to foot all or most of the bill.

"We are in the spot market," he notes. "We decided we will take the cost and hopefully we will also take the benefit."

Asked at a recent conference for what he most wishes he had done differently in his career, Mr Economou said: "No regrets in life… but I would do everything differently."

What is most clear is that looking back is much his less his style than looking forward.

"Where is shipping going?" he asks. "It's a dynamic business with fast-depreciating assets. The regulations may say 25 years and ships may be built for a lifetime of 40 years. But commercially the lifespan may be 20.

"How do you stay active and relevant in this business? You have to look forward. If you stop to look back it means you must have aged.

"I don't want to be in that position. You have to evolve," he says.

OPINION

Reprieve for Cosco tankers to unnerve investors

NOT all investors are encouraged by the latest goodwill gestures by China and the US to reach a trade war truce. Those that have invested in tanker stocks can be unsettled, *writes Cichen Shen*.

The world two largest economies have agreed to roll back some tariffs in a "phase one" deal, raising the prospect that an agreement can be signed by President Xi Jinping and President Donald Trump this year.

That also gives hope to state-owned China Cosco Shipping Corp that the US sanctions on part of its tanker business may be removed soon.

A request had already been submitted to the US authorities, senior Cosco Shipping executives confirmed on the sidelines of the World Shipping Summit in Shanghai earlier this week.

The company wants the sanctions to be lifted by December 20. That is the last day of the grace period granted by Washington last month which enables Cosco Shipping Tanker (Dalian), one of the blacklisted units, to continue trading with its partners, including taking new bookings.

Dalian Tanker controls a fleet of 43 oil tankers, including 26 very large crude carriers.

But most of these VLCCs are either anchoring near China's coast or on their ballast return voyage to the country despite the temporary relief, according

to vessel tracking data from Lloyd's List Intelligence.

The only exceptions are Hong Kong-flagged *Cospearl Lake* and *Cosjade Lake*.

Both ships are loaded, with the former expected to arrive in Yosu in South Korea on November 14 and the latter at Lanshan in China on November 15.

The lack of activity shows charterers remain hesitant to hire the ships. However, they will make moves should the sanctions be formally revoked.

The Dalian Tanker VLCCs makes up more than 3% of the world's total fleet in this segment. Their comeback will be substantial enough to weigh on freight rates which have largely softened from the October heyday.

Share prices of major listed VLCC owners, such as Frontline, Euronav and China Merchants Energy Shipping, have trailed the fallback of the freight markets over the past week.

Investors will not favour another blow from the injection of extra vessel capacity, or even just the likelihood of it.

ANALYSIS

Dry bulk geared segment to benefit from IMO 2020

PRECIOUS Shipping, the Bangkok-listed minor bulks specialist, expects the geared bulker segment to be favourable into 2020.

As the International Maritime Organization's 2020 sulphur cap sets in, vessel operating speed is likely to drop due to the higher cost of low sulphur fuel oil with more ships heading for the breakers' yards, Khalid Hashim, the chief executive of the Thai dry bulk carrier operator said in its earnings statement.

This would put a check on vessel supply and boost freight rates especially for the handysize and supramax segments, he suggested.

In the geared dry bulk segment, just 4% of ships by deadweight tonnes are scheduled to fit scrubbers while around 96% of owners are sticking with burning compliant low sulphur fuel oil, Mr Hashim estimates.

At the end of the third quarter, the global fleet had 311.64m dwt of ships in the segment, 32.16m dwt of which were more than 20 years of age.

Mr Hashim noted that when these older ships were designed and built between 1989 and 1999, the average price of oil was just $19.7 per barrel, with the price dipping to as low as $10 per barrel during the throes of the Asian Financial Crisis in 1998-2000.

The average price of oil from 2000 to 2019 was $61.8 per barrel with a peak of $147 per barrel reached in 2008.

"In the era of cheap oil, ships were designed for power rather than for fuel economy. The reverse has been true since 2007 with power being the proverbial sacrificial lamb on the altar of fuel economy," he said.

From January 1 next year, all ships will be forced to consume LSFO, which will be much cleaner, but certainly more expensive.

As such, to minimise this higher cost of LSFO, ships speeds will be slowed, he added.

"Any slowing down of ships reduces or tightens the supply of ships. Besides, the 10.32% of ships older than 20 years of age that consume more LSFO per day, as they were designed in an era of cheap oil, will find it increasingly difficult to get gainful employment, further tightening the already tight supply side of ships in the geared sector."

"One way or another, through increased scrapping of the older and more fuel-thirsty ships built 20 or more years ago or from slowing down of the younger ships to minimise the burning of higher cost LSFO, we would get a pleasant supply side dividend starting from January 2020 onwards."

Additionally, with the forward order book in the geared sector representing just 6.22% of total orders, new deliveries will not be able to match the

reduction in supply due to increased scrapping and slow steaming.

"The freight market may therefore have strong enough legs to keep running in the coming years," he acknowledged.

Precious posted a net loss of $960,000 in the third quarter of 2019, compared with a net profit of $3.25m a year earlier.

The result was mainly affected by the preparations for IMO 2020, which required repositioning a significant number of vessels for drydocking in China in the weaker Pacific market.

Prokopiou calls for speed limits and goal-based carbon measures

GREEK shipping magnate George Prokopiou has criticised the refining industry for using ships as "garbage dumpers" and has called for the imposition of speed limits and carbon intensity regulations on the shipping industry.

The founder of tanker, gas and bulker firms said shipping needed to apply the blueprint of the automotive industry and set specific binding targets for vessels to slash emissions.

"We should say the permissible GHG [greenhouse gas] per tonne mile of cargo transported per each category of ships. So the target to be doable, to be a challenge for shipbuilders and engine builders," he said in London during an event marking the 35th anniversary of the Costas Grammenos Centre for Shipping, Trade and Finance.

International Maritime Organization regulators are convening a technical meeting next week to discuss several proposed short-term measures to cut down emissions from ships.

France is calling for temporary mandatory speed limits, while other nations are suggesting goal-based measures to improve carbon intensity and energy efficiency from ships.

Mr Prokopiou said the industry has been going around in circles discussing potential options, instead of taking action that is immediately feasible today.

"I want real answers and not just wishful thinking. Desirable is very important. Doable is more important," he said.

He questioned why products such as dishwashers and refrigerators need to be shipped at such fast speeds. He argued they should be slowed down to emit less carbon.

"Of course, the owner of the merchandise will have double the transit time and might lose on the interest on the capital. But nothing is without cost. The free meal does not exist," he said.

BIMCO president Sadan Kaptanoglu said during the discussion that it would be shipowners who will have to come together, and with the support of the IMO, to solve the problem.

She said BIMCO attended a tripartite meeting held in Tokyo in October, where shipyards had no interest in improving the efficiency of new ships.

"They are interested in building a ship fast and more efficiently," she said.

Mr Prokopiou also slammed refineries for using shipping as "garbage dumpers" of residual fuel oil.

"I am at a loss…I do not understand why we have to install on every ship a small refinery and we do not prohibit the existence of this fuel that is damaging the environment," he said about high-sulphur fuel oil.

The regulation, which allows ships to comply with the cap by burning HSFO using exhaust gas scrubbers, has pushed owners to speculate on price differentials between HSFO and LSFO, he argued.

"Shipowners have made a very good decision of putting on scrubbers; others, they have made a very excellent decision of not installing," he said.

Installing scrubbers is like buying futures on the market and speculating between price of currencies, he claimed.

"Yes, you can speculate. But this is not environmental thinking. This is business planning," he commented.

Ms Kaptanoglu also said she still has some concerns about the 0.5% sulphur cap, which is less than 60 days away from entering into force.

She said: “Today, we live in a situation where, unfortunately, the bill is sent to us. There is nowhere that we can send the bill back. And there is not even [somewhere] we have a right to dispute this. I am not happy about this.”

Shipping could be forced to full decarbonisation by 2050

SHIPPING will likely be forced to fully decarbonise by 2050 in an aggressive revision from the current targets, according to former Greek Ambassador for energy policy Dinos Arcoumanis.

“The tanker industry will face major upheaval, requiring brave decisions and total restructuring,” he said in London at an event for the 35th anniversary of the Costas Grammenos Centre for Shipping, Trade and Finance.

In April 2018, the International Maritime Organization agreed to slash emissions by at least 50% by 2050 compared to 2008. But that strategy is scheduled to be revised in 2023.

Mr Arcoumanis, who is Emeritus Professor at City University, claimed that a carbon levy could be introduced to force this shift, echoing an increasingly popular opinion within the shipping community.

He tipped green ammonia and green hydrogen as the dominant shipping fuels that will decarbonise shipping. Meanwhile, carbon capture storage technology could also play a role.

Speed optimisation through power alteration on ships could help cut emissions, but Mr Arocumanis warned that lowering speeds beyond certain limits would reverse the intended effect and emissions would actually increase.

Speaking on the 2020 sulphur cap, Mr Arcoumanis said that the uncertainties on compliant fuel compatibility and safety that still exist would have been prevented in the absence of scrubbers that have delayed decisions from of refineries.

The billions of dollars that have already been invested in scrubbers could have been much better used to fund research into low- and zero-carbon technologies and fuels, he said.

In Mr Arcoumanis’s opinion, the best course of action the IMO could have taken was to globally expand the 0.1% sulphur cap imposed today in specific emissions control areas.

MARKETS

Real balances in fuel market may remain unclear until mid-2020

VESSELS will have sufficient compliant product to burn to meet the 2020 sulphur cap, but the real fuel balances in the industry may not become clear until even mid-2020, Minerva Bunkering chief executive Tyler Baron has warned.

“We believe the industry is well positioned from a product availability perspective, but we see more complexity on the horizon in terms of both cost differentials and product quality,” Mr Baron said during an event in London hosted by the Costas Grammenos Centre for Shipping.

He suggested this could be an opportunity for those shipowners that manage their fuel procurement and power their fleet more efficiently than the industry at large.

“When looking at global refining capacity, the world overall will be in deficit of low sulphur fuel. Our best estimate is that the total demand will be satisfied by the refining industry by about 40-50%, the rest satisfied by blending,” Mr Baron said.

Those locations that will be lacking compliant fuels will have to import at high prices to fill that product gap.

Paper markets suggest high sulphur fuel oil will bottom out in price early in 2020 and will see contango or higher prices further into 2020 and 2021, Mr Baron said. The anticipated 2020 price spread between HSFO and low sulphur fuel oil of about $250 per tonne will narrow as scrubber adoption increases.

One thing that remains unclear, however, is whether paper markets are reflecting the significant amount of 0.5% fuel already stockpiled in locations around the globe, Mr Baron said.

He said that in Singapore alone there are about 12m metric tonnes of 0.5% fuel in storage and that there is a similar dynamic in the other main storage hubs worldwide.

"In our view, we will not see the industry balances — or how balanced or imbalanced it may be — until we clear through that stockpile in the spring, or perhaps middle of 2020," he said.

In addition to the higher costs, and new cost differentials between regions due to shifting market dynamics, there will also be significant variability in the characteristics of compliant fuel, Mr Baron warned.

He admitted that that increases challenges with compatibility of fuels and onboard handling, but also believes this picture is unlikely to change.

"We think this variability will persist not only because of the fact that so much of the fuel supply will come from blending but also because on the consumption side, we are seeing a wide spectrum of preferences from customers," he said.

The continued, albeit lower, demand for HSFO along with demand for a whole new product and the blending requirements will also strain the current logistics capacity.

Fuel storage rates in some areas have already gone up by 50% to 75%, according to Mr Baron, and in ports like Singapore monthly barge turns have dropped from 10 to 13 to between seven and eight.

"Consequently the cost of that infrastructure is going up significantly with COA [cost of affreightment] rates for barging going from $4 to $5 to potentially $10 to $15," he said.

On top of this reality, there will be pressure on trading credit through the 2020 transition, according to Mr Baron.

"We estimate about $3bn to $3.5bn of incremental capacity will need to be provided by suppliers to shipowners. And on the other side, we are seeing significantly constrained financing for the bunkering industry by lending institutions," he said.

The bunker industry's challenge with finance has been a commonly expressed concern over the past couple of years, piling on to a wider credibility shortcoming that has to a certain extent tarnished the sector's reputation.

"We have had a number of years of crediting issues in the bunkering space so we are seeing a bit of a have and have-not dynamic where certain suppliers have access to capital and it is becoming more challenging for much of the industry," Mr Baron said.

Minerva Bunkering, a fully-owned subsidiary of commodity-trading giant Mercuria, was born earlier this year out of the bankruptcy of Aegean Marine Petroleum Network.

The Greece-based bunkering firm filed for bankruptcy last year following a $300m fraud scandal. Mercuria subsequently bought the firm following a $681m bid.

Logistics minnows eye outsourced software to match the big fish

WITH much of the logistics sector trailing in the race towards digitalisation, small and medium-size enterprises are looking to outsource some of their working methods to digital providers that can fill gaps in their business models.

"We want to help people become future-ready. The problem is that while everybody in the market realises they have to do something, there are still some challenges," said Harm Wessels, chief commercial officer of logistics tech start-up Qwyk.

The organisational culture of many traditional logistics firms is different from the dynamic start-up digital freight forwarders that are currently disrupting the industry. There need to be efforts to bridge this gap.

Mr Wessels said one challenge with digitalisation efforts is that operational and product departments will refer these to the in-house organisation's IT people, but they in turn are often hamstrung by legacy systems that hinder their ability to creatively

look at new solutions while also not necessarily understanding the needs of the people on the operational side.

In addition to cost, this impedes the ability of smaller organisations to optimally digitalise their operations. Many of the up-and-coming digital freight forwarders, flush with venture capital funding, have dedicated software developers. This puts them far ahead in the technology race.

"Our products are designed in such a way that they are plug-and-play. There is very little involvement required from the IT side," Mr Wessels told Lloyd's List.

Qwyk uses various proprietary technologies to collate the sailing schedules of 95 carriers, covering about 90% of global container lines. Its portal solutions then offer options that range from making bookings, including less-than-container-load bookings, while also providing extra information such as the carbon footprint of a given shipment or container.

Mr Wessels said many smaller logistics SMEs still employ staff to manually check sailing schedules. The traditional way to reduce costs has been to outsource this task to various less-developed-economy outsourcing centres. He suggested, however, that making use of automation and digitalisation might be a better solution than outsourcing.

Meanwhile, in terms of the bookings portal, an efficiency gain of about 50% can be achieved, he said. On the cost of sales side, the gains can even go up to 75% by increasing the response time to a client by creating an easy and attractive self-service environment for customers.

Another challenge is cost, where SMEs realise that they need to use tools such as online booking systems to keep up but do not want to invest huge sums of money on their own.

There are ways to fill this gap. Software as a service platforms such as Qwyk, offer an affordable way to do so. It offers a customisable user interface and tailored software packages.

This saves on investment in network equipment and development costs, which many SMEs do not have the resources for. They can then focus on their unique regional market advantages while making use of technology to gain an advantage and keep up in the increasingly digitalised logistics environment.

While the market environment is rapidly changing, this dynamism also brings opportunities and this is a good time for the smaller regional players especially, with their specialised market skills and local knowledge, to take advantage of this, Mr Wessels concludes.

IN OTHER NEWS

Port of Los Angeles feels impact of trade war

PORT of Los Angeles handled fewer containers of imported and exported goods in October as the US trade war with China affected global supply chains.

Imports through the port dropped to 392,768.6 teu, down 19.1% compared with the year-earlier period. Exports declined 19% to 140,331.5 teu.

"With 25% fewer ship calls, 12 consecutive months of declining exports and now decreasing imports, we're beginning to feel the far-reaching effects of the US-China trade war on American exporters and manufacturers," port executive director Gene Seroka said.

Britain reduces threat level for shipping in Strait of Hormuz

BRITAIN has lowered its risk assessment for UK-flagged ships transiting the Strait of Hormuz.

The development comes after a spate of incidents earlier in the year, including rocket attacks on tankers and the capture of the UK-flag tanker *Stena Impero*, which briefly sent war risk cover pricing sky high.

"UK flagged ships will soon be able to transit the Strait of Hormuz without close Royal Naval accompaniment, following a decrease in the specific risk of detention of these vessels," the Department for Transport said in a statement. "We continue to call for de-escalation of tensions in this vital region for global trade."

Crew evacuated after chemical tanker catches fire off Singapore

ALL 18 crew members on board a vessel have been safely evacuated after a Japanese-owned chemical tanker caught fire near Horsburgh Lighthouse in the eastern Singapore Strait on Thursday afternoon.

According to Lloyd's List Intelligence, the 2009-built, 8,925 dwt *Hoyu* was carrying oil products from Singapore to the Philippines when fire erupted on board.

The Maritime and Port Authority of Singapore was informed of the incident at 1310 local time.

Singapore Civil Defence Force, the Singapore Police Coast Guard and the Republic of Singapore Navy deployed vessels to render assistance.

Scorpio Tankers says the best is yet to come

SCORPIO Tankers, a US-listed owner, is bullish about the prospects for the sector in the future.

Chairman and chief executive Emanuele Lauro said he could not have anticipated just how strong the market became, with the third quarter described as "the calm before the storm".

"The best is yet to come," he said on a conference call with analysts, adding that the company is optimally positioned for the upswing, which is driven by seasonality, psychology and IMO 2020.

"We are very excited — it's hard not to be bullish," said the company's president Robert Bugbee, adding that the market is well set in now, with medium-range product tankers earning about $30,000 per day.

Accident report finds naval vessel failed to follow procedures

NORWAY'S accident investigation board has published its report into a collision between one of its naval vessels and a tanker.

It found a number of failings by the navy crew during the incident near the Sture oil terminal in November last year, and has issued 15 recommendations.

They aim to address issues surrounding crew training and competence, and use of the Automatic Identification System, which was in passive mode at the time of the incident. The report also recommended that the navy install voyage data recorders on all its vessels.

Greek owners demand 'immediate' action over kidnappings

THE Union of Greek Shipowners has called for urgent action to prevent attacks on merchant shipping in the Gulf of Guinea, which has become the most dangerous region worldwide for seafarer kidnappings.

The world's largest national shipowners' association spoke out following the abduction of four crew members from Greek-owned tanker *Elka Aristotle* this week.

The union "strongly condemned" the incident, expressing regret and sympathy to the seafarers' families.

Pangaea sells two older bulkers

PANGAEA Logistics Solutions, which owns and operates a fleet of bulk carriers, is selling two of its older vessels as it unveiled another strong third-quarter results.

The US-based company, which specialises in ice-class operations as well as servicing longer freight contracts, has agreed to sell the 18-year-old *Bulk Juliana* for $6.5m, while the 1996-built *Bulk Patriot* is set to leave the fleet for $4.5m.

Nasdaq-listed Pangaea said that the two moves would result in a book loss of $8.6m to be recognised in the fourth quarter. But both vessels were debt-free and the sales will generate cash flow of approximately $11m.

For classified notices please view the next page.

Looking to publish a judicial sale, public notice, court orders and recruitment?

Please contact **Maxwell Harvey on +44 (0) 20 7017 5752**
or E-mail: maxwell.harvey@informa.com

Lloyd's List Intelligence
Maritime intelligence | informa

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**

Greek Shipping Awards 2019

16th Annual Awards & Gala Dinner

Friday 6 December 2019 | Athenaeum InterContinental, Athens

The Lloyd's List Greek Shipping Awards have been recognising achievement in Greek shipping since 2004 and are established as a showcase of excellence as well as a great opportunity to review some of the year's key events and top personalities.

BOOK YOUR TABLE NOW!

Ensure you are part of the excitement as the 2019 Winners are announced.

Book online or call our Event Co-ordination Office

+30 210 42 91 195

www.greekshippingawards.gr

Event Sponsor:

Champagne Toast Sponsor:

Cocktail Reception Sponsor:

Award Sponsors: