Wednesday July 22, 2020

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

LEAD STORY:
Is shipping to blame for the crew crisis?

Denmark alters visa rules to assist crew changes

ANALYSIS:
Capesize market sees a slow decline

Ocean freight and idle rates said to have peaked

MARKETS:
Bahri posts record second-quarter profit

K+N results show 'profound impact' of pandemic

IN OTHER NEWS:
Wilhelmsen takes 50% stake in MPC Capital ship management unit

Operator of cruiseships held by UK goes into administration

Maersk joins Microsoft and Starbucks in corporate climate alliance

DSME and Rotterdam sign three-year research deal on smart ships and ports

Hyundai Mipo wins $144m in MR tanker orders

Seanergy completes successful refinancing

Is shipping to blame for the crew crisis?

PUBLIC OPINION IS probably the most powerful weapon at the disposal of the shipping industry as it struggles to resolve the crewing crisis and help the 300,000 seafarers caught up in a combination of bureaucracy and disinterest that has left them stranded at sea, *writes Janet Porter.*

Politicians in the countries with the power and influence to unblock the logjam would certainly take more notice if their constituents, or the popular press, started to protest about the treatment of these "key workers".

Yet apart from a few articles about those stuck on cruiseships, there has been only occasional media coverage of this scandal, and certainly little understanding about the scale of the problem.

But is the shipping industry itself partly to blame for the situation in which it finds itself?

The general public probably would be much more sympathetic if they could relate to those on board in some way.

If, say, the crew of dozens of British or US vessels were banned from going ashore, there is likely to be a far greater outcry in those respective countries than if the ships concerned were registered in, for example, Liberia, Panama, or any other flag state that seems remote and irrelevant to many who would readily speak up if they understood the facts

Many shipowners choose to register their vessels in jurisdictions with which they have little commercial connection. Rightly or wrongly, they are then perceived as doing that to avoid paying taxes in their home countries.

Yet the one fact that is most easy to obtain about a ship is its flag state, not the identity of its owner. So why would governments, politicians or their voters care about the plight of the crew of a ship that is registered in a country that they may never have heard of?

Usually, the shipping industry is quite content to remain below the radar. But right now, it needs to help the hundreds of thousands of men and women who are either unable to disembark, or who need to replace those whose contracts have expired, and through no fault of their own are caught up in this nightmare.

The big flag states certainly need to be far more vocal about this humanitarian emergency. But shipowners, too, should think about their choice of register, and whether, in the longer term, they would be better off flagging tonnage in their home countries, or one with the means to mobilise public opinion when it matters. And right now, it does.

Shipping is suffering the consequences of its own way of doing business, where a ship is effectively stateless because of its ownership, registration, and trading structure, leaving those who could make a difference wondering why they should care.

Denmark alters visa rules to assist crew changes

BIMCO has welcomed the Danish government's action on crew changes, saying new rules for safely repatriating seafarers could inspire other countries to act on the crisis.

The Danish government has agreed to apply visa rules in a way that allows seafarers to get a visa to enter or travel through the country so they can sign on or off duty locally or in neighbouring countries.

The move came after Dubai started allowing crew changes and following an international summit on the crisis.

Danish Shipping chairman Jacob Meldgaard told Lloyd's List the model would allow about 500 crew changes a week.

Crew could use Denmark as a hub to travel to Bremerhaven, Rotterdam or other places their ships called.

"The nationalities of the seafarers will be vastly different, but we expect to charter flights to bring in seafarers from Manila to Mumbai," he said.

Mr Meldgaard, chief executive of product tanker operator Torm, said the Danish model should be able to be used elsewhere.

"It's about having a good collaboration with the authorities," he said. "Denmark is not usually a hub for crew changes but I'm happy and proud that we as a leading shipping nation are showing the way for crew changes."

The plan was worked out between the government, industry group Danish Shipping, the Danish Metalworkers' Union and the Danish Engineers' Association.

Danish Shipping said special departments would be set up in airports so seafarers do not encounter others and it would be possible for foreign seafarers to be tested for coronavirus in Denmark.

Shipping companies must ensure seafarers are isolated in hotels as part of the conditions.

ANALYSIS

Capesize market sees a slow decline

THE capesize market retreated with no improvement in fundamentals during the past week.

The average weighted time charter on the Baltic Exchange slid to $22,635 per day, at the close on Tuesday, from $25,562 a week ago and $30,939 at the start of the month.

The market did however show some resistance to the recent losses, with a small uptick in values before the latest decrease. It was also a "relatively quiet fixing week" in a backwardated market, reflecting a lack of confidence, the Baltic Exchange said in a note.

“This lack of confidence may be offset, as the recent rally has been driven in part by positional tightness, which is sure to continue in this unique 2020 year,” it said, adding that minimal tonnage remains in the Atlantic, making it prone to spiking, while a lack of cargoes from West Africa because of the rainy season was helping to relieve any pressure that may build.

The Atlantic basin has thus widened its premium compared with the Pacific market, it noted.

Global miner BHP, meanwhile, reported record iron ore production of 248m tonnes during its financial year, which ended in June. That is 4% higher than the previous 12 months.

It expects output to increase to a range between 244m–253m tonnes in the next financial year as it continues its programme to improve productivity, it said in a report.

Metallurgical coal production fell 3% to 41m tonnes because of wet weather and geotechnical constraints earlier in the year. BHP expects output at 40m to 44m tonnes in the next financial year, reflecting “an expected deterioration in market outlook” due to the impact of Covid-19.

Weak demand may also affect thermal coal in the new year, with guidance so far in line with the 2020 financial year, when production dropped 16% to 23m tonnes, BHP said. Its Cerrejón operations in Colombia saw volumes plunge by 23% to 7m tonnes because of a six-week shutdown in response to the pandemic.

Brazil’s mining giant Vale said it was on target to produce between 310m tonnes and 330m tonnes of iron ore this year, although the lower end of the range was realistically achievable.

It produced 127m tonnes in the first six months of the year, meaning output will need to ramp up to at least 90m tonnes per quarter to meet that target. It expects its Northern System, which includes the S11D complex, to produce 200m tonnes in 2020, 118m tonnes of which is expected in the second half of 2020.

Oslo-based Arctic Securities said the announcement was “very supportive” for dry bulk shipping.

But Maritime Strategies International, a London-based consultancy, were more sceptical of Vale’s ability to ramp up sufficiently.

Longer-term, US bank Jefferies expects shipments of iron ore and coal to increase at a compound annual growth rate of 1% between 2019 and 2025. The slower growth rate compared with previous years does not necessarily translate to lower freight rates, it said.

Even with shipments increasing by only 1% to 2% per year, annual tonne-mile demand could rise by 2% to 3% due to longer-haul routes, easily outpacing supply growth in the coming years, it said in a report.

Ocean freight and idle rates said to have peaked

CONTAINER shipping freight rates and container line margins will increasingly come under downwards pressure in the second half of this year, following the surprisingly resilient ocean freight prices since the start of 2020, according to Jefferies research.

Idle container ship capacity will be redeployed as demand recovers and fuel prices bottom out, the logistics investment analyst said.

Maersk and Hapag-Lloyd were among major lines that made preliminary announcements ahead of what will likely be better-than-expected results for the second quarter and first half of 2020, given the drop in demand because of the health pandemic.

Jefferies indicated that it did not expect such a strong performance by lines in the second half of 2020, although it believes financial performances would still be significantly better for the year as a whole than most analysts had anticipated.

With Hapag-Lloyd reporting that it expects its first-half of the year earnings before interest, tax, depreciation and amortisation performance to be up by around 20% compared with last year, “in line with Maersk, after a better than expected recovery in the second quarter of 2020”, Jefferies said it had increased its full-year expected ebitda by 10%, “assuming the first half increase will be offset by increasing margin pressure in the second half of the year, after container freight rates and idle capacity

rates have likely peaked, while bunker prices have bottomed".

In terms of their respective investment potential compared with their current share prices, it added: "We remain relatively cautious, with a hold rating on Maersk and underperform rating on Hapag-Lloyd."

The analyst noted that bunker prices had now bottomed, observing: "Bunker prices have strongly recovered, with high-sulphur fuel oil now at $267 per tonne, 34% above the second quarter of 2020 average, and low-sulphur fuel oil at $322 per tonne, 25% above the second quarter of 2020 average.

"There will likely be some delay before higher bunker prices will be offset through bunker surcharges in fixed-price contracts."

Jefferies said it did not expect to see a full recovery of markets next year and that "an anticipated high-single-digit recovery in container demand is unlikely to be V-shaped, due to growing protectionism, reigniting trade tensions and near-shoring of supply chains, and expected to be offset by the redeployment of idle capacity, resulting in a balanced container market at best".

A source at Hapag-Lloyd was more optimistic, but acknowledged that it was difficult to make predictions during a crisis.

He said the line saw transport volume decline by 10% in the second quarter of 2020 compared with the same period a year earlier. "Looking ahead, we have to be prepared for any situation that might develop. Hoping that the second wave won't come is just not enough. As for when the container sector will recover, we are still in the middle of the storm but we do see a positive trend in demand, which will hopefully continue through the third quarter of the year. Being optimistic, we hope the volumes in 2021 will get close to our 2019 volumes."

On the pricing side, the latest figures from Drewry indicate that container freight spot rates have stabilised on most main trades, but at a far higher price level than this time last year.

In its weekly World Container Index assessment, Drewry said the composite index of eight major east-west trades decreased overall by 1% last week to $2,002 per 40 ft container but was only at 45.8% compared with same period last year.

The average composite index of the WCI, assessed by Drewry for the year-to-date, is $1,668 per 40 ft container, which is $269 higher than the five-year average of $1,400 per 40 ft container.

Spot rates from Shanghai to Rotterdam declined 3% or $59 to $1,806 for a 40 ft box, although they are still up 29%. Rates from Los Angeles to Shanghai and Shanghai to New York lost 1% to reach $513 and $3,447 respectively per feu, although Los Angeles to Shanghai prices are still up by 85%.

Similarly, freight rates from Rotterdam to New York slipped by $113, or 5%, to reach $2,213 for 40 ft container, and Shanghai to Genoa dipped $88, or 4%, to touch $1,978 per feu.

However, Rotterdam to Shanghai prices gained $15 and reached a level of $1,173, which is 103% above the level of the previous year. Conversely, rates from Shanghai to Los Angeles raised $39 to reach $2,932 and rates from New York to Rotterdam spiked 3% to $559.

Drewry said it expects rates to remain steady in the coming days.

MARKETS

Bahri posts record second-quarter profit

BAHRI, the Saudi Arabia-based tanker firm, reported its greatest-ever profit levels for the second quarter of the year.

The state-owned firm said net profit for the three months ending June 30 was SR760.61m ($202.8m), marking a 1,569% increase compared with SR45.57m in the same period a year earlier. Total revenue rose 145% to SR3.53bn.

The performance was "powered mainly by the growth in the oil sector due to the rise of transportation rates in addition to the increase in the number of voyages during the second quarter of the year," the company said in an exchange statement.

The second quarter of 2020 saw rates for very large crude carriers spike in April, reaching daily averages of $220,000 for Middle East to Asia voyages, before falling back as oil producers restricted supply.

Bahri, which has a fleet of 41 VLCC, 34 chemical and product tankers as well as dry bulk and multipurpose vessels, was a major charterer of tankers in the late-first and early second quarter of 2020 when Saudi Arabia flooded the market with oil as part of a price war before agreeing to historic cuts.

The company recorded a 425% increase in net profit for the first six months of the year, at SR1.18bn compared with SR224.9m in the same period a year earlier. Total revenue was SR5.61bn, which was a rise of 78%.

"The increase in net profit during the reporting period was largely attributable to the higher sales growth achieved across our various business units, demonstrating a high, sustained demand for our services and solutions," said chief executive Abdullah Aldubaikhi.

He said the company was "on the right track," adding: "We are poised to grow our revenues exponentially and expect to continue generating positive earnings, with our financial position remaining robust into the rest of 2020 and beyond."

K+N results show 'profound impact' of pandemic

KUEHNE + Nagel, the global transport and logistics company, has offered further evidence of just how bad the second quarter of the year has been in terms of containerised freight demand.

Volumes in the company's sea logistics division fell 11.7% to 1.1m teu in the three months to June 30, pushing turnover down by 11.9% to SFr1.6bn ($1.7bn) and earnings before interest and tax down 28.5% to SFr88m. It said the outlook for the second half of 2020 remains uncertain.

The second quarter of the year figures followed a similar trend seen across the first half of 2020.

"In the first half of the year, a clearly negative market environment translated to reduced shipping volumes and a decline in business for Sea Logistics," the Swiss company said. "K+N was able to gain market share in select, high-yielding industries including pharma, reefer transport and e-commerce.

"The good volume development in these areas and the cost management did not fully compensate the significant decline in the high-yielding SME customer portfolio."

Volume declines in its airfreight and contract logistics businesses were not quite so dramatic, but were still challenging. Net turnover across the company was down 7.5% to SFr9.8bn in the first half of the year and earnings fell by almost 20% to SFr309m.

"The crisis triggered by the coronavirus pandemic, which led to a lockdown in most countries, had profound and sudden negative impacts on international trade," said chief executive Detlef Trefzger. "We took the right measures early on and successfully managed K+N under these difficult conditions.

"We expect the second half of the year to continue to be marked by major uncertainties, for which K+N is well prepared thanks to its agile structure, rigorous cost management and high-quality service offerings."

The company, which halted its dividend plans in April, said it is proposing a dividend of SFr4 per share.

IN OTHER NEWS

Wilhelmsen takes 50% stake in MPC Capital ship management unit

WILHELMSEN Ship Management and MPC Capital's Ahrenkiel Steamship unit have agreed to combine their activities in the technical management of containerships.

The new company — to be branded Wilhelmsen Ahrenkiel Ship Management — will be based in Hamburg and Rhoon, supported by Wilhelmsen's global network.

Its 100 or so employees will manage a fleet of 72 boxships, with a focus on feeders in the 1,000 teu-3,000 teu bracket.

Operator of cruiseships held by UK goes into administration

CRUISE & Maritime Voyages, the commercial and technical manager of at least five vessels

that have been held by the UK's Maritime and Coastguard Agency, has gone into administration, leaving the fate of the vessels and its crew unclear.

A representative of administrators Duff & Phelps told Lloyd's List that the vessels are not part of the insolvency proceedings as they are held by offshore companies. Lloyd's List Intelligence shows the owner of most of the vessels as Global Cruise Lines, part of Greece-based Global Maritime Group.

Lloyd's List has approached Global Maritime for comment.

Maersk joins Microsoft and Starbucks in corporate climate alliance

MAERSK is partnering with some of the biggest corporations in the world to launch a new five-year initiative aimed at achieving net-zero emissions.

The Transform to Net Zero initiative will see nine founding companies combine efforts to decarbonise their operations and supply chains.

As well as Maersk the project includes Danone, Mercedes-Benz, Microsoft, Natura &Co, Nike, Starbucks, Unilever and Wipro, as well as non-profit organisation Environmental Defense Fund.

DSME and Rotterdam sign three-year research deal on smart ships and ports

DAEWOO Shipbuilding & Marine Engineering will work on digitalisation initiatives with the Port of Rotterdam, after signing an exclusive and strategic co-operation framework agreement to conduct research and develop projects in the area of smart ships and smart ports for the next three years.

DSME and Rotterdam Port, which is recognised as one of the most automated and digitalised ports in the world, have agreed to jointly develop smart ship and smart port communication standards, develop digital twins to improve the interface between ship and port, test port and ship dynamic information interfaces, and work on port planning and voyage key performance modelling and evaluation.

Through this joint agreement, the two organisations are planning to work on technologies that enable smart ships to interface with smart ports and aim to get a head start on the global remote-controlled and autonomous ship market of the future.

Hyundai Mipo wins $144m in MR tanker orders

HYUNDAI Mipo Dockyard has clinched Won173bn ($143.6m) of orders for four medium range chemical tankers from two buyers.

Two of the 50,000 dwt vessels were contracted with an Asian owner for a total of Won87bn, said the Seoul-listed shipbuilder in an exchange filing.

The company, part of Korea Shipbuilding & Offshore Engineering, formerly known as Hyundai Heavy Industries, said the orders also included an option for an extra pair of tankers of the same type.

Seanergy completes successful refinancing

SEANERGY Maritime says it has successfully closed a refinancing of one of its credit facilities.

The Greece-based capesize owner entered into a new credit facility of $22.5m and retired the outstanding balance on the old facility for an amount of $23.5m after the previous lender agreed a reduction.

The refinancing results in a $6.6m reduction in company debt and a material gain of $5.6m.

Classified notices follow

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

For EMEA please contact **Maxwell Harvey on +44 (0) 20 7017 5752**
or E-mail: maxwell.harvey@informa.com
For APAC contact **Arundhati Saha - Mobile: +65 9088 3628**
Email: Arundhati.Saha@informa.com

Container Tracker

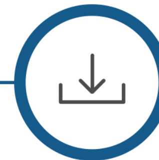
Save time. Stay compliant.

Track containers, not just ships

Simplify transhipment tracking with end-to-end downloadable data trails on containers – by container number or Bill of Lading.

Complete checks in minutes, not hours

Save time, with all the data you need in one interface, supported by tracking intelligence from over 600 Lloyd's agents worldwide.



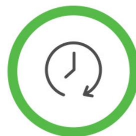
Download the evidence

Downloadable reports ensure you have the necessary documentation to prove compliance, including specific end-to-end transhipment reports and more.

Request a demo:
America Tel: +1 212-520-2747
EMEA Tel: +44 20 7017 5392
APAC Tel: +65 6505 2084
lloydslistintelligence.com/containertracker

Get a complete view from the trusted source for maritime data and intelligence

80+ expert analysts review, analyse and enhance data to give you the most validated view



Consultants provide you with the future view of the world fleet

Connections with key industry players provide you with exclusive news and insight

Choose the trusted source

Contact us today on **+ 44 20 7017 5392 (EMEA)** / **+65 6508 2428 (APAC)** / **+ 1(212) 502 2703 (US)** or visit **lloydslist.com/maritimesolutions**