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Maersk sets sights on recovery after lowering expectations over coronavirus

MAERSK is looking towards April for a possible recovery from what it admits will likely be a weak first quarter following the impact of coronavirus.

Speaking in a conference call following the release of the carrier's full-year results, chief executive Søren Skou said that while it was difficult to yet get a full sense of the impact of coronavirus on trade, the first quarter would be "significantly impacted" by the extended factory closures in China.

"Factories are slowly returning to production but we estimate that they are operating at 50%-60% of capacity, which will be ramping up to around 90% of capacity by the first week of March," he said.

The consensus was, however, that the outbreak would peak over the coming weeks, with data showing the number of new infections reducing.

"That means that we could expect a trajectory similar to the one we saw during SARS, but with a larger magnitude, since China's impact on global supply chains is much bigger today and China's role in the global economy is much bigger."

That, he added, would imply a V-shaped recovery.

"We will have very weak exports in February and March, then hopefully a strong rebound in April," Mr Skou said.

But there were still uncertainties and the prognosis implied no new outbreaks in other countries outside China, he added.

"The next two to three weeks will tell us what the trend is. The long-term outlook will depend on how long the outbreak lasts."

Maersk has cancelled more than 50 sailings in addition to those it would have usually cancelled for the New Year slowdown, Mr Skou said.

"We continue to manage our capacity in an agile way to meet demand."

But he added that idling ships still had an effect on the company's bottom line.

"When ships are idle we are not spending money on fuel or port costs, but we are still depreciating and paying charter fees," Mr Skou said. "We will not be able to mitigate the loss of volumes with costs on a one-to-one basis so we will have an increased negative effect in the short term."

Coronavirus and IMO 2020 to hit earnings

Even with the capacity reductions, Maersk has reduced its full-year earnings guidance by $200m to $5.5bn, largely as a result of coronavirus, but also taking into account the impact of IMO 2020 and wider macro trends.

"Coronavirus affects all of our businesses, such as terminal ventures in China and the significant logistics and warehousing business there," Mr Skou said.

While Maersk would not disclose the specific impact of coronavirus on its guidance for the year, Mr Skou did say that the guidance would have been higher if the outbreak had not occurred.

Nevertheless, pent-up demand should help Maersk and other carriers should outbreak retreat over the coming weeks, leading to an "excess of exports" in April.

"Inventories are being run down, both of finished goods and semi-finished goods," Mr Skou said. "Many manufacturers in Southeast Asia rely on China for parts and semi-finished goods. If we do end up with a V-shaped recovery then we will see an overshoot in the latter part of the second quarter."

But he also warned that that if the coronavirus continued to spread, there would be an even bigger impact.

"If a recovery does not happen then it will impact global economic growth, which is the main outcome we are worrying about."

WHAT TO WATCH

Polemis company leaves American Club as P&I providers confirm firmer pricing

ADAM Polemis' New Shipping has parted company with the American Club, making it one of the few sizeable operators to switch P&I provider ahead of this year's renewal deadline at noon today.

The Greek company operates a fleet of 15 general cargo and container vessels in the 2,450 teu to 5,400 teu bracket, predominantly in the Mediterranean, and has been in business for around two decades, according to its website.

The disengagement was by mutual agreement and on amicable terms, and the American Club has offset the departure by winning new accounts, according to sources aware of the situation.

In general, churn seems to have been minimal, in contrast with the often frantic pace of activity seen in mid-February in the past.

Meanwhile, Gard has become the first club publicly to declare its total tonnage following the annual renewal of P&I cover, declaring a gain of 15m tonnes over the last 12 months, with a renewal rate of 99% and a book now standing at 229m gt.

Gard's chief underwriting officer Bjornar Andresen said: "The marine market has seen considerable instability in the last year and this creates uncertainty and concern amongst owners. Insurance should be something which offers predictability."

London Club chief executive Ian Gooch has confirmed reports that pricing has hardened somewhat this year, albeit not to the extent many clubs will have wanted.

Brokers are telling Lloyd's List that rates are typically up 3%-3.5%, somewhat shy of the 'going rate' 7.5% general increases announced by a number of clubs in October and November last year.

"We've been clear that following the downward pressure on pricing over recent years, our renewal priority was to work with members and brokers to reverse that trend, particularly in light of the evidence of increasing claims costs," Mr Gooch said in an email.

As a result, there has been a strong focus on member rating, records and risk exposure, with detailed and technical analysis of the increases being applied.

"In the vast majority of cases we have been able to agree terms. The outcome is that the reduction in rates seen over recent years has been arrested and reversed, as planned, this being an important step to address the imbalance in risk exposure/premium created by the prolonged soft market."

However, the case of a few renewals, the London Club was unable to get the uplift it was seeking, which has resulted in cover not being renewed.

"That's something which we would have preferred to avoid, but it's a reflection of our renewal objectives and the priority noted above."

However, North P&I Club is insisting that it held the line for the 7.5% GI, and that that did not stopping growing total entered tonnage to over 230m gt, with owned P&I tonnage reaching 160m gt.

Chief executive Paul Jennings said: "Our 2020 renewal strategy focused on the need to build the club's financial strength and stability in a climate of rising International Group Pool claims and continuing premium erosion.

"To offset the suppression of rates and premium income, we required a 7.5% rating increase from our membership at the February 2020 renewal to maintain the club's financial equilibrium. This was our first general rating increase since 2016."

Separately, the International Group of P&I Clubs has granted approval for the use of the CargoX blockchain document transfer platform, as the latest in a number of similar platforms decreed suitable for use.

German official pitches for EU Maritime Co-ordinator to raise sector's profile

IN A week meant to promote European shipping and its significance, Germany's maritime coordinator claimed that the maritime sector has "no voice or face in Europe" and called for a maritime co-ordinator within the EU.

Speaking at an event during European Shipping Week in Brussels, Norbert Brackmann argued the Belgian capital is the place to be as a policy-making centre. But shipping's access to decision-makers is elusive.

"By way of illustration, who can you call in Brussels if you are a shipbuilding or shipping company and have a question concerning value creation by European competitiveness?" he asked.

To rectify the problem, Mr Brackmann said he will launch a new initiative dubbed 'Maritime Europe: Global, Smart, Green' to strengthen the sector in the bloc.

He suggested the introduction of an EU Maritime Co-ordinator whose office would become a central contact point for the coordination of maritime issues and concerns.

A European high-level group could also be a valuable tool for better maritime contact, Mr Brackmann added, that would enable European Union officials and representatives of maritime institutions to tackle decisions and adopt policies.

Some of those would be creating a level playing field with Asia, setting European uniform standards, a common European port policy, compliance with uniform competition rules and addressing environmental issues and opportunities.

"Over the past few days, I have discussed this matter with my colleagues from the member states from the Commission and received a lot of support and encouragement," he said.

Having consistently been a significant decision-making centre for shipping, particularly due to its heavy regulatory influence, the EU's prominence will likely increase over the next couple of years as the European Commission and the European Parliament seek to regulate emissions from international shipping.

The Commission will seek to include maritime in the Emissions Trading System, a move that concerns a global industry that dislikes the idea of a regional actor dictating rules that affect international shipping

"The way I see it, an ambitious regulatory framework in the context of the IMO is still the better option," Mr Brackmann said, in a nod to global rather than regional regulations

This would allow greater reach on shipping companies worldwide and create a level playing field, he argued.

However, he cautioned that the IMO must adopt a short-term emissions reducing measure that the end of this year. The organisation is meeting to discuss this issue again next month.

The potential of EU regional measures has also concerned the IMO, which in the past has directly confronted the European Commission over the ETS questions.

IMO secretary general Kitack Lim warned during an interview with Lloyd's List in late 2019 warned against the trouble that global decarbonisation progress could face, in response to the EU plans on emissions.

Mr Lim addressed the same event in Brussels and though he did not directly confront the question of ETS, he stressed the need for a global regime.

"IMO's regulatory framework can provide additional push to stimulate new technologies and R&D. But I have to underline the importance of agreeing fundamental measures at the international level to avoid certain countries risk being left and miss the transition towards decarbonisation," he said.

Mr Lim also thanked officials of the EU for their collaboration with the IMO over the last few years and for their support of the "global regime", and expressed the hope that the co-operation will continue.

Coronavirus: Chinese owners seek sulphur cap reprieve

CHINA Shipowners' Association (CSOA) has proposed a break on bunker sulphur restrictions in the country as part of efforts to lift shipping firms out of the coronavirus fallout.

The group, with more than 200 member companies including Cosco Shipping and China Merchants, said in a draft proposal to Beijing that it should consider a temporary reprieve for the International Maritime Organization's rules, under which ships must use the costlier but cleaner fuels with no more than 0.5% sulphur content.

"At this special period, can China make the technical adjustment even just for a few months or be acceptant to the fuel oil non-availability reports?" the group asked.

It said several countries, including Greece, the Philippines and Indonesia, have made similar suggestions since the implementation of the IMO regulation on January 1 this year.

This advice has taken account of a potential shortage of low-sulphur fuel oil provisions in China as a result of the impact of the virus, CSOA vice-chairman Zhang Shouguo told Lloyd's List.

"Also, shipowners' business has been seriously disrupted and with increased cost. We hope the [repreive] can help them overcome this difficult time."

When asked whether the relief on burning cheaper traditional bunker fuel will also apply to foreign owners when their ships call in China, Mr Zhang said it was up to the government to decide on the details.

The spreading virus is taking a big toll on China's economy, including its logistic and shipping sector, with shrinking cargo volume, clogged port traffic and stranded seafarers, among other challenges.

The suspension of the sulphur cap is among a series of other measures, including tax cuts, government subsidies and extension of bank loans, that are recommended by the association to reduce the mounting financial pressure on shipping companies.

Concerns over international image

Industry sources said an idea has already been brought up to halt the emission requirement for 12 months in China during a meeting last week between CSOA and dozens of senior figures within the Chinese maritime community.

However, two researchers at the Shanghai International Shipping Institute, a government-backed think tank, begged to differ.

A unilateral infringement against an international convention will hurt China's image in the eyes of foreign countries, while the actual effect of the move on cost reduction is limited, argued Xu Kai and Peng Yiquiang in an article.

"On the other hand, halting the sulphur cap will directly lead to the loss of the pole position that our country has built in the LSFO supply chain." they added. "If other bunker hubs in Asia establish the supply ability in the next six months, our country's lack of edge in the marine service industry will continue."

Chinese oil giants, such as Sinopec and PetroChina, have been ramping up efforts in domestic production of LSFO, having seen the opportunity from a surge in appetite for the compliant fuels that meet the IMO mandate. Beijing also recently approved a tax rebate policy that will provide incentives to the refineries as well as local bunker ports such as Zhoushan.

A relaxion of the sulphur limit, however, would presumably strike a blow to the LSFO demand.

Mr Zhang said his association was still in consultation with members but aimed to submit the formal copy by next week, arguing that international agreements should also consider a force majeure event.

"The decision on whether or not to have the discussion with the IMO as well as on many of our other suggestions is in the government's hands," he said.

OPINION

The Interview: Claes Berglund

WHILE the centre of gravity in the shipping world is now very firmly in the Eastern Hemisphere, European shipping remains competitive and is at the forefront of technological innovations and solutions.

But one of the major challenges facing the industry across the continent is the aim of the new European Commission, led by president Ursula von der Leyen, to make the bloc carbon-neutral by 2050.

A recent European Parliament report urged the commission and EU Council to consider including shipping in the EU's Emissions Trading Scheme, much to the alarm of shipowners and others in the sector who have warned that such a move would threaten progress at the International Maritime Oraganization towards the longer-term goal of an international agreement on decarbonisation.

One of the key figures arguing the case for European shipping in Brussels is Claes Berglund, director of public affairs and sustainability at Stena AB and president of the European Community Shipowners' Associations, which represents all EU shipowners' associations plus Norway.

Speaking to Lloyd's List in Athens prior to setting out the Ecsa position on the European Commission's flagship Green Deal at this week's European Shipping Week event in the Belgian capital, Mr Berglund said his aim is to engage with EU policy makers to ensure Europe's shipping sector is "sustainable, competitive, innovative and agile enough to adapt to the rapidly-changing global environment."

The Ecsa ambition is to not only keep European shipping profitable but also to make sure they have the tools to remain innovative. "Europe's owners have come up with many new ideas," Mr Berglund said. "If they hadn't, no doubt the main players would leave Europe."

He is well aware that competition from Asia is very strong, which is why Ecsa is so focused on the application of state aid guidelines.

"It's important that we have partners such as Kongsberg and Wärtsilä, and that research and development is well funded and supported. They bring the innovative solutions to the industry," he emphasised.

Mr Berglund took over his Ecsa role prior to the UK's withdrawal from the EU at the end of January and an Ecsa statement at the time observed: "Brexit discussions have brought to the forefront how interrelated EU-UK supply and logistics chains are. Maintaining the fluidity of EU-UK trade must therefore be a priority."

The association called for both EU and UK regulators "to continue the current close alignment on shipping issues and emphasises the importance of including maritime transport in the upcoming trade negotiations."

Mr Berglund said it is too early to say what the full implications of Brexit will be but hopes the British remain within Ecsa.

"I hope the UK Chamber of Shipping will stay a member — Norway is a member [but is not in the European Union]. It all depends on the agreement reached between London and Brussels. I hope they will stay as we are extremely inter-dependent and will continue working with the British on practical issues."

Ecsa associations value their membership, even though the ship types differ. Some owners focus on deepsea shipping, others on short-sea, while some members argue that the environmental requirements are too onerous.

"Members do not always agree on every issue," he conceded. "Sometimes there are challenges: we are an association of members. But mostly it's no problem — they almost always agree.

"The overriding concern is to make our shipping successful, and there are policies in place to make that happen. At the end of the day, we must keep the dialogue going."

There are clearly national divides on issues such as gender equality. The president describes this as "a big problem". There has been a lot of action within Stena to change the balance, though.

"We believe our company would be better off if there were more women at sea and in our offices. Interest is increasing. I think the gender equality discussion will grow stronger," he observed. He added: "Diversity has to be embraced by our industry."

Addressing concerns that not all member associations can meet the pace of innovation set by Scandinavian businesses, Mr Berglund admits it won't be easy. "I have a big concern that we are trying to do something very quickly. We must be careful not to bring in new policies that will penalise certain owners. We have to explain to everyone what's required.

"Our precedent is always to have global regulations [but] sometimes we hear from the European Commission that the IMO is too slow. I sense that member states feel the IMO is too slow."

At a press event in Brussels on Wednesday, Ecsa argued in a paper that a main priority for the EU should be to lead in the international regulatory process, helping ensure the IMO targets are met without distorting international competition.

Beyond supporting global policy, Ecsa wants the EU to lead the race in research and development on alternative fuels and technologies, and offer supportive measures for their uptake, while facilitating first movers.

"The EU has a unique opportunity to serve as a test and demonstration centre for the development and deployment of new fuel types. All with a view to be up-scaled to a global level," Ecsa said.

ANALYSIS

Maersk doubles its US warehouse holdings with $545m purchase

AP MOLLER-MAERSK has agreed to purchase US warehousing and distribution firm Performance Team in a further effort to become an "integrated and focused" container shipping, ports and logistics company.

"This will strengthen our ability to deliver products and solutions that meet our customers' end-to-end supply chain needs," said Vincent Clerc, chief executive of Ocean and Logistics for Maersk.

Mr Clerc said Performance Team is a "good match" for AP Moller-Maersk as "they complement our current warehousing and distribution proposition to customers in North America and will enable future growth".

The deal accords with new directions outlined by Maersk chief executive Søren Skou late last year: "We need to grow in acquisitions on land warehouses and customs house clearing services."

"We have invested around $1bn already on the land side supply chain and we are looking to put in hundreds of millions more over the next year," Mr Skou said last November.

Maersk said the value of the Performance Team deal is $545m, including lease liabilities of around $225m, and will bring its holdings to 46 sites in the US for a total of 1,363,000 sq m of warehouse space.

Profile of the combined entity:

	Performance Team	Maersk Warehousing & Distribution North America	Combined business
Sites	24	22	46
Area (Square meters)	800,000	563,000	1,363,000
Turnover (USD milion)	525m	406m	931m

Most significantly, according to Performance Team, about 530,000 sq m of that total is in Southern California alone: 409,000 sq m in the Inland Empire and 121,000 sq m in the Los Angeles/Long Beach area.

Maersk already operates Pier 400, the largest terminal in the port of Los Angeles, and the acquisition of Performance Team's assets in the area will enable the Danish company to move container throughput rapidly from its terminal to the nearby warehouse and distribution facilities.

Not least, Maersk is more than doubling its warehousing and distribution assets in North America at a time when US industrial markets continue to dominate non-residential commercial real estate development.

The Maersk purchase positions the company to be at the cutting edge of industrial property development in the US and California, in particular.

"Industrial markets continue to be where the action is in non-residential commercial real estate development," said the Winter 2020 Commercial Real Estate Survey and Index created by Allen Matkins LLP and UCLA Anderson Forecast.

The report found that California is at the centre of that action: "As California began transforming from a factory economy to an information economy, this space has shifted to being dominated by warehouses."

The report's survey panellists "do not foretell a pull-back in industrial space between now and 2022" despite the impact of the trade dispute with China and "the falling goods transport" through the ports of Los Angeles, Long Beach and Oakland.

It said the developers' responses for the Inland Empire, East Bay, San Joaquin County, and Sacramento, were that markets will remain about the same as currently, with "neither optimism about an improvement in, nor pessimism about a deterioration of the economics".

"This means the red-hot markets in Northern California and the Inland Empire will continue to be red-hot. Thus, there is really no change there," it said.

However, Los Angeles, which is home to the largest seaport complex in the Western Hemisphere as well the second-largest population centre in the country, is projected to remain on "an ever-improving trajectory".

"This sentiment is based on a shortage of space close to the ports and a sense that the current downturn in goods movement is temporary," the report said.

It said a more rapid expansion of space requires warehouse densification: multi-story edifices with productivity enhanced by robotics, and new technologies to manage the high-rise warehouses.

"These technologies are now in the process of development, and when implemented, will drive Los Angeles industrial property values," the report said.

For much of the past year, Maersk's APM Terminals has been under the spotlight for its efforts to automate its facility at Pier 400, with the aim of increasing consistent container throughput.

The purchase of the new warehouses in Los Angeles and the Inland Empire fits into that concept. It will enable the firm to step up the volume and speed of its container throughput, while enriching its bottom line with a portfolio of cutting-edge industrial real estate.

Subject to regulatory approvals, the transaction is expected to close on April 1, 2020.

Go private, 5G smart port hopefuls told

PORT operators should consider installing their own 5G systems as the technology is rolled out amid a lack of standards and cybersecurity fears, a conference was told.

On Thursday, speakers at Informa Connect's Smart Ports Summit in London said 5G would cut costs and boost automation at container ports, but also bring security threats as more systems and objects came online.

Nick Chubb, managing director at marine tech consultancy Thetius, said private networks "could put you streets ahead of competitors" since the mainstream rollout of 5G would be uneven and common standards were not yet in place.

Greig Paul, research engineer at Strathclyde University, said going private would let operators control the supply chain and ensure their systems were compatible with those used at other ports.

Dr Paul said ports would have different needs depending on their remoteness and other factors. The walls of steel containers could in effect become Faraday cages and thereby block signals, he warned.

Mr Chubb said 5G systems could bring a range of benefits. The Port of Antwerp had trained an algorithm to spot damage to bollards and fenders without the need for inspection teams, he said.

Smart watches could alert controllers to accidents on site, stop workers operating machinery they were not trained for, or alert forklift drivers to people or objects in their path.

Mr Chubb said 5G would bring up internet speeds from an average 10 megabits per second to 50Mbps.

It would allow the use of 1m devices per square kilometre and bring latency — the time taken for a signal to travel from a phone to a network — down from 50ms to 10ms, allowing remote operation of gantry cranes and tugs. "As an enabler for technology in ports, it's huge," Mr Chubb said.

"On top of radar, on top of AIS, now all of a sudden, AI-driven visual traffic control systems are becoming a reality."

But Synapse Cyber Strategy director David Nordell warned: "Everything is on the network now and anything that is on the network can be attacked."

Mr Nordell said as more objects were digitalised, the potential for hacking by thieves, terrorists or governments grew. "Although there are great security tools out there, most of them are not yet updated for 5G," he added.

Dave Happy, managing director of consultancy Telint, cited the NotPetya cyber attack of 2017, which temporarily brought down Maersk's computer systems.

He said technology made large-scale attacks possible and the industry had to be prepared. "You need to be able to test your stuff, it needs to be resilient," he said.

Mr Happy, a former vice president of research and development at Samsung, said old networks would eventually be switched off and industry needed to prepare for the future now.

Ten crew kidnapped in West Africa pirate attack

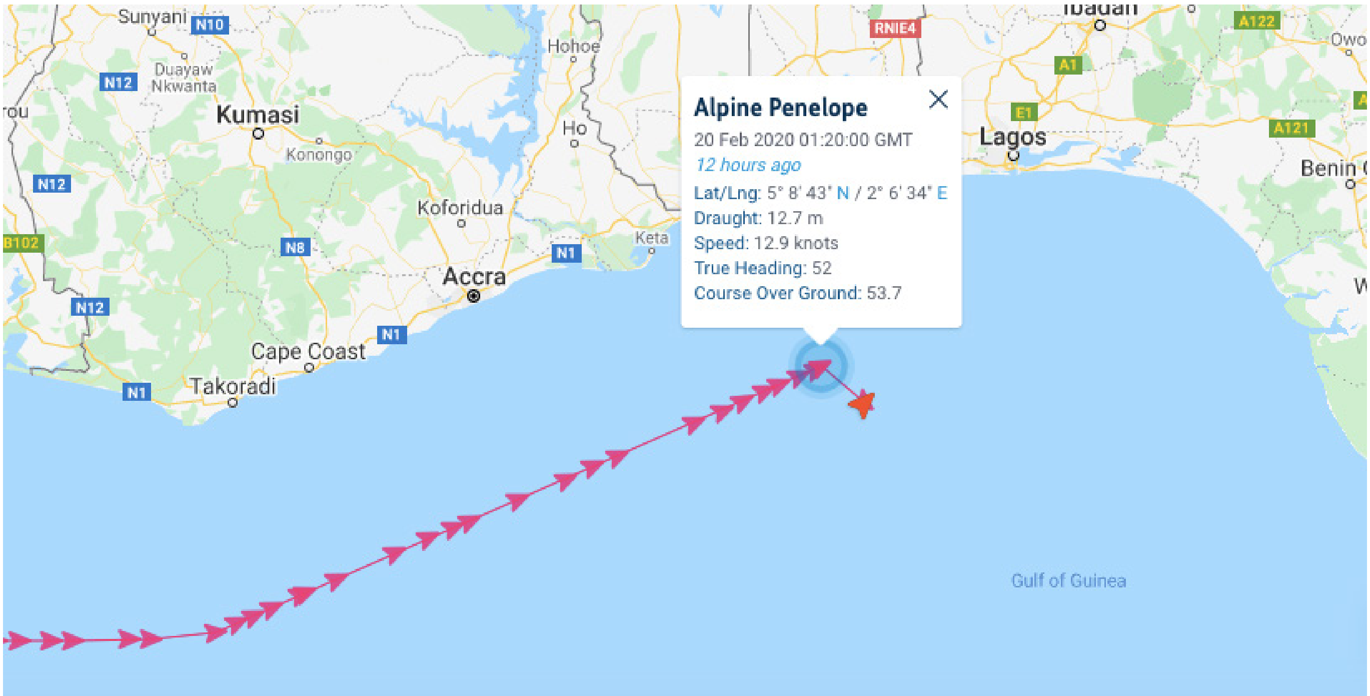
THE kidnap of 10 crew members was reported after two armed pirates attacked product tanker *Alpine Penelope* yesterday, off Cotonou, West Africa.

The Liberia-flagged, 74,401 dwt product tanker was boarded 76 nautical miles southwest of Cotonou while transiting towards Lagos, according to maritime security firm Dryad Global.

"The officer on watch identified two armed men on board, no further details regarding nature of weapons or actions have since been received," the report said.

"It is understood that an alert was sent by the tanker, following which communications were lost. Whilst the identities of the kidnapped crew remains unknown, the vessel, is known to have a crew of 24 personnel, consisting of Georgians, Filipino and Ukrainian nationals."

The product tanker is the eighth ship in four months to have crew kidnapped for ransom off West Africa, as pirates target larger vessels seeking greater payments. Pirates typically take crew members ashore, where they are held in difficult conditions until payment of between $30,000 to $50,000 per head is received.



The vessel had been chartered by Nidas Marine Ltd — Nigeria's National Petroleum Co — to ship a 60,000-tonne cargo of gasoline to Lagos from Rotterdam. The vessel owner, OceanGold Tankers, a unit of the Dragnis Group, did not respond to emails from Lloyd's List seeking further information.

Yesterday's hijack brings the total of crew kidnapped to 64 over six separate incidents. Two seafarers have died while being held captive; all others were released several weeks later, including 19 taken from a very large crude carrier.

The violent attacks have accelerated pressure on the Nigerian and other local navies to address lapses in maritime security. The Nigerian navy freed three crew held hostage on board a trailing suction hopper dredger on January 6, after a three-hour gun battle.

MARKETS

Maersk warns of uncertain outlook for 2020

THE fallout from the coronavirus outbreak and the implementation of IMO 2020 are causing "significant uncertainties" in the outlook for the container sector this year, according to the world's largest box carrier.

Announcing its full-year results for 2019, Maersk said its guidance for the current year was affected by the spread of coronavirus in China, which had "significantly lowered visibility on what to expect in 2020".

"As factories in China are closed for longer than usual in connection with the Chinese New Year and as a result of the coronavirus, we expect a weak start to the year," Maersk said.

Its guidance for the year was also subject to uncertainties about IMO 2020 and the impact on bunker fuel prices and freight rates, combined with "weaker macroeconomic conditions and other external factors".

Earnings this year are forecast to be around $5.5bn, before restructuring and integration costs. Volume growth in its Ocean segment is "expected to be in line with or slightly lower than the estimated average market growth of 1%-3% for 2020", it added.

The lowered outlook came as Maersk reported that earnings increased by 14% to $5.7bn in 2019, despite revenues falling slightly to $38.9bn.

"Despite weaker market conditions, AP Moller-Maersk was able to improve profitability and cash flow," said chief executive Søren Skou.

"Our cash return was healthy, and we continued the reduction of net interest-bearing debt, leading to a further deleveraging of $3.3bn over the year. It gives us a solid starting point for 2020 to further expand our end-to-end offering within container logistics while at the same time managing the market challenges that are obviously out there."

Revenues in the carrier's Ocean division were flat as Maersk sought to maintain freight rates and volumes carried across the year dipped slightly despite the wider market growing.

But lower costs, particularly for bunkers, helped the division report earnings that were up 15% to $4.4bn.

"While we still need to improve returns, we delivered solid progress in our financial performance in 2019 while progressing the business transformation, in spite of weak trade growth, ongoing trade tensions and geopolitical uncertainty in many markets," Mr Skou said.

Euroseas says boxships remain buying opportunity

FEEDER containership owner Euroseas has said that it is targeting further growth after adding eight ships to its fleet in the last two financial quarters.

The Nasdaq-listed owner acquired a quartet of vessels last August from companies linked with chairman and chief executive Aristides Pittas, and followed that by buying four intermediate boxships of 4,250 teu from Synergy Holdings.

The en bloc acquisitions, which were both achieved with a combination of cash and shares, boosted Euroseas' fleet to 19 vessels as well as reducing its average age.

"Both of these transactions were examples of us using our public listing as a platform of consolidation," Mr Pittas told an earnings call following the release of the company's fourth-quarter and full-year 2019 results.

Euroseas will continue seeking opportunities to leverage its position as remains focused on exploiting its position as the only US-listed shipping company focused on feeders and small containerships, he said.

The aim was to "continue growing, pursuing accretive opportunities via mergers or combinations with privately owned vessels or fleets."

In Euroseas' view, said Mr Pittas, "this is more a buying opportunity than a selling one, based on where historical prices are."

Containership values were still below median historical values and "significantly lower" than historical average prices.

Euroseas was "very optimistic" for the medium term-prospects of the smaller containership market, said Mr Pittas.

This was based on a "very low" order book, an expected rebound in trade and additional constraints on vessel availability due to the installation of scrubbers on a portion of the fleet.

"The fundamentals looked quite good until the coronavirus epidemic emerged," he said. "Together with signs of slightly growing demand, [everything] pointed towards a strengthening market in 2020 and even more so in 2021," he said.

"We continue to believe this will be the most probable outcome, but we'll closely monitor the coronavirus situation and adapt our growth strategy as things become clearer."

For the fourth quarter of 2019, Euroseas' net loss widened slightly to $800,000, from $500,000 in the fourth quarter of 2018.

Revenues increased by two thirds to $13.3m, mainly due to the increase in the size of the fleet although on average time charter rates also improved.

Drydocking expenses reached $1.5m in the latest quarter, compared with $300,000 in the same quarter of 2018.

Sembmarine flags ups and downs from coronavirus outbreak

SINGAPORE-BASED yard group Sembcorp Marine has seen increases in enquiries for ship repairs and upgrades following the coronavirus outbreak.

This is one segment in which the yard group expects will continue to gain traction after bucking a broad-market slowdown last year.

Group chief executive Wong Weng Sun said at a full-year financial results briefing held on Thursday: "Business activity levels remain low for all segments, except for repairs and upgrades, which continues to improve, underpinned by IMO [International Maritime Organization] regulations that require installation of ballast water treatment systems and exhaust gas scrubbers."

Sembmarine booked a 27% increase in turnover to S$605m (US$432 m) from its repairs and upgrades division for the year ended December 31.

Full-year topline contributions fell by 29% and 50% across three other divisions — rigs and floaters, offshore platforms and specialised shipbuilding.

Mr Wong pointed out that the yard group has secured more than 200 orders alone for ballast water treatment system and scrubber retrofits over the past 18 months.

Some of this "green technology retrofit solutions and related work", which contributed close to S$100m in revenue last year, has spilled over to this year.

These projects often call on retrofits of both the BWTS and scrubber on each ship, although the yard group has received "slightly more" orders for BWTSs than scrubbers thus far.

Group finance director William Goh also noted that more enquiries for vessel repair and upgrades have come in from shipowners since the coronavirus outbreak, which has afflicted yard operations in China.

Shipowners used to send vessels to Singapore and China, now seek more slots from Sembmarine for repair and upgrade work on their fleet, he noted.

That said, Sembmarine is still inclined to prioritise its "favoured customers" — a business practice that has served the yard group's interests well during the past two business cycles.

The yard group has secured favoured customer contracts before with major players active in the LNG and cruise segments, such as GasLog, International Gas Transportation Co, Carnival Corp and Royal Carribbean.

Hull delay

While there are opportunities for the group as a result of the coronavirus outbreak, now named COVID 19, the public health emergency has also presented some challenges to operations.

In early February, Energean Power flagged a delay in the sailaway for the hull of a floating production, storage and offloading vessel from China, which was due for integration with the vessel topsides at Sembmarine's yard in Singapore.

The hull was previously scheduled to set sail from Cosco Zhoushan in the fourth quarter of last year but this has been deferred to this coming March, according to the February disclosure.

Sembmarine was awarded a contract from TechnipFMC for work on the Energean FPSO about two years ago.

Mr Wong acknowledged the FPSO project has faced "some disruption" though this is still being resolved in consultation with the customer and the affected shipyard.

He maintained, however, the outbreak of COVID 19 has had no "immediate impact on ground operations" to date.

The supply chain may nonetheless experience disruption that can affect production flows.

Sembmarine has buffer stocks of consumables that can tide over needs of "ship repair and short-schedule projects".

Long-lead items — typically including drilling equipment and gas compressors — run higher risk of having their deliveries affected.

Sembmarine is working with its suppliers to minimise such risks, Mr Wong said.

LNG-related boost

The group secured 55 LNG-related repair and upgrade jobs last year, including five conversion and upgrading contracts.

It touted this as a new record, setting the highest number of such contracts awarded so far to a single service provider in the global LNG sector.

All in, the group serviced 280 vessels last year, clocking in on average S$2.16m revenue for each vessel serviced, up from S$1.61m in 2018.

Notwithstanding the uptick in its repair and upgrade business, the group widened its losses last year, booking a net loss after tax of S$140.19m, up from S$78. 37m the year before.

"Competition remains intensive for all segments of our business; the group expects the trend of losses of continue into 2020," Mr Wong has warned.

Like others in Singapore's offshore and marine industry, Sembmarine has to work around tighter quotas now imposed on work permits granted to foreign workers in the construction, marine shipyard and process sectors.

Mr Wong said that Sembmarine has "prepared" in advance for this regulatory move, having embarked on digitalisation and automation to mitigate the impact of tightening access to foreign labour.

Foreign labour makes up the bulk of workers deployed in Singapore's marine shipyard sector.

Seaspan shrugs off coronavirus impact

SEASPAN Corp has discounted concerns over the coronavirus' impact on its business, as the world's largest containership tonnage provider posted strong results for 2019.

Chief executive Bing Chen said in a conference call that the company had very little exposure in the spot markets and continued to see carriers' demand for fixtures.

The US-listed owner, with a fleet of more than 100 boxships, has about $4.3bn in revenue locked in under long-term charters with an average remaining contract term of 4.5 years, Mr Chen added.

"And that is exactly the model that actually insulates us from the short-term market volatilities, such as the trade war and the coronavirus as for now."

While the outbreak of the disease is striking a heavy blow against China's exports and leading to a surge in blank sailings by carriers on east-west trades, all of Seaspan's vessels remain on hire, except two ships that are in dry dock for scrubber installations, according to executive vice-president Peter Curtis.

Asked whether the retrofitting project will be delayed amid the virus' impact, Mr Curtis, who is also the company's chief commercial and technical officer, dismissed the concern.

"In short, no, not really, as we've worked around some of the difficulties that we've faced in terms of logistics of getting bits and pieces to the yard, but we've managed to do pretty well on that."

Seaspan has another eight vessels that are scheduled for scrubber-fitting but have yet to be drydocked, he added. "It's rather a slight shifting of the date that the vessel arrives at the yard. So the impact to us is expected to be minimal."

That said, many newbuilding and repair shipyards in China are expected to suffer delays in deliveries with a serious lack of workers as a result of the extended Chinese New Year holidays and strict quarantine rules enforced by the government, the country's shipbuilding association reported earlier.

But Mr Chen appears confident that the situation will improve rather soon.

The disruptions to cargo demand as well as vessel supply "most likely will be tapped out in one month or two at the maximum", with the effective anti-virus measures taken by the Chinese government, he said.

"I think the second quarter will be the recovery quarter and the third quarter and fourth quarter will be the quarters that will be ramping up, particularly with regard to the manufacturing sector."

Seaspan has seen its operating earnings jump by 46.2% year on year to $687m for last year, while revenue increased 3% to $1.13bn.

At the same time, its vessel utilisation rate improved to 98.9% from the year-ago level of 95.7%.

In November, the company announced a $750m acquisition of power firm APR Energy in a bold move into multi-sector asset management.

Mr Chen reiterated in his latest remarks that Seaspan had no intention of diversifying away from the container shipping sector.

"I think that is the sector we will continue to grow," he said. "We will continue to be fully committed."

GoodBulk pays out higher dividend for fourth quarter as capes deliver

CAPESIZE specialist GoodBulk has increased its shareholder payout to $1 per common share after a strong fourth quarter and is expecting a recovery in dry bulk rates later this year.

The eighth consecutive quarterly dividend brings the company's cumulative distribution to $3.46 per share, meaning that it has returned more than 31.4% to initial investors since listing on the Norwegian over-the-counter market in March 2017.

Fourth-quarter net income increased by 3% to $10.9m as revenues climbed by 14.8% to $68.2m.

The quarter saw GoodBulk's 25 capesizes earn an average time chareter equivalent rate oif $21,142 per day, while the company's sole panamax bulker averaged $11,725.

Despite a wilting dry bulk market, the company has carried some strong fixtures into the current year.

So far, 28% of the fleet ownership days for 2020 have been fixed at an average daily hire of $17,280, far above the meagre rates offered at present.

The eight capesizes so far fixed to the end of this year or into 2021 will effectively cover 62% of the company's debt and interest repayments for the year, after payment of operating expenses, the company said.

While that leaves a majority of the fleet exposed to the beleaguered spot market, chief executive John Michael Radziwill said that it allowed the majority of the fleet to capture "as much as possible of the upside" from an expected market improvement.

GoodBulk admitted that "the addition of the novel coronavirus outbreak in China is adding a new level of complexity" in the dry bulk market and was expected to hit the flow of raw materials and consumption.

"However, once the spread of the virus comes under control, the Chinese government's measures to prop up infrastructure projects... is expected to support iron ore demand later in the year," it said.

"Although we do not expect 2020 capesize rates to match 2019's average of $18,025 per day, we believe the market will see a significant improvement as we approach the third quarter 2020," it added.

Mr Radziwill told Lloyd's List he expected "a coiled spring effect" as the effects of the epidemic were shrugged off. "We want to take the best advantage of that we can".

Contributing factors to the fourth-quarter result included a superior performance of the vessels in CTM's capesize pool and the fact that GoodBulk had so far avoided installing exhaust gas cleaning systems.

"There was a temporary reduction in supply [because of scrubber retrofits] and we kept all our ships open in a hot market," he said.

"So we have no capital expenditure going forward, we have already got the earnings in our pocket, while the jury's still out on scrubbers."

But Mr Radziwill said the company did not rule out installing some scrubbers later on.

"One of our principles is to be opportunistic to make money," he said. "Depending on the market you may need to find new avenues of value and scrubbers could be one of those avenues, so never say never."

IN OTHER NEWS

Greek owners sound alarm on looming compliance crisis

SHIPOWNERS are growing increasingly concerned about the impact of the coronavirus epidemic on the industry's ability to comply with everyday regulatory requirements.

According to the Union of Greek Shipowners, the world's largest national shipowners' association, the outbreak of the virus has already led to "serious problems" for ships en route or planning to sail to ports and shipyards in China or in littoral states in Southeast Asia.

The region is a major location for owners to schedule inspections for the renewal of certificates under international conventions or class rules and procedures, which usually require drydocking and repairs of their ships.

The UGS has just briefed Greece's maritime administration on the emerging problems and requested that the national ship registry stand prepared to grant extensions where appropriate for vessels unable to undergo inspections and have certificates renewed on time.

Greek owners have also sounded the alarm with the International Association of Classification Societies, saying it is "urgent" that member societies ensure that vessels afflicted with coronavirus-related difficulties are accepted as cases of force majeure for class purposes.

Carnival cruiseships trial on-time arrival system

CRUISESHIP operator Carnival has teamed up with Wärtsilä and the Hamburg Vessel Co-ordination Centre in an effort to reduce time wasted waiting for port berths and increase the efficiency and reliability of its port calls.

Two of Carnival's vessels, *AIDAperla* and *AIDAsol*, have completed live tests during which data shared between the HVCC and Carnival's fleet operation system was fed directly into the ships' Ecdis (electronic chart display and information system) using Wärtsilä's Navi-Port digital platform.

The system is designed to allow both the port and the ship operator to plan for "just in time" arrivals that allow for berths to be available for the ship. For cruiseships that can require the disembarking and embarkation of up to 6,600 people, delicate timing is required to cater for the buses, trains and flights required to feed passengers to and from the port.

Speaking as the result of trial was presented at the Smart Ports conference in London, Carnival nautical superintendent Michael Salzmann said a 12-hour delay in a port call could cost the company €1.5m ($1.62m). With 7,000 port calls a year globally, this can easily add up to a huge cost for the company.

Ukraine eyes four further port concessions following Qatari tie-up

UKRAINE plans to open four more major ports to the private sector, having recently signed off on a major deal with Qatari port group QTerminals.

According to Ukraine's minister of infrastructure Vladyslav Kryklii, international players are being sought as part of its ambition to build, strengthen and expand the economy. "Our goal is to make Ukraine a big transport hub and create the conditions for it," Mr Kryklii told delegates at the Qatari Maritime and Logistics Summit in Doha, Qatar.

Mr Kryklii said Ukraine is looking to attract major global players to operate, manage and develop the ports of Mariupol, Berdyansk, Odessa and Chornomorsk.

The first tender will be offered for a new container terminal in Chornomorsk, while a concessionary process will also soon be launched for Odessa, where the private sector will be invited to bid for its own container terminal and passenger terminal.

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