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Maersk tests buyer appetite for $900m-plus product tanker deal

MAERSK TANKERS HAS underlined its intent to continue growing its presence in the product tanker market, even as evidence is stacking up that the ownership side through its affiliate business views the moment as ripe to cash in by selling a significant chunk of its fleet — if the price is right.

The company, which already commercially manages the world's largest product tanker fleet with more than 220 vessels, aims to continue growing its footprint in the sector, according to chief executive Christian Ingerslev.

At the same time Maersk has "a dynamic approach to buying and selling", he told Lloyd's List, the aim being to "buy cheap... and sell expensively."

AP Moller Holdings' presence as an owner invested in the product tanker sector is kept separately, since the 2017 formation of Maersk Product Tankers as a joint venture with Mitsui & Co.

The Danish group is the majority partner in the owned fleet, which currently numbers more than 80 tankers ranging from small clean tankers of about 15,000-17,000 dwt up to long range twos.

Although the company is open to offers for any of its tankers at any time, recently it has been active in flushing out interest in a major chunk of the Maersk Product Tankers fleet.

Leading private and publicly-listed tanker owners have been approached in the last few weeks with regard to acquiring what can be considered the cream of its fleet.

Sources say the fleet being touted comprised 15 medium range two tankers of less than five years of age, built by Samsung Heavy Industries and Sungdong Shipbuilding, and 10 new long range two tankers that will begin delivering later this year from Dalian Shipbuilding. The newbuilding series will completed with two deliveries in 2022.

Mr Ingerslev declined to comment on the market reports.

"There will be a constant review of what we feel is attractive to buy and attractive to sell, but until we have actually done something, I cannot confirm anything specifically," he said. "But what I can confirm is that all 84 ships are for sale at any one time. If we get an attractive price, every single asset in its own right is for sale."

Based on prices given on VesselsValue.com, the online valuer, the current market value of the 25 tankers comes to $946m.

Some publicly listed players have shown interest on the basis of a part-stock transaction, said industry sources. But Maersk has not been willing to accept part-payment in shares.

Others point to the difficulty of raising huge amounts of debt or equity in the current market as another barrier that a deal of this scale would have to surmount.

"They have been sellers for a long time but who is going to buy?" one veteran shipbroker said. "I think it is a tough sell. I have not heard of any serious en bloc buyers for any particular group of ships. They may just have to sell ship by ship," he said.

Other leading brokers confirmed that Maersk was out in the market but saw a different level of activity and it appears the company is exploring more than one route to cashing in on some of its tonnage.

One said that he was not aware of the entire fleet being put up for grabs but he knew of seven tankers from the fleet already on the water that were circulated for offers. A different brokering house said it had hear of four LR2s and up to six MRs.

Another senior broker, however, said that the company was soliciting interest but in a more general way. "They feel it is a good time to sell," he said.

"The tanker market has done well. There are a lot of vessels now engaged for storage and you don't know how long that is going to last. People are wondering what the market will be like when they come off contracts and in this respect they [Maersk] feel it is better to sell now than later," the broker said.

Transition from classic tanker owner pays off for Maersk

SPLITTING Maersk's tanker activities between two separate entities is enabling the Danish holding company to remain a powerful presence in the oil trades regardless of the size of its fleet.

Asset-light Maersk Tankers and shipowner Maersk Product Tankers are together bringing a new business model to the notoriously volatile tanker markets, and showing that growth is not solely dependent on the ownership of ships.

Separating the two operations has given Maersk Product Tankers the freedom to be far more active in the sale and purchase market.

Industry speculation that Maersk was planning to scale back its tanker operations, or even pull out altogether, amid reports of considerable selling interest, have been firmly rejected by Christian Ingerslev, chief executive of both Maersk Tankers and Maersk Product Tankers.

The former has 224 product tankers under commercial management for 34 owners, including Cargill and Team Tankers, as well as Maersk Product Tankers.

The latter, a joint venture between AP Moller Holding and Mitsui & Co, currently owns 84 vessels. But that is a fluid number, with the fleet size constantly under review.

Maersk Product Tankers does not identify specific ships that it wants to dispose of, but would consider offers for any of its vessels.

"All 84 ship are for sale at any one time," Mr Ingerslev told Lloyd's List. "Everything is for sale. If we get an attractive price, every single asset in its own right is for sale. Our ultimate goal is to buy cheap, run [ships] efficiently, and sell expensively."

The company was created nearly three years ago, since when it has been more agile than under the former ownership structure.

"We have a dynamic approach to buying and selling. We could buy everything, and we could sell everything, depending on what we think is attractive," said Mr Ingerslev "Our strategy is to have a constant review and we will sell assets where we feel the price we are offered is attractive, or buy where we feel price is attractive, and in the meantime, we will utilise the management platform to optimise the value of the ships while we own them."

Maersk Product Tankers sold 12 tankers last year, bought eight secondhand ships, and took delivery of four newbuildings.

The company's owners "are not wedded to their assets, as an investment company, they are quite agnostic as to what we do," said Mr Ingerslev.

Maersk Tankers changed hands in 2017 as part of AP Moller-Maersk's strategic shift of direction and decision to withdraw from energy-related activities in order to concentrate on container logistics.

AP Moller Holding, the investment arm of the AP Moller Foundation whose portfolio includes 50.1% of the votes in AP Moller-Maersk, bought Maersk Tankers for almost $1.2bn.

Ship assets were then transferred to Maersk Product Tankers, a new joint venture between AP Moller Holding and Japan's Mitsui & Co.

"Today's Maersk Tankers is an asset light service company providing second to none commercial management," AP Moller Holding chief executive Robert Uggla said in an emailed statement. "The Maersk Tankers team applies digital solutions to optimise earnings for its pool partners and to reduce the industry's CO_2 emissions. The platform has experienced strong growth with more than 220 vessels in the Maersk Tankers pools."

Maersk Product Tankers "is an asset company with 84 product tankers .... which pursues a dynamic fleet strategy, selling and buying vessels depending on market opportunities and customer's requirements," said Mr Uggla.

Today, those assets plus newbulding commitments are worth around $2bn, representing growth of some $800m over the past three years since the change of ownership.

At the time of the acquisition, Mr Uggla said that Maersk Tankers should benefit from a simplified ownership structure and fully-focused board of directors.

Rather than being part of the same conglomerate as Maersk Line, APM Terminals and Damco, where there are few synergies with the oil trades, Maersk Tankers would have a separate board of directors "who will be able to spend 100% of their time" addressing the challenges and opportunities faced by the product tanker specialist, he said.

Maersk Tankers was established in 1928, and ever since has remained an integral part of the Danish shipping empire that was built up by Mr Uggla's grandfather, Maersk Mc-Kinney Moller.

It is now on a growth trajectory, with the number of vessels under commercial management increasing from 160 at the end of 2018 to 225 this year. That represents one of the world's largest fleets of product tankers, but Maersk Tankers is looking to expand further through partnerships.

The rationale for moving away from a classic tanker company and establishing two tanker operations reflected the need to tackle three problems — how to transition to cleaner fuels, climate change, and the fact that the industry, with the exception of the past few months, has typically produced weak earnings.

"The goal is to use our scale and expertise to create a more sustainable, digital, and profitable industry", said Mr Ingerslev. Maersk Tankers "wants to be part of the solution that solves these three challenges," he said.

WHAT TO WATCH

Shipowners reassessing Venezuela calls as sanctions bite

TANKER owners are cancelling or reconsidering Venezuela calls and reassessing ownership structures amid increased US sanctions scrutiny of crude exports from the South American country.

Four tankers belonging to prominent Greek families were blacklisted two weeks ago — a move that has further strengthened an unwillingness among a growing number of charterers to take any tanker that has visited Venezuela in the past year.

A total of 78% of all shipments from Venezuela in the past 12 months on vessels linked to Greek owners.

There are fears now that sanctions will be further expanded to capture a number of tankers currently laden with Venezuelan crude for which a buyer cannot be found, or those that have been chartered in past months.

Liberian-flagged very large crude carrier *Boston* is one of the first tankers seen shunning Venezuela. The vessel is now sailing for orders after spending the past 15 days in waters off Venezuela's coast. That included six days when it did not transmit an Automatic Identification System signal, Lloyd's List Intelligence vessel-tracking data show.

Boston operator Dynacom Tankers told Lloyd's List on Wednesday that the vessel's AIS was working normally, the ship is free of cargo and awaiting its next business.

"The vessel has not and will not call at any Venezuelan port," a representative said.

Some 108 tankers have loaded crude exports from Venezuela so far this year, but numbers diminish each month as US expands sanctions on the country's oil industry, including trading subsidiaries of Russia's Rosneft, which had been marketing and selling on behalf of PDVSA.

Fears that extended penalties will touch shipowners intensified after the US administration issued guidance to the international maritime industry on May 14 on how to detect sanctions-evading practices. These included strategies long employed by tankers shipping both Iranian and Venezuelan cargoes including gaps in tankers' AIS transmission, flag-hopping, complicated ownership structures and changes and ship-to-ship transfers.

Liberian International Ship & Corporate Registry chief operating officer Alfonso Castillero confirmed the Boston's AIS signal was off but the ship continued to transmit Long Range Tracking and Identification.

Preliminary information shows the vessel has not called at Venezuela, he added.

Cancellations are likely prompted by the fate of tankers currently laden with crude which have been tracked undertaking irregular voyages as PDVSA and Rosneft struggle to find buyers for cargoes.

Two months after being loaded at Venezuela between mid-February and mid-April the Panama-flagged VLCC *Kelly* remains laden. The tanker sailed to offshore Malta but is now off Angola and appears to be heading for South Africa or Singapore.

Over the past four months there have been long periods when the vessel has not transmitted an AIS signal, according to Lloyd's List Intelligence vessel-tracking data.

Data shows the vessel stopped emitting AIS signals on February 12 while it was off Brazil and headed northwest. The ship's AIS signal only resumed on April 18, over two months later and just for a couple of hours, showing the vessel to be off Guiria, Venezuela.

After that, the ship did not transmit an AIS signal for a further ten days until April 28 when it reappeared west of Tenerife. Once AIS signals began again on April 28, *Kelly* headed towards Malta where it passed a ship-to-ship transfer point on May 6. It then headed toward southern Greece where it moved in circles before heading back west in mid-May and continuing to where it is today.

The vessel *Kelly* appears to have been sold by its Greek owner Altomare some time in April. An Allied Shipbroking weekly report from the end of April showed that Kelly was one of three VLCCs sold in an en bloc deal by Altomare worth $90.5m.

One of the other two tankers in the deal, *Rene*, has not transmitted a signal since March 10, when it was around the Cape of Good Hope, according to Lloyd's List Intelligence. The last sold vessel, *Marbella*, called at Puerto Jose, Venezuela in January, according to Lloyd's List Intelligence data, although no AIS signal was seen between December 18 and March 20. The vessel has been signalling that it is laden, and off waters off the Gulf of Oman since April 10.

Lloyd's List has contacted Altomare for comment.

All three VLCCs are flagged in Panama.

The Panama Maritime Authority warned last week that it would begin issuing fines to its vessels that were tampering with AIS or LRIT signals.

PMA merchant marine director general Rafael Cigarruista told Lloyd's List that International Maritime Organization regulations clearly request the LRIT and AIS to be operative 24/7 and anything out of this situation will be investigated.

"In any event, the equipment is altered or tamper[ed], the vessel may [be] subject to fines or possible cancellation," he said.

OPINION

Shipping needs help to achieve green targets

THERE is no golden fuel solution for shipping's quest for decarbonisation, not even a silver bullet, *writes Richard Clayton*.

But there are plenty of grey elephants in the room that need to be identified. Some of them were uncovered in a Mare Forum webinar, which discussed 'Sense and Nonsense about future fuels.'

Once more, the value of liquefied natural gas as the best available solution over the next 20 years was debated, along with the shortcomings of battery technology. It will have come as a surprise to no one that the highest response to a poll question that asked which fuel strategy would most likely meet the decarbonisation agenda was a mix of alternatives.

While that sounds reasonable it is, in fact, no solution at all. It merely demonstrates the state of uncertainty the industry is in. One speaker grumbled that the International Maritime Organization had set targets but provided little guidance as to how those targets should be met.

"If a shipowner invests in one of the new technologies," he asked, "how will he know it will still be viable in 20 years' time?"

A provocative comment from a listener suggested the industry should instead wait for the IMO to say what fuel to use and do nothing in the meantime.

Another listener asked how many shipowners globally are working on a strategic plan for the next 20 years, with milestones already in place.

The implication was that few, if any, had the capacity to think that far ahead. How many shipowners had appointed a chief strategy officer to oversee such a strategy? Again, few if any.

The largest of the elephants is this: shipping is under constant pressure to ensure short-term commercial viability — say two or three years ahead — while facing demands to meet emission targets some 20 or 30 years ahead.

It would have been better to set an emissions target for 2025 and 2030; and revise the longer target in 2025.

As a consequence of unrealistic expectations, all solutions are being pursued with passion by their advocates. Even scrubbers, a stop-gap solution if ever there was one, has been given a boost by low oil prices.

Incredibly, the burden of finding a solution has been laid on the shipowner. They argue, and the point was clearly made by webinar speakers, that the end user — the shipowners' clients' clients — cannot make up their mind whether they want cheap goods or a clean environment.

The extra cost on a pair of shoes of decarbonising the supply chain is only a few cents but this has become a bridge too far. How much would the consumer be prepared to pay for a green solution? Does commercial viability trump environmental protection?

Is it realistic to ask shipping to go down the decarbonisation route without decarbonising the global economy?

Shipping needs help. The circumstances around the coronavirus have forced governments to stop and think about preparedness. The next crisis, regarded by many as Climate Catastrophe, requires action, not talk.

This Sense and Nonsense webinar provoked many more questions than answers, the most urgent of which is: what is more important for global society: commercial viability or environmental protection? The coronavirus backdrop has shown that the answer 'both' is not an option.

ANALYSIS

How wholesome food is critical to mental health at sea

GOOD food should be up there alongside connectivity, says chef Christian Ioannou, who is at the forefront of a push to improve diet on board ships.

"You can relate food to mental illnesses, motivation and socialising," he says. "The 15 minutes spent eating together is the only time the crew see each other. If food is not properly prepared, morale obviously goes down."

Mr Ioannou is managing director at Marine Catering Training Consultancy, which he joined in 2013 with an aversion to the convenience food which has been a staple of so many seafarer meals over so many years. It is, he observes, "very expensive and takes up a large part of the budget unnecessarily; it is unhealthy and lacks taste".

It is not difficult to preparing wholesome food. Mr Ioannou once worked at the Bayerische Hof, a five-star grand hotel in Munich, a magnet for celebrities.

"We put on huge events. The food produced by the hotel was quite simple. It was always freshly produced and made from scratch."

When he joined V.Ships as catering manager in 2006, he was shocked by what he found.

"It was a big surprise for two reasons. Firstly, the national habits of various countries and, second, the lack of education of crews on board. These are the biggest challenges we have. Cooks are unable to produce items on their own because most do not have a basic culinary education.

He noticed that many cooks on board ship were only not passionate about cooking.

"You either love cooking or you hate it," he says. "There's nothing in between. A lot of the guys on board are doing this just to earn money and feed the family. It is not the best way to produce quality meals for anyone."

After two years at V.Ships, Mr Ioannou moved to Intership Navigation in Limassol. In addition to becoming the training superviser, he was crewing superintendent. As part of that role, he interviewed hundreds of catering candidates in the Philippines and discovered that recruitment interviews in crewing agencies were far from adequate.

"Interviews were based on a candidate's CV. If they were happy with it, and their experience could be verified, they were sent on board a ship. When the captain and crew complained that the cook couldn't cook, the shipowner had to fund repatriation and a replacement was sent out to the ship.

"Making the recruitment interview more rigorous and testing the candidate's ability would have minimised all that expense."

There are misunderstandings about food that need to be skewered. What, for example, is meant by "quality" food?

"Asian seafarers often link quality food with expensive food," he says. "We believe quality food is wholesome food that has been prepared from scratch by the crew of the vessel. We have seen expensive items on board such as salmon fillets and steaks being treated very badly. It has nothing at all to with expenditure, much more to do with how well it was prepared by the cook."

Shopping lists

Marine Catering Training Consultancy provides catering management as well as supplying the produce. This meant Mr Ioannou could see the cooks' shopping lists as they come into the office. "We were amazed at how many convenience items they were ordering."

But guidance on cooking from scratch has paid off, with a steady reduction in the number of convenience items on the lists. “We are not suggesting anyone should go on a diet, just avoiding convenience food. All these ready meals are packed with sugar, salt and chemicals we can’t even pronounce. Nobody really knows what’s in these meals.”

Recruitment and training of cooks are critical elements in bringing wholesome food to seafarers’ tables.

The consultancy’s competence development programme begins by selecting candidates with a minimum of four years of study at the best hotel and restaurant management schools in the Philippines. Their grades are assessed, interviews are conducted and then, for the best candidates, a further three months’ intensive training is offered at the company’s training centre.

In consultation with ship owner clients, trainees are placed on board ship as assistant cooks. Through a programme of continuous coaching, they are helped towards promotion to cooks.

“These guys are young, 22 to 25 years old, loyal to the clients; they have spent four years doing something they like, and they are passionate about it. Our feedback has been very positive. Most of our trainees are already cooks.”

Catering at sea has an obvious advantage over working in a provincial hotel, Mr Ioannou says. Hotel and restaurant management graduates who choose to stay in the Philippines might be paid $200 or $300 a month, whereas the best cooks working for good maritime clients might earn $1,500–$2,000 a month. Shipping is a healthy upgrade.

As part of the distance coaching programme, once a week the cooks on board their ships write down the menu they are cooking, and the crew evaluates the menu from good to outstanding. The cook sends it to culinary training consultants in the office, who discuss the menu, provide ideas of which they may do the following week. It is continuous motivation.

“We also run cooking competitions, with themes such as Christmas cakes or end of the year festivities, with the winner receiving a prize. We also urge our clients to motivate the catering team.”

There are nutrition workshops and an online platform offering 200 menus each week developed for particular nationalities, and more than 2,000 recipes have been put together that can be worked into their own weekly menus.

“They have to plan the menus onto the calendar on our platform, click on the form which creates a requisition of what they need for so many seafarers over so many weeks. The tools and the support are there. We have Indian chefs and Filipino and European consultants who address every issue. We have food technologists who are looking into food safety management, and food nutritionists who concentrate on health and diabetic menus.”

Better food

During the past decade, the attitude to the catering team on board ships has dramatically changed. Better food has become a key ingredient in the recipe for mental health at sea.

Good food stimulates closer connections between seafarers, promoting well-being, easing the pressures of life away from home. Cooks are now a vital part of the team, so training to a high standard and motivation to keep them there are more important than ever.

But there is still much to be improved. The galley “should be considered a separate department on board ship,” says Mr Ioannou.

Even when cooks follow a weekly menu, it’s often unco-ordinated. One cook has $10,000 equivalent to two months’ supply. During that period, the cook goes ashore and is replaced. The replacement cook gets supplies for another two months and wastes 10%-20% of what had been ordered earlier.

The solution is easy, he says. “Six months after a client enters into [MCTC’s] management, we introduce them into a standardisation phase where we want to make sure the galley is treated as a department with processes, checklists, manuals, and standardised weekly menus. The captain and crew approve these menus. We send the cooks a four-week cycle menu, they make suggestions, we remove what they don’t like, so together we create a standardised menu which saves a lot of waste.”

These are restaurants on board a ship, he believes, and should be run like restaurants anywhere else. Good management could save 15%–20% of a $60,000 allowance for two months. Owners’ budgets sit between $8.50 and $11 per person per day.

Marine Catering Training Consultancy recently signed a contract with a gas carrier company with a budget of $11.00/person/day. Others are less. "It depends on how much the owner wants to spend on the crew. Some suggest they can work with $7 or $7.50; we say no, that's not enough. If you know how to organise your galley correctly and you are well trained, you can do something with $8.50."

Mr Ioannou has seen his competitors improve their food quality and galley management.

"They are waking up. The oil majors want their crews to be healthier: TMSA (the Tanker Management and Self-Assessment scheme) is pushing for it. It is part of the 'I care' philosophy."

Good, wholesome food, well prepared from scratch by cooks who are educated, trained, and passionate about nutrition is now integral to mental health.

Mixed fortunes for California's container ports

CALIFORNIA's leading container ports of Los Angeles, Long Beach and Oakland showed varied throughput results for May, as the effects of the Sino-US trade spat persisted along with those of the coronavirus crisis.

Los Angeles moved 581,665 teu in May, a 29.8% decrease compared with May 2019, which was a record-setting month. Five months into 2020, overall cargo volumes have decreased 18.6% compared with 2019.

"Compared to last May's historic volumes, the surge in cancelled sailings due to Covid-19 and the trade war, along with shifts in liner services, all contributed to significantly softer volumes," said Port of Los Angeles executive director Gene Seroka.

"As the US economy begins to recover, we expect fewer cancelled sailings and an uptick in cargo compared to previous months. We continue to invest through this global economic downturn in the infrastructure and technology that will assist us in driving our competitive advantage now and in the future."

May loaded imports decreased 28.4% to 306,323 teu compared with 2019, while loaded exports dropped 37.6% to 104,382 teu. Empty containers declined 26.8% to 170,960 teu, bringing the May total to 581,665 teu.

Neighbouring Long Beach had a different story to tell, reporting that cargo shipments rose in May as the economic effects of the coronavirus started to subside.

Long Beach moved 628,205 teu in May, a 9.5% increase compared with May 2019. Imports grew 7.6% to 312,590 teu, while exports climbed 11.6% to 134,556 teu. Exported empty containers jumped 11.4% to 181,060 teu.

Still, the results do not exactly match up to last year's as Long Beach moved 2,830,855 teu during the first five months of 2020, down 5.9% during the same period in 2019.

Long Beach executive director Mario Cordero said the generally strong numbers for his port during May reflect the efforts of "our Business Recovery Task Force, which is setting the path for efficient cargo movement and growth".

"Our focus on operational excellence and world-class customer service will continue as we prioritise our industry-leading infrastructure development projects," said Mr Cordero.

To help with recovery, Long Beach has activated an internal business recovery task force that works with customers, industry partners, labour and government agencies to ensure terminal and supply chain operations continue without disruption.

Long Beach Harbor Commission president Bonnie Lowenthal acknowledged that "we aren't out of the woods", but said that this is the "gradual growth" that the port has expected as the US starts to recover from the "devastating economic impacts" of the coronavirus pandemic and the trade war with China.

May marked the first month in 2020 that cargo shipments rose at Long Beach — the second-busiest port in the US — and followed seven consecutive months of declines attributed to the US–China trade dispute and the Covid-19 outbreak.

Manufacturing in China continues to rebound from the effects of the coronavirus, while demand for furniture, digital products and home improvement goods is increasing in the US, port officials said.

Regarding the San Pedro Bay ports of Los Angeles and Long Beach, a forecast by the Global Port

Tracker, produced by the National Retail Federation and Hackett Associates projects a 5.3% increase in imports between May and October.

GPT meanwhile believes the import volume of the two ports in the first half of 2020 is forecast to fall by 11.7% to 3.58m teu compared with the equivalent period of 2019. According to the GPT, the forecast volume for 2020 is 7.45m teu, which would be a 12.1% decrease from 2019.

Meanwhile, to the north of the San Pedro Bay ports, Oakland's loaded container volume decreased 12.7% in May 2020 compared with May of 2019, according to data released by the port on June 10.

The results are in line with expectations as port officials told Lloyd's List they had been "expecting a cargo decline due to continued Covid-19 impacts on global shipping".

Oakland's May 2020 loaded import volume dropped 14.6% from May 2019, while loaded exports declined 10.7%. The return of empty containers to Asia decreased 28%, with the result that total cargo volume declined 16.8%.

"Overall", port officials said, "the January to May 2020 cargo statistics show a 7.8% decrease compared to the same time period in 2019".

The GPT projects a 3.5% decrease in Oakland's imports between May and October compared with November through April, compared with a 6.6% increase between the same two periods of last year.

Oakland's import volume in the first half of 2020 is forecast to decrease by 7.1% versus the equivalent period of 2019, with 440,000 teu, while the import volume in the second half of 2020 is forecast to decline by 9.9% with 452,000 teu compared with the equivalent period of 2019.

For Oakland overall, GPT's forecast import volume for 2020 is 892,000 teu, representing an 8.5% decrease from 2019.

Singapore brings drone technology to the next level

SINGAPORE is forging ahead with the development of drones and advanced mobile telecoms technology for maritime applications with the Infocomm Media Development Authority, M1 and the Maritime and Port Authority of Singapore partnering with Airbus to conduct coastal 5G standalone network trials at the Singapore Maritime Drone Estate, as the key Southeast Asian hub port continues its efforts to build a 5G ecosystem around the use cases of port operations, and incident management and response.

Meanwhile, making use of proven technology that has already been approved, Wilhelmsen's Marine Products division has signed a memorandum of understanding with Singapore-based drone delivery provider F-Drones for last-mile delivery of its 3D printed spare parts.

F-Drones recently became the only drone delivery provider authorised by the Civil Aviation Authority of Singapore to execute drone deliveries beyond the visual line of sight to vessels at anchorage. The agreement enables Wilhelmsen to broaden the scope of its exclusive on-demand additive manufacturing service.

While IMDA, M1, MPA and Airbus plan to conduct 5G standalone trials in real-world environments to ensure unmanned aerial vehicles can operate safely and efficiently during all phases of their flights, including operations in the designated drone-fly zones, F-Drones is forging ahead to refine the next iteration of its own proprietary drone system, currently capable of carrying 5kg over a distance of 50km, into a larger-scale drone capable of delivering 100kg to vessels up to 100km away.

The commercial pairing brings together leading edge technologies on two fronts and will leverage on Wilhelmsen's exclusive Early Adopter Programme for 3D printed marine spare parts, for which it already has six customers signed up.

These include Berge Bulk, Carnival Maritime, Thome Ship Management, OSM Maritime Group, Executive Ship Management and Wilhelmsen Ship Management, which will begin utilising the on-demand additive manufacturing service for their vessels around the world, reducing the typically high supply chain costs, long lead times and impact on the environment associated with the traditional supply chain.

Wilhelmsen head of venture - 3D printing Hakon Ellekjaer said: "Exploring safe, reliable and inexpensive alternatives for last mile delivery of our

3D printed parts to our customers is key for us moving forward."

Looking ahead to the prospects for the venture, he added: "F-Drones is actively developing a solution and their ambitions are very much aligned with our own, to disrupt the existing supply chain and offer a service that is faster, cheaper and greener."

F-drones co-founder Yeshwanth Reddy said: "With our drones that can carry much bigger items over longer distances, we can catalyse the adoption of on-demand printing of parts for the maritime industry."

On the experimental front, telecoms company M1 will be collaborating with various companies on trials to develop the use of 5G technology in unmanned aircraft.

The ultimate aim is to help form a better understanding of evolving 5G standards, their feasibility and requirements operations in Singapore's urban and coastal environment. The establishment of a standard will in turn, open up the possibility for safe adoption of 5G as a core technology used in unmanned aircraft designs and operations.

Airbus, together with Wilhelmsen, made the first shore-to-ship drone delivery in Singapore in 2019 and now will provide a fleet of unmanned aircraft for safe-flight testing and its expertise in the integration of the unmanned aircraft for the trials.

As a communications company, M1 will provide 4G and 5G network planning, including data collection for performance and coverage analysis of mobile network in the operating areas, network parameter optimisation and implementation of interference minimisation methods. In addition, M1 will also assess the use of the technologies to provide enhanced geo-location positioning information using network-based information, which is more precise than the current Global Navigation Satellite Systems technologies.

"We believe that 5G will sharpen Singapore's competitive advantage as a key trading and connectivity hub in the region and beyond," said IMDA chief executive Tan Kiat How.

"Given the growing need to create more efficient and sustainable solutions for the maritime industry, MPA supported the world's first ship-to-shore drone delivery trial by Airbus and Wilhelmsen last year. We look forward to deepening the collaboration with Airbus and M1 to pilot innovative use cases for 5G technology in the maritime industry," said MPA chief executive Quah Ley Hoon.

MARKETS

Box lines push cost savings on to lessors and owners

CONTAINER line results from the first quarter of the year showed that carriers have been surviving the coronavirus pandemic relatively painlessly.

Second quarter of the year results may well paint a grimmer picture. CMA CGM last week said it expected volumes to be down by 15% over the quarter compared with last year.

In every previous economic crisis a collapse in volumes would normally lead to a collapse in freight rates. This time it is different.

Freight rate data from Drewry shows that the Hong Kong–Los Angeles benchmark stands at $1,920 per feu this week, up 30% on week 24 of 2019.

Online pricing specialist Freightos noted that transpacific ocean freight rates were now at an 18-month high as demand picked up amid reduced capacity.

After years of industry indiscipline that led to a vastly inflated orderbook and endemic overcapacity, the new, more heavily concentrated container shipping sector that has emerged since 2016 has been able to manage capacity to meet demand, and in doing so maintained, and even increased, freight rates.

Achieving this has not been without sacrifice. The lower volumes of containers have required a smaller number of ships to transport them, which has seen the amount of idle tonnage rise to record levels, upwards of 10% of total fleet capacity.

And with fewer goods being transported, fewer containers have been required.

The consequence of this has been to push the immediate impact of the pandemic crisis back on to the carriers' suppliers, the non-operating owners they charter tonnage from, and the container leasing companies.

Charter transactions are still taking place, and actually increased in May by 15% above the levels reported in April, according to one broker source.

"Unfortunately, the rather overwhelming tonnage supply accelerated the development of declining charter rates, with a trend line towards opex levels for some sectors of the market."

BIMCO chief shipping analyst Peter Sand said that charter rates for boxships were a better guide for the state of the market than freight rates.

"The collapse in container shipping demand caused a jump in the number of ships available for charter, which sent charter rates, especially for the large vessel sizes, down," he said.

"The daily hire for an 8,500 teu vessel has fallen by 38% from the start of the year, from $30,000 per day to $18,500 on May 15, with rates likely to continue falling until higher cargo volumes return. Rates for a 6,500 teu ship have fallen the most: down 42% since the start of the year, to $14,500 per day on May 15."

Maritime Stategies International analyst James Frew said the bottom of the market was likely to come in the next quarter of the year.

"We see charter rates bottoming in third quarter of 2020 and recovering from there," he said. "That market trough is nowhere near the sort of lows we saw in 2016. The industry is much more able to look through the crisis and see potential for future vessel demand."

The broker source said the outlook for for the rest of 2020 remained "depressing" but said the any forecast was subject to how the world readjusted to the economic depression that had emerged from the pandemic.

John Coustas, chief executive of boxship owner Danaos, said that while earnings would be down this year, there were some benefits to the way this crisis had been handled by container lines.

"Charter rates are on the downturn," Dr Coustas said in a webinar. "Although this is not to the benefit of owners like us, it contributes to the financial stability of our counterparties."

While consolidation in container shipping had worked against companies like his by leaving a smaller number of customers, those larger companies were more solid financially.

"For a company like ours that has fairly extensive charter coverage, the effects take time to show through," he said. "Definitely vessels that are opening around now are, for the time being, managing to find employment, but at significantly lower rates than they were before. But the rates are not below operating costs so we are not subsidising the carriers."

CMA CGM chief financial officer Michel Sirat last week said that among the cost savings measures it had managed during the crisis had been reducing capacity by pushing chartered ships back to their owners.

The same had been true of equipment, with the company had returned unused rented containers. The impact on equipment lessors is harder to fathom, but it appears they too are feeling some pressure.

"From what we've heard in our network, it is not a big thing that all of them return equipment to lessors right now," a spokesman for container repositioning service Containers xChange said.

"We see that they either rent them out on again or sell them. But it is probably also a reason for why lessor suddenly offer more short-term lease options in addition to long-term lease."

One lessor, who declined to be named, said it was too early to tell what the impact of the pandemic would be nor how the market would evolve as economies emerged from lockdown. "New challenges and opportunities are coming up on a daily basis and we have a long way to go before the ultimate impact is clear."

But Triton, the US-based listed equipment lessor said in its recent first quarter of the year results presentation that while the drop off in volumes remained moderate, it may come under more pressure. It expects profitability to decrease from the first to second quarters and said performance in the second half of 2020 would depend on the timing and shape of a global recovery.

According to Dr Coustas, the consolidated container shipping sector, which is also benefiting from firm rates and low oil prices, could come out of the year largely unscathed.

"We don't believe carriers will have losses in 2020," he said. "Everyone is going to be on the positive side because of these factors."

IN OTHER NEWS

Glenfarne Group acquires Magnolia LNG project in Louisiana

ASSET manager Glenfarne Group has completed a $2m deal to acquire LNG Ltd's Magnolia LNG, a liquefied natural gas export terminal development project near Lake Charles, Louisiana.

Glenfarne managing partner Brendan Duval said Magnolia LNG is a "well-known and high-quality project" that his firm plans to develop due to the "essential role" played by natural gas in the transition to a lower carbon world.

Acquired through Glenfarne's newly formed subsidiary, Magnolia LNG Holdings, Magnolia LNG is an 8m tonnes a year liquefied natural gas export business that has completed the Federal Energy Regulatory Commission permitting process.

Stena Bulk tanker prototype embraces multi-energy path

STENA Bulk has developed a next generation tanker prototype that is capable of further slashing by at least a quarter the amount of greenhouse gases emitted by modern product tankers.

Vessels to be built to this new prototype, dubbed the IMOFlexMAX, will come equipped with Flettner rotors and solar panels to harvest wind and solar energy.

IMOFlexMAX tankers will be powered by dual-fuel engines that can run on liquefied natural gas and conventional low-sulphur fuels, while catering for options to adopt other alternative fuels.

Gazprom signs gas contracts for new LNG facility

RUSSIAN firms Gazprom and RusKhimAlyans have signed several 20-year commercial contracts for supplies of feed and sales gas for a planned gas processing, liquefaction and chemical complex.

Located on the Gulf of Finland near Ust-Luga seaport in Leningrad Oblast, Russia, the planned complex will be operated by RusKhimAlyans, a joint venture of Gazprom and RusGasDobycha. The first liquefaction train is expected to be put into operation in the second half of 2023, and the second train in late 2024.

The planned liquefaction capacity is 13m tonnes a year, with RusKhimAlyans receiving 45bn cu m a year of wet natural gas from Gazprom's Achimov and Valanginian deposits in the Nadym-Pur-Taz region of the Yamal Peninsula.

Guidance issued on worker welfare at UK ports

THE British Ports Association and cargo insurer TT Club have teamed up to provide ports with guidelines on how to manage the safety and well-being of workers during the coronavirus pandemic.

"During this rather unusual and challenging time, all UK ports are under a lot of pressure," said BPA corporate services manager Sara Walsh. "They are having to make difficult decisions about how best to maintain their workforce so that critical tasks are performed and legal duties met, while also supporting staff who are working at home or are self-isolating."

The TT Club guidance addresses the key issues ports and terminals should prioritise when managing their workforces during and following the pandemic.

TEN locks in tankers during market surge

TSAKOS Energy Navigation said it has "secured the company's positive performance" for the remainder of 2020 after a storming first quarter of the year.

The Greece-based tanker and liquefied natural gas carrier owner said that against a "challenging" backdrop of economic and health concerns brought on by the coronavirus pandemic, the strength of the tanker market, was a "silver lining" that continued well into the second quarter of 2020.

"During that period, TEN fixed long-term charters for its vessels that will secure positive returns for the remainder of the year and beyond," said chief operating officer George Saroglou.

Hong Kong offers tax incentives for shipping lessors

HONG KONG has passed the bill to provide tax incentives to vessel leasing businesses as it aims to boost its ship finance sector.

The amendment of the Inland Revenue Ordinance will see profit tax rate for shipping lessors cut to zero and the rate for ship leasing management halved to 8.25%, according to a circular by the Hong Kong Shipowners Association.

The move shows the city's policy makers have fulfilled their pledge, after secretary for transport and housing Frank Chan said during the Hong Kong Maritime Week in November that the government will deliver the new tax regime in mid-2020.

Call for shipbuilding contracts to specify obligations

SHIPBUILDING contracts should include specific wording to underline the guarantor's obligation to pay without further investigation. if that guarantee is to operate as a demand bond, according to a Clyde & Co analysis of a recent Commercial Court ruling.

Shanghai Shipyard v Reignwood International Investment (Group) Company Ltd [2020] EWHC 803 (Comm) — which has now been appealed — also suggests that the professional function of the guarantor, typically a bank or a financial institution, will heavily impact on the characterisation of the guarantee, the firm added.

Shanghai Shipyard and Reignwood entered into a contract for the yard to build a drillship for a total price of $200m, of which $170m was to be paid upon delivery as the final instalment.

Thomas Miller appoints shipping veteran as Hamburg chief

GERMAN shipping stalwart Frank Bergert has been appointed chief executive of Thomas Miller Hamburg, according to a statement from the company.

Mr Bergert succeeds Tobias Braun, who has left the business after eight years to "pursue new endeavours in the industry.''

Mr Bergert has been involved with the business since the acquisition of Zeller Associates in October 2018, in a consultative role for Silverton Maritime Solutions, and has been on the board of Thomas Miller Insurance (Germany) since the deal complete.

ITF calls for regulatory constraints to maintain competition

ECONOMIC development and population growth will continue to drive future demand for maritime trade, but the transition to non-fossil fuels and the regionalisation of trade patterns will likely have a substantial impact, according to a new report from the International Transport Forum.

The wide-ranging report offers a number of recommendations for governments and regulators based on input from analysts, academics and representatives from ports and the shipping sector.

Environmental protection and the promotion of efficiency through competition were the underlying objectives of maritime policy, the report said.

For classified notices please view the next page.

NOTICE

IN THE HIGH COURT OF THE

HONG KONG SPECIAL ADMINISTRATIVE REGION

COURT OF FIRST INSTANCE

ADMIRALTY ACTION NO. 98 OF 2019

Loss of or damage to property or any consequential loss resulting therefrom, arising out of a collision between the vessels ANTEA (now renamed PRIMA XP) and STAR CENTURION, which occurred on 13 January 2019 (the "Collision").

Notice is hereby given to:-

All persons claiming to have suffered loss or damage by reason of the Collision that:

1. A Decree was made on 6 May 2020 in the High Court of the Hong Kong Special Administrative Region Admiralty Action number 98 of 2019, on the application on the registered owner of the vessel ANTEA (now renamed PRIMA XP) limiting the liability of the Plaintiff pursuant to Merchant Shipping (Limitation of Shipowners Liability) Ordinance, Cap. 434 so that the Plaintiff's liability in respect of claims for loss of or damage to property or any consequential loss resulting therefrom, arising out of the Collision is limited to 15,473,272 Special Drawing Rights.
2. Any person who wishes to claim against the Plaintiff in respect of the Collision must file their claim on or before 6 August 2020.
3. Any application to set aside the said Decree must be made on or before 6 August 2020.
4. Any applications and claims are to be filed with the Registry of the High Court of the Hong Kong Special Administrative Region, LG1, High Court Building, 38 Queensway, Hong Kong, and copies to the Plaintiff's solicitor referred to below.

The Plaintiff is represented by Reed Smith Richards Butler, 17th Floor, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong
Tel: 2810 8008; Fax: 2810 1607 (Ref: JTOMS/271978.00003).