Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

Crew crisis: China-bound bulk carriers divert to Philippines

SEVERAL DOZEN CHINA-BOUND bulk carriers have diverted to Manila as they loaded or delivered iron ore cargoes from Western Australia over the past seven weeks.

Shipowners and managers are finding workarounds and establishing complex logistics chains to change over crews.

The diverting capesize vessels all loaded iron ore cargoes from the Port Hedland region and were heading to Asia, data from Lloyd's List Intelligence vessel-tracking show.

No such diversions were noted for any capesizes traversing this route in 2019.

As many as 300,000 seafarers are stuck on vessels with expired contracts as lockdown travel restrictions imposed at ports and airports worldwide prevent up to three-quarters of changeovers from going ahead since March.

Shipmangers and shipowners are navigating inconsistent and constantly changing health, quarantine and immigration rules at countries worldwide to meet the logistics challenge of moving the world's 1.5m seafarers amid the coronavirus pandemic.

Some 35 of the 45 bulk carrier diversions have occurred since June 15, reflecting recent moves by the Philippines to open a travel corridor for seafarers to help facilitate easier crew movements

The Philippines is the second-largest supplier of merchant crew after China, followed by Russia, India and the Ukraine.

Since the so-called green corridor was set up in the Philippines on July 2, there have been nine diversions tracked. Most took place in the last two weeks of June, before the joint circular directed manning agencies on new procedures for embarking and departing crew.

The lack of available commercial flights as well as immigration restrictions worldwide has resulted in convoluted and expensive ways to repatriate crew and bring on their replacements.

The US has emerged as one of the easiest places to change over crew, mainly due to airline availability, while limited flights between Europe to Asia are adding to difficulties.

One Scotland-based seafarer now in Singapore told of a four-day trip to reach his quarantine destination — a journey that normally took less than 24 hours.

The seafarer travelled to Hong Kong via charter flight from Amsterdam via Rome to pick up more crew. After that, he sailed by cruiseship to Singapore, and is now in quarantine, after being tested for coronavirus three times along the way.

Philippines restrictions of movement of foreign seafarers (as of July 16) is likely restricting further diversions of bulk carriers and other vessels from Australia heading to China.

WHAT TO WATCH

Hin Leong owners sell repossessed vessel

THE owners of Singapore oil trader Hin Leong have sold a tanker they took back from the operating fleet of the company's shipping affiliate, Ocean Tankers, to bunker supplier Fratelli Cosulich.

The Italian company said it took delivery of the 4,650 dwt tanker on Monday. It plans to deploy it for bunkering purposes in Singapore's waters.

The tanker, formerly known as *Marine Elite*, has been renamed *Grazie Cosulich*.

Lloyd's List understands the vessel is among 43 tankers released to the so-called Xihe Group of special purpose vehicles owned by the family of OK Lim.

It has been reported that Xihe had recently hired a shipping expert to prepare to directly market these tankers while it pulled their charters to Ocean Tankers.

Mr Lim founded Hin Leong, a major oil trading firm based out of Singapore, that has turned insolvent amid allegations of fraud when raising loans from banks.

Hin Leong has also tapped Ocean Tankers to issue bills of lading to back these loans.

Some lenders holding these bills of lading have issued writs of summons against vessels run by Ocean Tankers.

Fratelli Cosulich maintained that it has performed the required due diligence on the tanker purchased at "a market-level price" from Ocean Tankers.

ANALYSIS

Shipping makes a foray into live streaming

ROGER Zhang, a Shanghai-based shipbroker at Howe Robinson, thought it was "a joke" when invited to sell a vessel on a live streaming show.

"It was totally wide of the mark to me," he tells Lloyd's List.

Indeed, the new e-commerce model — in which products, mostly fast-moving consumer goods, are sampled and hawked by entertaining hosts and hostesses through real-time videos shared online — has made great inroads in China.

The FMCG products usually have a relatively low cost and a combination of an engaging atmosphere and alluring prices can easily lead to impulse buying. The country's top live streaming salesman once sold 15,000 lipsticks in just five minutes.

Yet clinching a deal for a ship is apparently a different story. Few would purchase a cargo ship, worth tens of millions of dollars, on the spur of the moment.

Nonetheless, Mr Zhang chose to accept the invitation in the end.

“I decided to do it not for selling the ship but for fun,” he says. “Plus, it’s a good opportunity to promote my industry and my company.”

Held by local shipping media outlet Beyond Shipping earlier this month, the event ran for one hour with topics ranging from excitement in the shipping market to the charm of the brokerage business and, of course, to the fine quality 2015-built ultramax dry bulker that he offered on behalf of an owner.

The vessel unsurprisingly did not get sold, but it was still deemed a successful experience.

“It brought inquiries from my clients about the ship, while drawing the interest of young people like university students in our industry,” says Mr Zhang.

He is not the first in shipping to have dipped his toes into the live streaming waters, though.

Before him, a couple of liner shipping companies, including Maersk, Cosco Shipping and ZIM, had already made a foray with more practical purposes.

Maersk held two such events on June 4 and 15. Both put the spotlight on Maersk Spot, one of the Danish carrier’s core ocean products that enables digital booking of guaranteed space at fixed prices.

Ross Gearing, the company’s Asia-Pacific regional head of marketing, describes the move as a “customer-driven experiment” to explore the potential of this trendy e-commerce model in the container shipping business.

“Live streaming has really come to a position of strength in the last six months, and the coronavirus massively accelerated that and made it incredibly mainstream,” he tells Lloyd’s List. “So, it wasn’t difficult for us to decide to look at this in our industry and for our products.”

The results have “exceeded expectations” with statistics indicating strong engagement from the audience.

The one-hour show on June 15 alone recorded 18,000 views, 40,000 comments and an average watch time of 26 minutes per person. “Obviously, the figures for B2C are probably much higher, but from a B2B perspective these are good numbers,” Mr Gearing says.

Part of the success must be attributed to the right match between the channel and the product.

Teeming with digitally savvy users, live streaming offers a great environment to explain the questions around the Spot product and reduces the entry barriers to customer acceptance of the online freight booking system, Mr Gearing adds.

Meanwhile, the show put on by Cosco was deemed by some as more “down to earth”. It was hosted in a rather jocular manner and lit up by a great deal of booking incentives.

Discounts of $50-$200 per feu were offered by the Chinese carrier on a string of routes (such as the Middle East and Oceania) for slots purchased via Syncon Hub, its competitor product to Maersk’s digital booking services.

The nearly two-hour programme drew an audience of 24,000.

However, questions have been raised over how much carriers can use live streaming as a direct channel to ramp up sales, the centrepiece of the success achieved by the FMCG sector.

Without revealing the exact numbers, Mr Gearing says Maersk sold a “substantial” amount of space through Spot during the live broadcast online. “But rather than selling slots, our main goal was to promote the value of Maersk Spot and raise customers’ awareness of the product.”

Even Cosco, which sold 20,000 teu on its show, did that mainly to promote Syncon and gain new users, says a company official.

“So, my feeling is that live streaming is more of a tool for them to market their online booking products, at least for now,” says a Shanghai-based forwarding executive who participated in the events of both carriers.

“Because in order to sell, you must first establish a transactional digital platform whereby you can sell,” he adds.

More importantly, consumer goods companies make profits by selling via live streaming despite the discounts as their proficiency in digital retailing can result in significant cost savings.

“Their thriving in live streaming is based on their thriving in e-commerce, and shipping has not even got to the first base yet,” the executive says.

Still, he recognised the carriers’ recent efforts as a “meaningful trial” for the industry. But he adds they will now need to evaluate the effect of these activities before launching a second round.

"If it's just a branding or marketing tool then there might be other more efficient alternatives, like a webinar, where they can actually identify the participants," he pointed out.

Most live streaming platforms in China are not designed for the B2B markets, while viewers are not required to sign in with their names, job titles and organisations. That makes it difficult for companies dealing with corporate clients to target the real spenders behind the screen, even though some leads can be found in the audience's messages.

The same shortcoming is also one of the major concerns for Mr Zhang at Howe Robinson.

Knowing the audience is important to increase the efficiency of communication, he argues, because ships are not standardised products that can cater to a large group of buyers. Besides, the inability to stop rival brokers from accessing a discussion can also put a big damper on the shipbroking business that still requires a degree of delicacy and privacy.

But never say never. As technologies evolve, so do the ways of doing business.

"I may give the live streaming show another try if it can be performed in a relatively closed channel to a relatively small group of clients with shared demand," says Mr Zhang.

MARKETS

US west coast box port figures show weak rebound

LOADED import volumes across the three main US west coast container hubs fell 7% in June, giving little indication of the hoped-for recovery of freight demand.

Box terminals in Los Angeles, Long Beach and Oakland handled more than 56,000 fewer import teu in 2020 compared with the year-earlier period as the impact of the coronavirus backdrop continues to take its toll on carriers and terminals.

Only Oakland managed to make a slight 1.9% gain, but this was outweighed by larger declines at its southern Californian rivals and amounted to just 1,500 additional teu in the month. A fall in exports and empties handled meant that Oakland's total throughput remained in negative territory, falling 2.3% year on year.

While the combined figure for the three ports increased 8.5% compared with May's throughput, it remains well below where it should be as container shipping heads into its traditional peak season.

"Cancelled sailings continued to rise at a rapid rate in the second quarter as ocean carriers adjusted their voyages to a decline in demand for imports" as a result of the health crisis, said Long Beach executive director Mario Cordero.

Cancelled sailings are projected to significantly recede as the traditional holiday peak shipping season ramps up during the third quarter.

The San Pedro Bay ports anticipate five cancelled voyages over the next three months, one of which was scheduled for the Port of Long Beach. No blank sailings were reported by either port during the same period last year.

"Given the circumstances of an unresolved trade war and an ongoing pandemic, our June and mid-year cargo volumes are in line with our forecasting," said Los Angeles executive director Gene Seroka.

The figures suggest no immediate return to volumes on the transpacific trades, despite suggestions that demand is increasing.

"While recent weeks have certainly been encouraging, the coming quarters are likely to prove challenging, although in different ways for different players," said analysts at Maritime Strategies International.

"Container line companies will almost certainly carry more containers than in the first half of the year, but it will likely cost them more to do so. Freight rates are unlikely to see a significant contraction, but equally it is possible to imagine the reverse of the current transpacific situation on individual trades."

Spot freight rates on the main lane trades remain as much as 30% over last year's levels as carriers have removed capacity from the market.

"Although capacity on most trades remains lower on an annual basis, the three alliances have moved to unwind some of their capacity restrictions, having somewhat overestimated the need to blank sailings later in second quarter," MSI said.

It added that if major economies can avoid further lockdowns in the second half of the year, container trade contraction will be less than the 7%-10% previously forecast, but would remain highly uncertain.

"There is some need for caution, since the recent rebound in volumes is potentially being driven by one-off inventory restocking dynamics and there are signs that the US economic recovery in particular is slowing."

Anglo cuts coal-export volumes guidance

ANGLO American has cut its full-year guidance for thermal coal export volumes citing coronavirus-related restrictions in South Africa and Colombia.

The global miner said it expected full-year output at 21m tonnes from its previous estimate of 22m tonnes. Lower demand also affected production.

Output in the first half of the year in Colombia fell 35% versus the year-earlier period, to 2.8m tonnes, while a 13% decrease was recorded in South Africa to 7.8m tonnes.

The second quarter was the hardest-hit, with volumes from Colombia plunging 62% to 767,000 tonnes, while South African volumes decreased by 22% to 3.6m tonnes.

In South Africa, all mines have been operating at about 80% of capacity since June, Anglo said, due to the impact of Covid-19 measures to safeguard the workforce. "Similar measures in the logistics chain have affected the loading of volumes onto trains resulting in higher stockpiles at operations," it said.

In Colombia, mining operations restarted in early May following lockdown measures, and are expected to "progressively ramp up" over the course of the third quarter.

Metallurgical coal volumes from Australia have also been affected, Anglo said, due to two incidents at Grosvenor and Grasstree.

First-half production dropped 22% to 7.8m tonnes, while second-quarter output fell 32% to 4m tonnes versus year-earlier periods.

Grosvenor operations remain suspended after an "ignition incident underground" in early May, Anglo said, adding that mining would only resume following an investigation.

As a result, it cut its full-year output guidance to a range of 16m tonnes-18m tonnes, from its previous estimate of 19m tonnes-21m tonnes,

The dry bulk market has been anticipating a decline in global coal trade this year, to the detriment of the panamax sector. That is mainly due to a slowdown in manufacturing activity as a result of coronavirus. Import quotas by China are also seen as a risk factor.

Brokerage Howe Robinson is expecting a 6.8% drop in global seaborne trade to 1.2bn tonnes versus 2019.

Cosco Shipping unit boosted by tanker frenzy

COSCO Shipping Energy Transportation has seen its bottom line boosted by a frenzy in the oil shipping market during the first half this year.

The Shanghai-listed tanker owner has announced in an earnings forecast that its expected net profits in the first six months of the year will reach Yuan2.8bn-Yuan3bn ($394m-$427m), up 488%-531% from the same period in 2019.

It said the global oil supply largely exceeded consumption during the reporting period, leading to strong demand for shipping and floating storage and a recovery in rates.

"We have used our scale advantage to optimise the position of our ships and won cargo when the rates were at high levels."

The state-owned shipping giant runs a fleet of more than 50 very large crude carriers, among other vessels.

Earnings of oil tankers, led by very large crude carriers, sizzled earlier this year against the backdrop of an oil price war between Saudi Arabia and Russia.

CSET added that its domestic oil shipping business had "returned to normal" in the second quarter when the coronavirus outbreak was under control in China.

Moreover, the number of in-service liquefied natural gas carriers, in which the company jointly invested with partners, increased to 36 as of end-June compared with 30 one year ago, adding more contributions to the overall profits. All these vessels are backed by long-term contracts.

IN OTHER NEWS

GasLog agrees $1.1bn refinancing arrangement

GASLOG and its subsidiary GasLog Partners, that are separately listed on the New York Stock Exchange, have agreed a trio of new bank deals worth $1.1bn.

The financing will primarily be used to refinance 2021 debt maturities but will also create additional liquidity for the group and simplify its bank debt into the two company streams.

The largest of the new facilities is a $577m agreement for GasLog being led by Citibank, ABN Amro and Nordea Bank, with HSBC, Credit Agricole, UniCredit and National Australia Bank as lead arrangers and arrangers.

Australia revives stalled box terminal project

AUSTRALIA's Port of Newcastle has hired new executives to run its stalled container terminal project, which has been on ice for years regarding a complicated privatisation dispute before the Federal Court.

The port has hired container shipping veteran Noel Dent, who spent 20 years as a general manager at ANL, as the new strategic development manager for its Multipurpose Deepwater Terminal project.

In June, it hired WSP executive Glenn Thornton and former Aurizon and GE Renewable Energy leader Paul Brown as it seeks to diversify away from the declining coal trade.

Castor Maritime raises funds for expansion

CASTOR Maritime, the Nasdaq-listed owner of four panamax bulk carriers, has raised further funding to support its expansion plans.

The Cyprus-based owner agreed the sale of nearly 58m shares at a price of $0.30 per share directly to "a small number of institutional investors", raising $17.3m.

At the same time, the investors received a similar number of warrants for shares, exercisable at a price of $0.35 per share at any time over the next five years.

Sembmarine losses widen on pandemic disruptions

SINGAPORE-LISTED Sembcorp Marine has been forced to halt all production activities since April and has been forced to defer the execution of projects on its orderbook owing to coronavirus-related workforce disruptions.

The yard group widened its first-half net loss to S$192m ($137.8m) compared with S$72m for the same period last year following a significant reduction in its operating activities.

Group finance director William Goh said that the overall workforce at the yards dwindled to 850, down from pre-coronavirus levels of around 20,000.

Ship carbon recycling initiative launched in Japan

MITSUI OSK is among nine Japanese companies taking part in an initiative to study carbon recycling technologies for green shipping.

The so-called Ship Carbon Recycling Working Group, formed within Japan's Carbon Capture & Reuse Study Group, aims to explore the feasibility of the concept of utilising methanation technology for zero-emission ship fuels.

Methanation is the reaction by which CO2 and hydrogen are converted into methane and water.

Kyriacou joins Erma First as chief technical officer

ERMA First, a Greece-based designer and manufacturer of ballast water treatment systems, has appointed Stelios Kyriacou as its new chief technical officer with an eye on expanding its product range and entering new markets.

Dr Kyriacou, 58, has had a successful career in the international marine equipment sector and has held senior UK-based posts at several companies providing ballast water technology.

Most recently, he was a general manager at Italy-based De Nora Water Technologies. Prior to that he spent five with Wärtsilä as technical director.

MISC enters ethane carrier market with six-vessel deal in China

MAJOR Malaysian energy logistics player MISC has confirmed that it has sealed a 15-year sale-and-leaseback deal for six newbuilding 98,000 cu m very large ethane carriers with Shanghai-listed Zhejiang Satellite Petrochemical.

Lloyd's List earlier reported that MISC had been linked to the major Chinese charterer to take over the six vessels being built in South Korea that the latter had itself taken over from Delos Energy Transportation in 2019. The VLECs will be purchased by MISC for approximately $726m.

MISC said in a press release that its vessel-owning entity, Portovenere and Lerici (Singapore) Pte Ltd, would charter the vessels, which are being built by Samsung Heavy Industries and Hyundai Heavy Industries, to Satellite Petrochemical for a firm period of 15 years, with the charters expected to begin in the fourth quarter of this year. No financial details were disclosed.

Surge in piracy and robbery in Asian waters

INCIDENTS of serious crime at sea almost doubled in Asia in the first half of this year, according to a new report.

There were 50 reported incidents of piracy and armed robbery against vessels in the region, said the monitoring group ReCAAP (Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia) in its half-year report.

That compares with 25 actual incidents and three attempted incidents in the year-earlier period.

Shipowners' liability to continue even after scrap sale

THE recent legal decision on a negligence claim brought by the widow of a shipbreaking yard worker who died while helping to demolish a Maran Tankers VLCC in Bangladesh provides further confirmation that a shipowner's liability may not end at the point of sale for scrapping, argues Watson Farley & Williams.

The issue, which has long been controversial, paves the way for hundreds of similar claims against owners for death or injury to workers in the Indian subcontinent shipbreaking industry.

According to the firm's partners Nick Walker and Lindsey Keeble, and senior associate Rachael Davidson, the decision potentially has far-reaching implications for the shipping industry. It reinforces the principle that when a ship reaches the end of life, a shipowner's liability does not necessarily end upon sale.

Classified notices follow

RELIAS
gerechtsdeurwaarders

Jan Wouters
Alain Van der Steichel
Gerechtsdeurwaarders

Inez Schellens
Kandidaat-Gerechtsdeurwaarder

Edith Kielpad 26 bus 102,
2000 Antwerpen

BV o.v.v. CVBA RELIAS Gerechtsdeurwaarders
KBO 0478.955.316
KBC IBAN BE34 7380 0743 7090

T. +32 3 237 63 60
F. +32 3 237 63 70

info@relias.be
www.relias.be

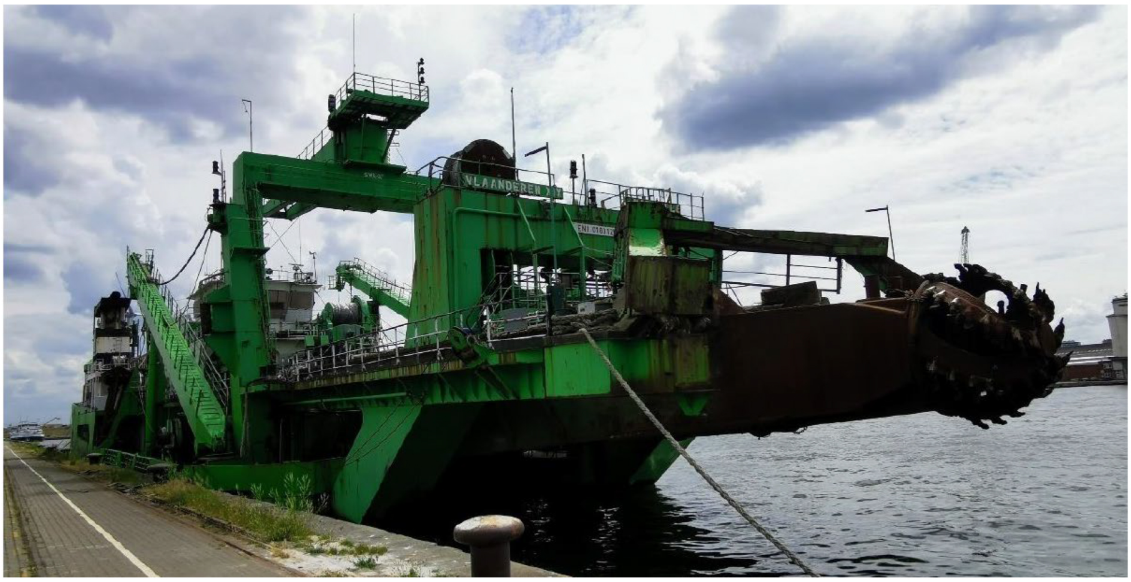
Openingsuren:
ma 09u-13 en 16u-18u – di tot vr 09u-13u

COURT-ORDERED PUBLIC AUCTION

OF THE SEAGOING VESSEL “VLAANDEREN XIX”

At 11 a.m. on FRIDAY, 7 AUGUST 2020

in the ‘HILTON ANTWERP OLD TOWN” Groenplaats 32 – 2000 ANTWERP (Belgium)



Overall length:	99.90 M
Overall width:	18.50 M
Draught:	4.80 M
Gross tonnage:	2,970.00 mT
Net tonnage:	891.00 mT
Type of vessel:	Dredger
Generator motor:	2x Mirrlees diesel engine, KM6, 2610 kW
Dredger motor:	2x Mirrlees diesel engine, KM8, 3311 kW
Classification:	Bureau Veritas (BV)
Flag:	France
Home port:	Marseille
Year built:	1978
Place built:	The Netherlands
Shipyard:	IHC Kinderdijk
Current berth:	Port of Antwerp, Quay 317-319
IMO number:	7704552
ENI number:	01831258

More information and conditions of sale via info@relias.be