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Imabari finalises tie-up with JMU as Japan looks to merge yards

IMABARI SHIPBUILDING AND Japan Marine United, two of the largest shipbuilders in Japan, have firmed up the tie-up deal unveiled late last year.

The move comes amid rising consolidation in the industry with news emerging that Tokyo is pondering a so-called "All Japan Shipbuilding" plan to integrate the country's shipyards on a much larger scale.

The Imabari-JMU partnership involves the former acquiring a stake in the latter and the two establishing a joint venture to co-develop and sell vessels — except for liquefied natural gas carriers.

Imabari said in an announcement that they have signed the agreement on Friday and will implement it on October 1. The aim is to "strengthen the international competitiveness of both companies' merchant ship business", it added.

The joint venture, named Nihon Shipyard Co, will be 51% owned by Imabari and 49% by JMU. It plans to hire 500 staff from the two companies.

Meanwhile, Japan's government is envisaging the possibility of consolidating 15 main domestic shipbuilding companies, the Japanese newspaper Nikkei has reported.

The government was said to be driving the discussion between yards, which is still at an early stage.

Japanese shipbuilders are under increasing pressure amid dismal market conditions and intensifying competition from their foreign rivals in China and South Korea who have embarked on merger and acquisition moves.

As of end-February, the size of the global orderbook has fallen to 74.1m compensated gross tonnes — the lowest level since the middle of 2003, with Japanese builders bearing the brunt, according to Clarksons data.

At last count, Japan's backlog had shrunk more than 35% in cgt terms from end-2018, while China and South Korea contracted about 15% and 6%, respectively.

Some players, such as Mitsui E&S Shipbuilding and Kawasaki Heavy Industries, are scaling down their domestic facilities and moving production to China to gain cost competitiveness.

On the other hand, China last year established what has been described as the world's largest shipbuilding group following the marriage of state-owned China State Shipbuilding Corp and China Industry Shipbuilding Corp.

South Korea's Hyundai Heavy Industries has launched the fusion with compatriot rival Daewoo Shipbuilding & Marine Engineering, although the deal is facing strict scrutiny from antitrust authorities overseas, including the European Union and Japan.

Nikkei earlier said that the Imabari-JMU alliance could set an example for other Japanese builders seeking potential mergers.

WHAT TO WATCH

Dry bulk rates soften as Anglo moves to curb output

ANGLO American, a global miner, said it has had to curtail some operations because of the coronavirus crisis in line with government guidance.

Due to a 21-day lockdown announced by the government of South Africa, Anglo's Sishen and Kolomela mines, which form part of its Kumba iron ore complex, will continue to operate with a 50% workforce, it said in a statement, adding that its thermal coal facility will see its labour and output fall by up to 70%.

"The rail and port logistics infrastructure to support the export of iron ore and coal is expected to continue to service the operations during this period," it added.

Anglo expects the reduced activity to impact its full-year production figures, with a drop of 2m to 3m tonnes of iron ore from Kumba and 1.5m to 2m tonnes of export thermal coal volumes.

The dry bulk market has seen rates soften as a result of new measures imposed around the world to tackle the spread of the deadly virus that has claimed more than 24,000 lives so far.

Glencore said its coal operations would be impacted in South Africa and in Colombia, while Vale earlier said its operations could be affected with a temporary halt at its Malaysian iron ore distribution centre.

According to analysts, all vessel types are facing challenges and negative influences at the moment.

"Still extremely challenging times for the big ships, and with present expected virus-related restrictions on trades for major raw commodities, it would not be wise to expect any immediate recovery," said Fearnleys in a note, adding that with India, South Africa and possibly other relevant areas fully or partly shutting down their port operations, this was adding to negative sentiment.

The average weighted capesize time charter on the Baltic Exchange fell to $3,675 per day at the close on Friday, 11% lower than at the start of the week.

Other vessel types shaved off gains.

Panamaxes closed on Friday at $6,563 per day on the Baltic Exchange, a drop of 5.8% since Monday, while supramaxes were assessed at $7,054 per day, down 12%, and handysizes were quoted at $7,224 per day, 6.2% lower than on March 23.

A glimmer of some hope for the panamaxes was seen, because of a strong South American grains export season, but how long this could hold up in light of port closures remains to be seen.

Supramaxes are also facing negative pressures, according to Braemar ACM, with fixtures falling for April out of Asia.

With Indian ports closing down, coal shipments from Indonesia are out of the equation, but "even cargoes unaffected by the strict regulations are being pushed back for fear of such" measures kicking in at a later stage", the brokerage said.

For handysizes, a similar picture was seen, with a downward trend expected into next week, it said in a note.

Ferry operators face revenue crisis

WITH unnecessary travel being restricted in many countries to halt the spread of the coronavirus, ferry companies that rely on passenger traffic to support their cargo operations are beginning to feel the strain.

Industry organisation Interferry has called for governments to support operators to offset "unsustainable losses" incurred while operating "lifeline" services during the pandemic.

"Ferry operators understand the essential role they play in keeping the supply chain channels open," said Interferry chief executive Mike Corrigan. "These companies continue to provide lifeline service, recognising they are incurring mounting financial losses that are unsustainable over the longer term. Operators are reporting declines in passenger traffic between 75% and 100% and reductions in vehicle traffic of more than 50%."

The issue was highlighted this week by English Channel operator P&O Ferries, which has reprioritised its services to focus on freight operations and is suspending its passenger operations.

"P&O Ferries is having to respond with new measures to keep the business operational and to keep freight moving, which is vital to the economies of the UK, France, Ireland and the wider EU," said chief executive Janet Bell.

"Ordinarily, for P&O Ferries to provide the service required for the transport of freight, there needs to be a mix of passengers and cargo on the ships. However, due to the outbreak of Covid-19, there are now very few passengers travelling and we cannot sustain these normal operations. Consequently, P&O Ferries will be suspending its passenger business and we will be focusing all of our efforts on maintaining the flow of freight to Britain."

As a result, 1,100 passenger facing staff will be furloughed under the UK's income support programme, which will see the government pay 80% of salary with the company covering the rest.

German owners' association Verband Deutscher Reeder has also warned that the nation's ferry services to German islands in the North and Baltic Seas will also face constraints.

Due to a lack of passengers, these connections have been reduced to a bare minimum. Goods transportation has also collapsed because of a lack of demand.

"Some of these mostly small and medium-sized shipping companies are already in danger of serious liquidity problems in the next few weeks even though they have operated very prudently in the past," said VDR president Alfred Hartmann.

The operators in question had pledged to continue ensuring a secure supply of the islands, in particular with foodstuffs.

"However, there may soon be the situation in which some will need financial aid fast to maintain their shipping operations," said Mr Hartmann.

Interferry is also asking governments for financial aid, calling for direct financial support to replace lost and severely reduced revenues; provision of interest free loans; tax relief from payroll taxes and other government imposed taxes; and relief from fixed port fees, where applicable.

Thailand picking up cheap distressed LNG cargoes

THAILAND has taken advantage of low liquefied natural gas prices to pick up spot cargoes on the cheap as demand for the supercooled fossil fuel fell through the floor amid the coronavirus outbreak.

This came after the Thai government reportedly directed state-owned oil and gas group PTT earlier this year to look into procuring cargoes from the spot market.

PTT has imported at least nine cargoes through the Map Ta Phut LNG terminal since late January, with four more to land in the coming weeks, according to Lloyd's List Intelligence data.

Four of these were sourced from Qatar, two from Australia, and the rest from Indonesia, Malaysia, the US, Papua New Guinea and possibly Nigeria.

PTT has a standing long-term offtake with Malaysia's Petronas for supplies from the giant LNG complex in Bintulu.

It is not known to have signed any similar contracts with LNG project owners in Qatar, the US, Papua New Guinea and Nigeria.

Qatar Petroleum, for one, has recently sold two spot cargoes to PTT, Reuters reported, citing unnamed trading sources.

LLI data showed that Qatar gas shipping company Nakilat's LNG carriers Al Thumama and Al Kharssah have unloaded four cargoes at Map Ta Phut from late January through to date.

Prior to calling at Thailand's sole LNG terminal, the two carriers used to ply trades with China, India and Japan.

PTT has also imported one cargo each from Chevron's Gorgon plant and Woodside's Pluto complex in Australia over the last two months.

Two more shipments en route from ExxonMobil's Papua New Guinea LNG project and Cheniere Energy's Sabine Pass in the US are due to arrive at Map Ta Phut in the coming week.

Thailand and India have embarked on a buying spree, grabbing LNG cargoes that have appeared in the spot market when the larger economies in North Asia were hit hard by the coronavirus outbreak.

But with India now headed for a three-week lockdown, LNG project owners are now looking to export distressed cargoes to Thailand.

PTT has purchased two cargoes for delivery from Qatar Petroleum at about $3.05 to $3.15 per million British thermal units, Reuters reported, citing unnamed traders.

OPINION

Shipping hopes it is a case of 'V' for victory

"CAUTIOUS optimism" used to be the standard executive non-committal phrase for forecasting the unforecastable in earnings calls, *writes Richard Meade.*

Any chief executive currently venturing beyond "limited visibility" or "uncertain market conditions" in their apparently endless supply of vague synonyms is either a liar or delusional.

The more accurate response would likely involve an emoji screaming in terror.

When even the double-hulled optimism of container line bosses starts to buckle you know you're in trouble.

The shape of things to come is the multi-trillion dollar question right now.

That we have lost the entirety of second quarter of the year economic output is pretty much a given as the economic tsunami of coronavirus crashes through the global markets upending every aspect of the shipping industry in its wake.

But what next? The optimist hopes that the rest of the world follows the Chinese infection curve, there or thereabouts, and we are back up and running sometime in the third quarter of 2020. Assuming the global government stimulus jump starts are delivered forcefully enough and infrastructure spending packages pay out with tangible results, the hope is we see a V-shaped recovery.

However horrific the disruption looks right now at a consumer level, we have to believe that the coronavirus is not going to structurally change the shipping markets.

Container bosses may be struggling to see the upside right now amid the cashflow crunch that will likely take some casualties, but when the global supply chain eventually unplugs the current bottlenecks it is likely we will see something akin to a ketchup bottle splurge.

And we have to remember that bulk carrier markets are still driven by China which still has plenty of domestic demand for iron ore, coal, foodstuffs, metals, fertilisers and pretty much everything that makes the global trade wheels go round.

But will this be V shaped recovery with everything bouncing back to normal once the underlying infection has been dealt with, or are we facing more of a U-shaped return as things take longer than the optimists are hoping for? God forbid it's a case of the dreaded L-shaped no recovery.

Right now nothing is clear, but that will not stop many taking an educated punt on what happens next.

As Shipping Strategy's Mark Williams put it to us in this week's edition of the Lloyd's List Podcast, this is the point at which the old saw about buying when there is blood on the streets comes to mind.

Opportunities for bold moves will come for those with cash and conviction: No doubt the hard part will be to secure decent tonnage at sensible prices, while we ride out the bottom of something likely to look somewhere between a V and a misshapen U.

In shipping, as in comedy, timing is everything.

ANALYSIS

New York/New Jersey port keeping throughput on track

PORT of New York-New Jersey director Sam Ruda remains on message in his effort to keep the coronavirus at bay, even as he seeks to boost cargo throughput for a US economy that is visibly straining under the weight of the pandemic.

"Cargo is moving and the goal is to keep the port open and, but keep it open safely, with a nod to the safety of port workers and all the port stakeholders," Mr Ruda told Lloyd's List.

He said terminal operators "have protocols in place" which includes daily cleaning and physical separation of the workers, all in keeping with health guidelines established by the states of New York and New Jersey, as well as the Centers for Disease Control.

"The health and safety of the port workers is paramount here," said Mr Ruda, who was named PNYNJ director last April after more than 25 years in the container shipping industry.

Safety is indeed the operative word these days, especially since the US has overtaken China with the most cases of the disease in the world, while New York leads the US with some 37,802 infections, about half of all cases in the country.

Still, it is vital for the nation's economy to keep cargo moving at the port of New York-New Jersey, where throughput has been "basically flat" during January and February.

Mr Ruda said that the port's figures are "down just slightly" over the same period in 2019 following the burst of throughput created by frontloading ahead of tariffs imposed during the Sino-US trade war.

For February this year, he said, "we were down about in container volume — in total import, export, everything — about 1%". But he sees that figure in a positive light.

"Well, given where things are, I would view our first two months as actually pretty positive because they're coming off very strong on the comparables or against a very strong January, February 2019," he says.

In any case, Mr Ruda does not believe the figures for January and February are reflective of the impact of the coronavirus shutting down production centres in China.

"Our January and February numbers don't really reflect any of the downturn in Asia and China because that was probably all cargo pre-closure of lunar new year just because of the transit time to get here," he says.

Still, the impact from factory closures in China has been felt in New York-New Jersey more recently, Mr Ruda said, as the port experienced 13 blank sailings so far this month.

"So, obviously we will be down when we finish the month and report our March numbers. And, you know, we've basically already said publicly that we could be as down as much as 30% because of the 13 blank sailings," he says. "But we're still open."

The port complex is looking forward to what's coming out of China, especially since just five blank sailings are on the horizon in April, four out of China and one out of Europe.

"All China ports are open," he says. "So we expect to see that cargo, relative to our March decline, start showing up by the second week in April and maybe continue for three to four weeks."

Beyond that, he does not want to speculate.

"I'm reluctant to really talk too much beyond April and May," he says, adding that "we'll start seeing that cargo by the second week in April and extending into May". Mr Ruda expects this to last for three to four weeks.

"Beyond that I think it really becomes a big question about what's happening on the demand side," he says, referring to the state of an economy that is increasingly going into lockdown.

The economy is under strain as employers lay off workers and state officials order non-essential businesses to close. A record 3.28m US workers applied for unemployment benefits last week, nearly five times the previous record of 695,000 set in October 1982.

With fewer workers employed, the demand side could be collapsing just as the supply side is stepping up in China. The result could be a lot of loaded containers coming into ports with no market to absorb them.

"This is a concern," Mr Ruda says. "I think if nothing changes this will become an issue probably two to three weeks out for us based on our being 30 days out from Asia and so forth. So we are watching this issue... it's definitely on our radar."

He adds: "The goal is always going to be to keep the terminals fluid."

Meanwhile, "at the gateway here, everyone is working together and collaboratively. We all have the same goals. Keep the port open, but do it in a safe manner."

MARKETS

Glencore closes coal operations in Colombia and South Africa

GLENCORE, a global commodities producer and trader, has decided to halt some operations amid the coronavirus outbreak.

It said in a statement that while its larger operations had not been materially impacted as of March 26, several of its smaller assets "have had to restrict or stop operations".

In South Africa, the government announced a 21-day lockdown beginning on March 26 and Glencore has put its ferroalloys operations into care and maintenance.

The miner said it has also placed the Middleburg and Graspan coal operations on care and maintenance, "supported by skeleton crews to maintain essential services".

In line with guidance received from authorities, it will continue to supply the local electricity company Eskom with coal, but volumes for export will have to approved by the Department of Mineral Resources.

While Glencore exported 13m tonnes in 2019, down from 17.3m tonnes a year earlier, it increased domestic volumes to 13.9m tonnes, up from 10m tonnes.

According to Reuters, South Africa's dry bulk terminals will stop operating because of the lockdown.

In Colombia, Glencore said that even though the country's president exempted mining from a 19-day quarantine imposed from March 25, "growing community tensions and restrictions on logistics have made it very difficult to ensure the continued and safe operation of Prodeco (coal operations) and the security of its host communities".

While Prodeco has transitioned to care and maintenance, the port will continue to operate, it said.

Production from Prodeco amounted to 15.6m tonnes in 2019, up 22% from a year earlier.

In Canada, Glencore has placed the Raglan (nickel) and Matagami (zinc) operations in Quebec in care and maintenance for three weeks as the state ordered non-essential businesses to close. However, its assets in Ontario can continue to operate as that state has declared mining an essential business, according to the company.

CIMC foresees further decline in container demand

CHINA International Marine Containers expects the box-making industry to contract further having posted weaker results for 2019.

The Shenzhen and Hong Kong-listed company warned of the deepening impact of coronavirus on the world's economy and trade.

"There are big uncertainties about the container trade prospects in 2020, global demand for containers is at risk of further contraction," the world's largest box manufacturer said in an exchange filing.

Liner shipping carriers, one of the major customers of CIMC, have already started to prepare for a slowdown.

The 2M alliance, earlier this week, withdrew two services on the Asia-Europe trade, both with first departures next week. That was followed by Ocean Alliance's decision on Thursday to blank sailings on two transpacific routes from April 5 at the earliest.

Maersk, the world's largest carrier by fleet size, said it was now preparing to match its network to the reduced volume.

The box-making industry had already sustained a year of slow demand in 2019 amid the impact of the US-China trade war, said CIMC.

As a result, the company's net profit in this business plunged 92.8% last year to Yuan137m ($19.4m), while revenue shrank 36.1% to Yuan20bn.

It sold 898,600 teu of dry containers and 137,500 teu of reefer containers, down 41.8% and 18.25% compared with 2018.

CIMC said the virus fallout was also expected to weigh on its other businesses, including road transport, energy and liquid storage equipment, offshore engineering and logistics services.

"The extent of the impact going forward will depend on the virus-control conditions both in China and overseas as well as the duration of this pandemic," it said.

The company's net profits last year fell 38.3% to Yuan2.5bn, while revenue dipped 8.2% to Yuan85.8bn.

Australian gas shortfall persists despite lifting of bans

DESPITE bans being lifted on the utilisation of domestic oil and gas resources, Australia still faces an emerging gas shortfall along its southeastern coast. This will support liquefied natural gas imports to feed the needs of its two most populated states.

Earlier this month, Victoria has joined New South Wales in removing years-long bans on onshore gas drilling as businesses and residents in the two states struggle to cope with volatile gas prices, especially during winter peaks.

These regulatory moves, though widely applauded in Australia, would not help avert a supply shortfall that may well curtail gas-fired power generation in the southern states from 2024, the latest annual report released by the Australian Energy Market Operator suggested.

AEMO, which manages electricity and gas systems across Australia, projected that the supply from existing and committed gas development on these states will fall more than 35% during the next five years.

Victoria could face peak winter day supply gaps as early as 2023 if several gas fields cease production sooner, the report added.

The state government has indicated the intent to lift the ban on onshore conventional gas exploration and development from July next year.

Developers of floating storage, regasification units proposed for Australia's east coast have latched on to Victoria's late move to moot the viability of their projects, according to a Platts report.

South Korea-based EPIK still aims to sanction its LNG import terminal in Newcastle by the end of this year.

"With or without additional conventional gas development in Victoria, there is still a strong need for significant additional natural gas volumes being brought in through our proposed terminal," said an EPIK executive.

A spokesperson with Australian Industrial Energy, the driver behind the Port Kembla gas terminal project said: "Our focus is meeting predicted short-term gas shortages, which are unlikely to be satisfied by onshore development projects, given the lengthy processes associated with exploration, permits, pipeline construction and a range of other factors."

A second spokesperson with AGL, the outfit driving the Crib Point regasification project concurred with this remark.

"Gas projects take significant periods to develop, commonly seven to 10 years, as they require long-term environmental safety planning and are subject to a rigorous environmental assessment."

A final investment decision on the Crib Point project however, remains subject to regulatory and environmental approvals being granted for the development.

IN OTHER NEWS

Coronavirus: Cruise operators excluded from US bailout

MAJOR cruiseship operators will be excluded from the US government's $2trn coronavirus aid package because they are incorporated offshore, according to reports.

Industry group the Cruise Line Industry Association said on Thursday the industry would not be able to access the $500m for large employers set aside in the bill, which passed the Senate on Wednesday and was expected to become law soon.

The biggest cruiseship operator, Carnival Corporation, is headquartered in Miami but based in Panama, Royal Caribbean Cruises is incorporated in Liberia and Norwegian Cruise Lines in Bermuda.

Coronavirus: Call to prioritise protection of UK port workers

PORT workers should be prioritised for personal protective equipment to keep them working during the coronavirus crisis, according to Maritime UK.

The lobbying organisation for Britain's maritime industries — which has formed a maritime business continuity task force in response to the pandemic — has also expressed concerned that many of members are struggling to access emergency government funding to keep businesses afloat.

"Without funding and safety equipment, it will become increasingly challenging to bring in the goods that are needed most to combat the coronavirus," it said.

APL imposes congestion surcharge for Kolkata

VARYING approaches are being taken towards operational difficulties caused by the coronavirus outbreak with some parties being forced to add charges to help cover their costs, while others are urging restraint.

In South Asian ports, where a 14-day quarantine is being strictly enforced, APL is among the first lines to have introduced a port congestion surcharge for Kolkata port.

APL said it would impose a $150 per teu port congestion surcharge on imports to Kolkata either directly from, or transhipped via, Singapore and Port Klang. The charge will be effective immediately.

Australia's top LNG producer defers project FIDs

AUSTRALIA'S largest liquefied natural gas producer, Woodside Energy is slashing 60% of its planned investment this year and postponing final investments on two large-scale brownfield liquefied natural gas projects.

Citing macroeconomic uncertainty arising from the coronavirus outbreak and significant declines in crude and LNG prices, Woodside announced the deferral of targeted final investment decisions for Scarborough field development, the Pluto Train 2 and the Browse LNG project.

By cutting out non-committed activities, the firm said that it would be able to slash about 60% of its investment expenditure to A$1.7bn ($1bn) and A$1.9bn for this year.

Synergy's Unni proposes solution to crew rotation problem

SYNERGY Group chief executive officer Rajesh Unni has taken the spiraling problem of crew changes by the horns, proposing the organisation of collective crew changes at key hub ports by ship managers and owners as a solution to the seafarer welfare crisis currently threatening global supply chains.

Drawing attention to the ticking "time bomb", the founder of the group, which employs over 12,000 seafarers on more than 300 vessels, said: "I believe that collective, carefully managed crew changes at designated ports could help us tackle this crisis."

Capt Unni said in a press release that he is now reaching out to like-minded stakeholders to expedite collective crew changes. "We have already spoken to a number of leading shipowners and they agree this is a positive way forward," he said.

Greece looks set to proceed with first FSRU

GREECE'S first floating regasification and storage unit has received binding offers for the supply of 2.6bn cu m of natural gas over up to 15 years to domestic and international players.

These offers for volumes from a proposed FSRU being developed by Greek utility company Gastrade at Alexandroupolis were received during a market test launched in January that concluded just earlier this week.

A non-binding first phase tender held for the project attracted expressions of interest for 12.2bn cu m of overall gas supplies.

Coronavirus: Fitch reviews US port credits

INTERNATIONAL credit ratings agency Fitch is revising its economic outlook of the North American ports sector, because of the "sizeable and wide-ranging effects" of the coronavirus pandemic.

Fitch cited disruptions to supply chains emanating from the first rounds of infection in Asia and government-imposed restrictions on individuals, businesses and corporations.

It said "the former directly affects cargo port volumes, while the latter affects both cruise port passengers and the broader consumer demand that drives imports and exports".

LA port director underlines role in easing national emergency

PORT of Los Angeles executive director Gene Seroka underlined the national emergency resulting from the coronavirus pandemic and insisted the port would keep supplies coming as smoothly as possible.

"I'd like to say that the health and safety of our workforce, our citizens of Southern California and the country are first and foremost on our minds," Mr Seroka said on Thursday in an online press conference.

"To that end, we also must keep our supply chains moving to get essential goods to our consumers and medical supplies to our hospital community and those who are caring for our ill," he said.

Coronavirus: UK ferry crossing rules amended

TRUCKERS will be allowed to stay in their cabs during UK domestic and international ferry crossings, following a Maritime and Coastguard Agency decision to relax current rules as part of its response to the coronavirus crisis.

Car passengers will also be able to remain in their cars, albeit only on domestic services, a statement added.

The move follows an announcement from the MCA earlier this week that it is suspending port state control inspections and vessel inspections, and taking a softer stance on seafarer certification rules, for the duration of the crisis.

Classified notices follow