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Shipmanagers slam Singapore over seafarer repatriation restrictions



SINGAPORE HAS RECEIVED stinging criticism from shipmanager lobby group InterManager for tougher quarantine and immigration policies that it claims prevent most owners and managers from undertaking seafarer repatriation and changeovers at the crucial maritime hub, worsening the global crewing crisis.

Singapore's Maritime and Port Authority introduced changes on July 24 that allow applications for crew sign-offs only, prioritise Singapore-flagged ships, and limit approvals to those without contract extensions or compassionate grounds.

InterManager said restrictions imposed on non-Singapore ships "creates myriad issues to the safety of seafarers and presents a significant breach of seafarers' humanitarian rights".

"Their approach is everything but human-centric," said InterManager's director-general Kuba Szymanski.

"Officials in Singapore have less than concrete action to help crew repatriation in these troubling times.

"Recommendations suggested by the MPA are not practical, and InterManager is encouraging anyone who did manage to carry out crew changes in Singapore to get in touch in order to keep a good record of the scale of the problem."

InterManager represents shipmanagers that provide third-party management of some 5,000 vessels employing some 250,000 of the world's estimated 1.5m seafarers.

The international association has been among the most vocal in condemning government immigration and quarantine policies and rules imposed worldwide to control the spread of the coronavirus epidemic.

Some two thirds of crew changes have been unable to go ahead since March, leaving some 300,000 seafarers stranded on vessels worldwide, repeatedly extending contracts and unable to sign-off ships.

Capt Szymanski's criticism formed part of an open letter to International Maritime Organization secretary-general Kitack Lim, urging more support to deal with the Singapore repatriation problems.

"If the same rules issued by the MPA of Singapore were applied to all flag states, it would pose a very dangerous narrative, as ships of other flag states would not be allowed to perform crew changes anywhere in the world.

"We — shipmanagers — would be unable to change off-signing crew because they would immediately be in breach of safe manning regulations," InterManager said.

"We completely understand the concerns that Singapore has, and we support their efforts to look after their citizens. However, no ships means no supplies, so a collaboration between the shipping sector and local administration is of paramount importance, and needs to be a two-way street."

MPA response

A spokeswoman for the MPA said in a statement to Lloyd's List: "It is incorrect to state that the ability of non-Singapore flagged vessels to sign on and off crew has been 'severely hampered'."

The July 24 regulation "does not mean that crew changes for foreign-flagged ships are not allowed. For that matter, the vast majority of crew change carried out in Singapore were for foreign-flagged ships.

"Singapore continues to facilitate crew change daily."

The MPA declined to provide updated information about current crew change numbers after Lloyd's List asked for the figures twice over a 24-hour period.

Since March 27 Singapore had approved 31,000 crew changes, according to an emailed statement from the MPA on July 13.

The Singapore Shipping Association was approached for comment on August 19 but has not responded.

Singapore as well as Hong Kong reimposed tougher crew change rules are a resurgence in local Covid-19 cases and positive tests for signing-on crew, as well as concern in Singapore about falsified tests for some seafarers.

WHAT TO WATCH

Maersk's strategy U-turn since the 2009 financial crash pays dividends during pandemic crisis

WHAT a difference a decade makes.

At the start of 2020, as the coronavirus pandemic spread and countries around the world went into lockdown, most pundits were predicting a bleak year for container shipping, reminiscent of the meltdown that engulfed the industry during the 2009 financial crash.

Instead, ocean carriers have proved to be remarkably resilient, with market leader Maersk posting a healthy profit in the second quarter of the year when the cargo slump was at its worst, and now forecasting full year earnings before interest, tax,

depreciation and amortisation of \$6bn–\$7bn, having suspended guidance a few months ago.

That compares with a group deficit of \$1bn in 2009, as AP Moller-Maersk was dragged down by Maersk Line which lost \$2.1bn. The whole industry, which had only ever seen year-on-year growth, was suddenly hit by a 10% collapse in demand, a situation which was exacerbated by a large orderbook at the time.

Although the decline in liftings has not been quite so severe this year, container lines were nevertheless expected to struggle to make money. Instead, the

opposite seems to be the case, as Maersk and other carriers such as Hapag-Lloyd and Zim have demonstrated.

Maersk group chief executive Søren Skou says that much has happened over the intervening period, with new tools at carriers' disposal to cope with changes to both supply and demand, and a change of attitude at the top.

In 2009, lines responded to the contraction in demand by cutting freight rates, behaviour that left the whole industry deep in the red. Yet price wars continued to plague the container shipping industry for many more years, made worse by the tendency to order new tonnage almost at the first sign that market conditions could be recovering.

In the run up to 2009, shipowners had embarked on a huge spending spree, with the orderbook peaking at more than 60% of the existing fleet at the time. And despite the subsequent banking crisis, the ordering lull was brief.

Maersk led the way in returning to the shipyards, signing a \$1.9bn contract in February 2011 for 10 Triple-E giants, the world's first 18,000 teu-class ships, with options for another 20.

The decision to order new vessels so soon after container shipping's worst year on record reflected the fact the volumes picked up rapidly in 2010 as depleted inventories were replenished. But in a highly competitive industry, it was not long before most other global lines had followed Maersk by ordering ultra large containerships. The outcome was a business that has progressively destroyed shareholder value over the years.

In the case of AP Moller-Maersk, as Mr Skou pointed out in an interview with Lloyd's List a year ago, it had gone from a \$60bn company in 2011 to a \$35bn company five years later.

But since then, the entire industry has been dramatically reshaped through a series of largescale mergers and acquisitions, while the Maersk group has changed out of all recognition from a shipping and energy conglomerate to an integrated transport and logistics company.

And one crucial difference from 10 years ago is that Maersk has nothing on order right now, while the industry orderbook is down to about 9% of the existing fleet.

Structural change has undoubtedly helped the Danish heavyweight navigate the unprecedented conditions that suddenly confronted the container trades in the first half of this year, and Mr Skou is confident that there will be no going back to the bad old days.

Supply/demand balance

Speaking to analysts after the release of second quarter of the year results that saw the group's ocean division post a 26% increase in ebitda to \$1.4bn despite a volume drop of 16%, and revenue decline of 6.5%, Mr Skou said he was "frankly quite proud of the continued progress over the past two years when we have not had the wind on our backs".

Despite difficult market conditions, continued trade tensions, implementation of the IMO 2020 low-sulphur rules, and now a sharp reduction in demand caused by the pandemic, Maersk has remained in the black.

Indeed, while shipping is considered a cyclical business, Maersk's recent financial results have been counter-cyclical, "and shown that agility in balancing supply and demand... means we can meet customer needs and positively impact our performance at the same time," said Mr Skou.

As demand slowed in the early months of 2020 to a massive slump of 20% in April compared with 12 months earlier, Maersk and other carriers avoided the usual knee-jerk response of price cutting. Instead, sailings were cancelled, and ships left idle.

"In 2009 the thinking in Maersk and the rest of the industry was that, if you had a network, you had to keep sailing and fill up the ships at all cost," Mr Skou said.

"That approach has completely changed, and we are now operating our network in a fashion that is very similar to what the courier express and package guys such as UPS and Fedex are doing," he continued.

"They deploy their flights where there is a demand, and that is what we have been doing through this crisis, and that will be our approach going forward. Since it has worked so well for us, why should we change?"

To some extent, Maersk did not have the ability to do this back in 2009 when the scale of its network and fleet size were considerably smaller, so that taking out a service loop would have had serious consequences for customers.

As operator of the world's largest containership fleet, it is much simpler to remove capacity without reducing port coverage, said Mr Skou.

At the start of the pandemic, Maersk had more than 700 ships of 4.1m teu in service, but as conditions worsened, some 20% of capacity was removed.

In the second quarter of the year, 160 sailings were blanked, but since then, most voyages has been reinstated, according to Mr Skou, with capacity now 95% back to where it was prior to the start of the coronavirus outbreak.

“So we have plenty of opportunity to adjust back

US bonds source of liquidity for selected owners

THE bond market in the US is home to a substantial pool of liquidity that can be tapped by owners ready to pay steep coupons, especially if the issues can be presented as environmentally friendly, according to a panel of specialist lawyers.

The comments come after Lloyd's List yesterday reported a paper from another law firm that highlighted the continuing trend towards green ship finance, which now makes up some 10% of the overall market.

Watson Farley & Williams global head of marine Lindsey Keeble and senior capital markets partner Simon Ovenden, and the firm's New York-based capital markets and M&A specialist Will Vogel, discussed latest trends in shipping bonds in a conference call with Lloyd's List this week.

Mr Vogel said that the decline in bank lending had left some US investors more ready than previously to look at shipping deals, especially if the price is right.

While memories of the shipping junk bond collapse of the late 1990s linger on, owners with some insulation from cyclical in asset values and revenues are currently able to raise substantial sums.

In particular, this is true of the private placement market, especially where the amounts involved do not meet the minimum ticket size thresholds specified by major institutions.

“There continues to be all this capital on the sidelines, and it doesn't appear to be put off by short term disruptions [of the pandemic]. There's still money that is ready to be put to use,” he said.

down again if we need to,” said Mr Skou, who expressed confidence that much had permanently changed since 2009.

“We have no plans to change our approach to matching capacity to demand in an agile fashion,” he stressed.

“In 2009, we kept the network operating for a long time and lowered prices to fill a network that was too big. Then, we went after market share, but this time we are focusing on profitability.”

And in these unprecedented times, it is the pandemic which has “strengthened that resolve.”

“Right now it's a two-sided opportunity. A lot of issuers have an urgent need for liquidity because of Covid-19. On the other side, there's opportunities for higher yield in debt or lower prices in equity.”

This is especially true for cruise concerns, even though coronavirus has collapsed the cruise market, which is not expected to recover until 2022 at the earliest.

A case in point is Royal Caribbean Cruises, which sold bonds worth \$2bn in June. The following month, Carnival Corporation raised \$1.3bn against the value of its fleet.

“The question is at what price, that's the key. The price they're paying to capital markets now, compared to what it was a year ago, even, is completely different,” Ms Keeble added.

In truth, many of the interest rates being charged are frankly into what is popularly known as ‘junk bond’ territory.

Diana Shipping, the US-listed dry bulker owner, is paying 9.5% on its \$100m Oslo issue from September 2018, evidencing a credit rating well below investment grade.

Mr Ovenden said that that kind of spread is not unusual, and that some owners are paying in the order of 11% to 12%.

“It's as high as it's been for a while. You'd have to go back quite a way to see that kind of margin,” he commented.

Growing niche

Many bond issues are being described as green, which is a rapidly growing niche. Green bond issues have risen from \$35bn in 2014 to \$280bn in 2019, said Mr Ovenden.

Examples include fundraisers to pay for a particular piece of equipment for a vessel, such as scrubbers, ballast water treatment systems or propeller cap fins, or to cover R&D expenses.

Bonds for entirely green purposes are often focused on LNG-fuelled vessels, which on current orderbook trends are likely to become more prevalent.

Around four or five green issues have been in the shipping space, including issues by Mitsui and Evergreen in their respective domestic currencies. But sales of Teekay Shuttle Tankers' green bonds in October last year were undersubscribed.

There was nothing particularly wrong with them, Ms Keeble insisted. The problem may have been down to the timing.

"The Altera Shuttle Tankers (formerly known as Teekay Shuttle Tankers) issue was actually quite well received and reported on in the investor community and subsequently won Marine Money's "Green Finance Deal of the Year" in 2019.

Whether or not a 'green bond' actually is green is open to interpretation, and the market generally expects a second opinion from green bond consultancies, which will rate issues as light green, dark green or red, according to their evaluation.

The degree of subjectivity inevitably results in ratings differing widely, and different consultancies can offer two or even three conflicting evaluations.

What is evident is a 'flight to reputation' and a focus on quality of reporting and rigor taken to reach a determination.

State must help bankroll Greek ferry sector, says analyst

WITHOUT support from public funding many Greek ferry companies will not survive the market shock delivered by the coronavirus pandemic, a new study of the European Union's largest ferry market has warned.

The 2020-2021 winter season promised to be "particularly difficult" for companies as revenues from the first half of the year and the summer peak

In an era where investors expect greenness as standard — with some firms specifically mandated only to consider green investments — green bonds will not necessarily get you better pricing, the panel warned. The lure is access to big piles of cash.

"Shipping companies can attract funding from people who traditionally wouldn't be attracted to shipping but are looking for green and ESG-compliant places to put their money," said Ms Keeble.

"Savvy chief financial officers are looking at how they are going to get access to these funds, to appeal to investors to fund the advancement that needs to be done in the industry.

"If investor appetite in the sector is whetted and the profile of green bonds in the sector is raised and put high on a pedestal, we should see quite a lot of activity here."

Mr Ovenden concluded: "Perhaps the early perception was that the only people who can do a green bond are a wind farm. But that's changing. Even a shipping company or an oil company can do a green bond."

An earlier analysis by Stephenson Harwood argued that while there is currently no obligation on banks to provide a minimum percentage of green or sustainable finance, this is likely to be addressed reasonably soon at both national and European levels.

This could be achieved through incentives such as reduced capital charges for lenders hitting targets and greater Export Credit Agency support for domestic yards building new ecoships.

While the trend towards green ship finance is still clearly led by European financiers, Japanese banks are now getting involved, and lenders from other Asian countries are expected follow.

season were insufficient to cover operating costs, said XRTC Business Consultants.

According to XRTC, which has been monitoring the Greek ferry market for 20 years, the only way for ferry operators to meet financial obligations and fulfil their service requirements is with funding from the Greek state directly or from the EU.

Investors and financiers need to act prudently to avoid the immediate collapse of companies, said XRTC.

But in addition, the state — “the other partner” in the market — “must realise that without its support it will just not be possible to maintain the country’s maritime transport network”, it warned.

The gloomy scenario applied to all but “a small number” of companies that exclusively served public interest lines.

As well as the general need to keep companies afloat, government help was also required if ferry companies are expected to invest in order to maintain public health, for example by investing in air purification systems throughout vessels.

Disruption from the pandemic had eclipsed other pre-existing problems facing the ferry market such as meeting new environmental requirements, XRTC argued.

Estimating the scale of reduction demand for ferry transport, whether domestic or international, was simply “high-risk” guesswork, the study maintained.

“Across the world, the return to normality remains obscure,” it said.

Beyond the immediate fall-out from the pandemic, Greek ferry lines also had to address the need for renewal of a fleet that has “aged dangerously.”

The study focused primarily on Greece’s leading three ferry groups — Attica Group, which includes Superfast Ferries, Blue Star Ferries and Hellenic Seaways; Anek Lines; and Grimaldi Group affiliate Minoan Lines.

Based on operations in 2019, the trio accounted for about half the Greek market in terms of traffic and number of ships with the other half attributed to another 22 firms, chief among which were Seajets, Golden Star Ferries, Fast Ferries, Levante Ferries, Zante Ferries and Dodekanisos Seaways.

“Virtually all” the operators have had to cut itineraries this year and have not operated to full capacity.

Subsidies are likely to be key to determining interest from investors when banks come to divest their stakes in several companies, XRTC suggested.

The biggest player in this respect is Piraeus Bank, which holds about 12% of Attica Group and about 28% of Anek Lines.

“The question is, who will invest in and who will finance this market when it has stagnated?” asked the study.

OPINION

New appointments reveal Ocean Technologies' strategy

IT HAS been a busy six months for Manish Singh in spite of — more accurately because of — the coronavirus pandemic.

In December, the former head of business development at V.Group was appointed chief executive for both Videotel and Seagull. The learning and training specialists were snapped up in April 2019 by London-headquartered mid-market private equity investor Oakley Capital.

Mr Singh set about a series of acquisitions and appointments under the new brand Ocean Technologies Group. Soon after lockdown it was announced that the bespoke learning business Marine Training Services had joined OTG, followed by the appointment of Susan Steele as chief human resources officer.

Meanwhile, OTG formed an online education partnership with BIMCO and the Institute of Chartered Shipbrokers. Within weeks, both Tero Marine, a ship management software business, and language testing specialist Marlins were within the fold. Last month, Mr Singh confirmed the appointments of Caspar Atkinson as chief product officer and shipmanager Johan Gustaffson as chief revenue officer.

If a man is known by the company he keeps, these appointments reveal Manish Singh’s vision for OTG better than a mission statement.

“There were two roles I was adamant had to come from outside the marine sector,” he told Lloyd’s List. “One was the role that Susan Steele took up, the other was chief product officer.” There is plenty of

maritime expertise in the team, but the chief executive was looking for someone who would bring fresh thinking to the board.

Ms Steele led the business transformation team at brand strategy consultancy Kantar Millward Brown/WPP as global chief HR officer, moving on to head the global talent and transformation team at IBM in New York. She spent a year as chief HR officer at media software business Cision and joined OTG in May.

“HR officer doesn’t do justice to her role,” Mr Singh commented. “Susan has been using AI and digital tools at companies such as IBM. For me it was a big win that we were able to get someone like her to be part of our team. Her focus is on upskilling our own people. We are a knowledge business. We must have someone with experience of investing in knowledge.”

Caspar Atkinson, the new chief product officer, has expertise in social media analytics, product consultancy, and cloud delivery technology. Although his father was a master mariner, Mr Atkinson chose a different career. “He has an attachment to the sea with expertise of digital technology.”

The new chief revenue officer, Johan Gustaffson, became vice-president of global sales at Transas moving, soon after its takeover by Wärtsilä, to Hong Kong to take the position of chief operating officer at Wallem.

“I was adamant that all customer-facing roles should build on experience in shipowning and shipmanagement,” said Mr Singh, whose career ashore has been in shipmanagement.

“What we do for our customers is mission critical. When a ship comes into a port, when a port state inspector is going on board, or the ship is being offered to an oil major for a cargo, it’s not about training. It is about the quality of the asset and the quality of the human capital on board. I wanted

more shipmanagement and operations expertise on the team.”

Industry intimacy was an important aspect in selecting Mr Gustaffson, but different criteria were required in selecting Ms Steele and Mr Atkinson. “Let’s go to companies that have done it well and learn from them,” Manish Singh explains. “They will help us to look at ourselves and our people.”

For a group of businesses focusing on competence, knowledge, and training, and on the tools for delivering each of these, the coronavirus pandemic has presented opportunities. Chief among these is the increasing adoption of digital learning.

“There has been very little innovation in this area but we have seen improvisation and collaboration; competitors are pulling together. On the training and competence development side, only about 10% is digital today: 90% is still contact learning — classroom or simulator, or trainers flying out. That can’t happen in the new normal. It’s not efficient or sustainable. The new normal will see at least one-third reliance on digital capability, whether training, knowledge or inspections.”

“The big change has been in adopting this technology. [The pandemic] has pushed up forward by a couple of years.”

Looking ahead, the most important requirement is to align the members of the group. “As we go further into digital delivery, our seafarers will consume what we do on mobile or tablet, so we will have to develop more.”

New software will be developed to overcome the shortcomings of the virtual classroom, with animation and virtual reality either bought in or built internally as necessary.

“For me the coming months will be walking the talk and sharing case studies,” Manish Singh says. “There have been acquisitions and appointments. Now we must show what we can do.”

ANALYSIS

Yard Talk | Shiprecycling recovery gains momentum

IN contrast to shipbuilders who are stranded in the summer doldrums, breaking yards are enjoying a brisk recovery. That appears to be good news for

shipping companies expecting freight rates to strengthen.

The coronavirus pandemic remains rampant, with daily new cases in India reaching a new record high, but it has not dampened the mood in the subcontinent shiprecycling markets.

Braemar described cash buyers as being “starved of tonnage”, although only a handful of ships are being sold.

In its latest report, the shipbroker expected the markup to continue in the short term, with prices in Pakistan likely to break into the \$370 per light displacement tonne range.

It also forecast more vessels would be heading into scrapping yards this year, particularly towards the end of the third quarter and start of the fourth quarter, because owners were unwilling to pay for the old tonnage due for special survey or dry docking.

“Is it possible that we might see a ship sold for \$400 per ldt in September? Not yet — but time will tell!” said Braemar.

Prices in the region, including Pakistan, India and Bangladesh, currently stand at above \$300 per ldt across all vessel segments, a surge from the previous nadir of around \$150 per ldt, according to data from GMS.

“Cash buyers have finally managed to sell off a lot of their existing (and previously loss-making) inventories, while new units are being committed at increasingly impressive numbers,” said the cash buyer.

GMS noted rumours being circulated in the market last week that pointed to a panamax containership sold into India for more than \$360 per ldt, while prices at the ship graveyards in Alang alone surged by \$20-\$25 per ldt.

Rising retail sales boost US west coast throughput

THROUGHPUT at the main US west coast ports appears to be tracking relatively well for the month of July compared with prior years, despite the ravages of the Covid-19 outbreak and the continued Sino-US trade war.

A large boost in retail sales across the US — marked by recent US Census Department figures and first-half results of leading shippers — seems to have boosted results in three of the four main west coast ports.

“Just last week, the price of scrap steel has started to rebound (posting some of the highest numbers we’ve seen this year), currencies are stabilising and demand has started to tell across all sectors as end-buyers realise they need to book their plots with units at the current levels, before markets continue to jump even higher,” it added.

EU regulatory boost

Meanwhile, Turkey’s market is also faring well, with prices climbing to \$200 per ldt territory.

The EU Ship Recycling Regulation is the major push behind that bullishness as Turkey has the largest share of recycling yards among those approved by the European Union and the Organisation for Economic Co-operation and Development, according to the research unit of SITC, a Hong Kong-listed intra-Asia focused carrier.

Chinese shipbreakers are probably the only ones left out of the party, even though many of them have invested heavily in facilities and technologies to comply with the EU regulation.

They have been frustrated by Beijing’s ban on importing ships for scrapping since 2019 and have been eking out what little supply there is from domestic shipowners. Repeated calls for an easing of the restriction have yet to be answered.

In a recent council meeting, the China National Shiprecycling Association chairman Xie Dehua said his member companies were facing “parlous conditions” and “tremendous challenges” with a double whammy of the import ban and the health crisis.

Mr Xie must have also bemoaned the reduced membership of his organisation as he gave his blessing to the departure of several shipbreakers.

But it is too soon to tell if the consumer spending spree will amount to the sustained recovery of demand that will see stepped-up orders in overseas factories putting more boxes on ocean carriers.

The ports of Long Beach, Los Angeles and Oakland all showed increased throughput of containers for the month of July, with only the Northwest Seaport Alliance showing reduced numbers.

Long Beach said July marked the busiest month in its 109-year history, moving 753,081 teu as trade for the month increased by a stellar 21.1% over the same month last year.

Imports climbed 20.3% to 376,807 teu, exports grew 24.1% to 138,602 teu, and empty containers headed back overseas increased by 20.8% to 237,672 teu.

Mario Cordero, executive director of the port of Long Beach, expressed pleasure with the result, saying “it was a good month, a bright spot, in the midst of the devastating effects of the coronavirus on the economy”.

He attributed the “surge” in cargo to due to “pent-up demand by consumers” — an observation underlined by recent sales figures at key US retail shippers such as Target, Home Depot, Lowe’s and Walmart.

Rising sales

The US Census Department last Friday reported that retail sales — reflecting what households spent at service stations, stores, restaurants and online — rose 1.2% in July.

That rise was reflected in stores such as Target, which on Wednesday reported a 24% year-on-year increase in second quarter like-for-like sales, representing the largest quarterly sales surge in the company’s 58-year history.

“The results we reported this morning are truly unprecedented. On the top-line, we delivered second quarter comparable sales growth of 24.3%, the strongest we’ve ever reported,” said Target chief executive Brian Cornell on Wednesday.

Lowe’s posted a 35% jump, while Home Depot clocked a 25% increase with Walmart announcing a 9.3% rise in the most recent quarter, bringing its global revenue to \$137.7bn.

The port of Long Beach said its cargo volumes were bolstered in July by “a surge in online spending” as consumers continued to avoid leaving home during the Covid-19 pandemic — a point also underscored by the big retailers.

Long Beach also saw improved figures due to a “short-term increase” in extra vessel visits to compensate for blanked voyages earlier this year.

Still, the port is down in its year-to-date figures, moving 4.19m teu during the first seven months of 2020, 2.8% below the same period in 2019.

Across San Pedro Bay, the port of Los Angeles moved 856,389 teu in July, the busiest month in 2020 so far and the second-best July in the port’s history, trailing July 2019 by 6.1%.

As with Long Beach, there were “fewer cancelled sailings and 11 additional ‘ad hoc’ or unscheduled ship calls” which helped drive both imports and exports higher than recent months, said port executive director Gene Seroka.

“Preliminary data for August indicates solid volumes as retailers continue restocking inventories and preparing for the year-end holiday season,” Mr Seroka said.

July loaded imports decreased 4.3% to 456,029 teu compared to the 476,438 teu across the docks in July 2019. Loaded exports were very hard-hit, cascading 21.7% to 126,354 teu. Empty containers declined by a marginal 0.1% to 274,007 teu. In total, July volumes totalled 856,389 teu.

Seven months into 2020, overall volumes stand at 4.62m teu, a decline of 15.3% compared to 2019.

At the port of Oakland, to the north, import cargo volume also increased in July as US retailers restocked dwindling inventories, creating a 6.42% jump in containerised imports to 96,420 teu from 90,598 teu last July.

“The news was tempered by a 6.4% decline in July export volume compared to July 2019,” port officials said. Oakland’s export volume has now fallen for three consecutive months.

As with Long Beach and Los Angeles, Oakland officials attributed their import gains to “shippers resupplying warehouses after retrenching during early stages of the global coronavirus pandemic”.

“It’s good to see an uptick in cargo activity,” said recently installed port of Oakland maritime director Bryan Brandes. “But we’re not doing any victory celebrations because the trade outlook remains unclear as long as the pandemic is with us.”

Oakland

Dwindling exports could be the result of China’s efforts to restrict entry to waste product shipments, port officials said, adding that scrap paper is one of the leading US exports from Oakland and other west coast ports.

Oakland said its year-to-date total cargo volume is down 5.8% from 2019, a result due largely to a

nearly 10% decline in the return of empty cargo containers to origin destinations.

The Northwest Seaport Alliance of Seattle and Tacoma handled 270,388 teu in July 2020, a 17.2% decline compared to July 2019. Full imports declined 15.9%, while full exports decreased 23.4%.

Total overall container volumes for the year declined 18.2% compared to 2019. The NWSA has handled a total of 1.83m teu year-to-date. Full imports declined 17.9%, while full exports decreased 11.3%.

NWSA chief executive John Wolfe put his port's weak performance down to the high number of blank sailings — 57 so far this year — created by the global pandemic and the trade war which, together, have “unleashed unprecedented impacts” on the northwestern gateway.

While the US west coast ports do show fluctuating numbers month by month, an analysis of their loaded import figures for the month of July over a four-year period shows they are — with the exception of the NWSA — on a relatively even keel.

The four ports have collectively averaged 1.01m teu of loaded imports for the month of July since 2017. For July 2020, their throughput stands at 1.03m teu — a rise of 2.6% over their collective four-year average.

Individually, the ports vary, with Oakland up 8% over its average July, Long Beach up 6.3%, and Los Angeles up 2%. Only the NWSA, with an 11.3% drop to 103,389 teu for July 2020, is operating under its July average of 116,601 teu.

MARKETS

A dismal winter forecast for LNG shipping

AN overall surplus in vessel supply, which is emerging in the liquefied natural gas shipping market, may pull back a seasonal surge in shipping rates in the fourth quarter of the year.

Ship brokerage Poten & Partners forecasts showed shipping rates surging past \$50,000 towards the end of the year, but this is far from a seasonal high of more than \$110,000 posted last October.

These numbers factored in slowing LNG demand following the coronavirus pandemic.

The brokerage has slashed its projection for global LNG demand by about 20m tonnes, with its revised full-year forecast coming in at almost 360m tonnes, slightly lower compared with 2019 levels.

Poten & Partners' manager for short-term forecasts, Kristen Holmquist noted however, that despite the weaker commodity demand, pre-committed newbuildings “will still get delivered” whether the market “needs them or not”.

Poten previously estimated that 117 conventional LNG tankers were on order as of March 31, with 35% or 41 of these uncommitted to charters.

However, Ms Holmquist pointed to the upside from forward LNG prices supporting exports from the US to Asia-Pacific and Europe heading into the later months of 2020.

US exports are also seen rebounding, following July lows, to surpass volumes seen at the start of this year during the coming northern hemisphere winter season.

But a significant build-up in floating storage may pull back LNG spot prices and compromise US LNG exports.

Poten's index, which references monthly volumes held in floating storage against exports, showed floating storage surpassing last year's high ahead of the fourth quarter.

The past few months also saw loaded LNG carriers forced to slow-steam amid a slew of cancellations or deferrals of contracted cargoes particularly those exported from the US.

Ms Holmquist suggested that significant cargo deferrals by Japan and South Korea could hurt spot trades in the coming months.

“Japan has deferred roughly 14 cargoes, potentially decreasing its winter requirements by 35%,” she said.

South Korea, which “is in a similar situation”, may also cut “spot requirements” by up to 40%.

Höegh LNG seeks long-term FSRU contract coverage

CURRENT pricing is such that gas is cheaper than coal, according to Höegh LNG, in what is seen as a first for the market.

“The drop in liquefied natural gas spot prices has improved its competitiveness compared with other fuel types, which underpins demand for LNG import facilities, where floating storage regasification units offer the quickest access to the global LNG markets at the lowest cost,” the Oslo-based company said in an earnings statement.

The company has 10 FSRUs and two liquefied natural gas carriers in its fleet.

Almost all its assets are contracted for this year, and if options to extend are exercised by charterers, its coverage for 2021 will be at 85%, said the company’s chief executive Sveinung Støhle.

He said the company would be looking for long-term FSRU contracts by the end of 2021 for all its units trading on short-term LNGC charters.

“The market is improving into winter and the tightening should put us in a good position,” he said on a conference call.

Navios posts second-quarter loss as dry bulk rates shrink

NAVIOS Maritime Holdings remained in the red during the second financial quarter of this year, as profits from its South American logistics business could not offset a slump in the dry bulk market.

A net loss of \$35.3m was a marginal improvement on last year’s second quarter of the year loss of \$36.4m and included \$9m in impairment losses related to two sold bulkers.

After excluding non-cash impairment charges, the adjusted loss attributable to common shareholders came to \$25m compared with a \$1.6m loss in the same quarter a year ago but that loss included double the number of write-downs.

Average time charter equivalent rates across the company’s fleet of 52 owned and long-term chartered-in bulkers fell to \$7,827 per day compared with \$10,500 in last year’s second quarter.

Indeed, China’s imports jumped 20% in the second quarter of the year compared with the same period a year earlier, while Europe continues to be the main growth driver for seaborne trades, with imports up 7% to 24.4m tonnes, according to the company. The shipments into Europe came at the expense of pipeline gas from Russia, Algeria and Norway.

“LNG demand has thus been surprisingly resilient,” the executive said, and new FSRU projects are emerging, although some, namely in the Indian subcontinent, have been delayed because of logistical challenges related to the coronavirus pandemic.

Höegh LNG is one of three preferred bidders for First Gen’s offshore LNG terminal in the Philippines, while the company is in discussions with authorities in Cyprus for a licence to install an import terminal there. It has also been short-listed for a project in Latin America.

The company reported stable operations amid challenging times, posting a net profit of \$2.9m in the second quarter of 2020 compared to a loss of \$3.6m in the same period a year earlier.

It has managed full or partial crew changes on all its vessels.

Second-quarter revenues from dry bulk operations fell by 27.6% to \$38.3m because of the effect of vessels sales, as well as the charter market malaise.

Meanwhile, revenues from the 63.8%-owned logistics subsidiary were relatively stable, coming in at \$58.8m compared with \$60m in the same quarter last year.

The company put the small decrease down to a reduction in revenues from barge operations, although this was partially offset by increased revenues from terminals as volumes increased at its grain port in Uruguay and sales of products rose at its liquids terminal in Paraguay.

As a standalone business, the logistics arm posted a net profit of \$12m in the second quarter of 2020, up from \$9.7m in the same period of 2019.

Last month, Navios South American Logistics issued \$500m in secured notes to refinance an existing bond, which is due in 2022, and repay its term loan B.

\$7.9m cash amount representing its interest in the Navios Europe II joint venture that was recently liquidated.

The balance of proceeds was to be used for general corporate purposes, it said.

The New York Stock Exchange-listed Navios mother company holds stakes of 30.5% in tanker company Navios Acquisition, 18.5% and a 2% general partner interest in Navios Partners, and 33.5% of Navios Containers.

In a separate development, Navios Holdings has acquired two debt-free panamax bulkers and a

IN OTHER NEWS

US retaliation challenges Hong Kong maritime hub prospects

THE US government's decision to scrap a double tax agreement with Hong Kong could strike a blow to shipping firms with large exposures on both sides, as well as presenting a serious challenge to the city's future as a maritime hub, according to experts in the sector.

Liner shipping carriers operating on the transpacific trade in particular will likely be among the hardest hit from Washington's move.

Hong Kong has signed the tax reciprocal deal with many countries and jurisdictions, providing mutual tax exemption on income derived by residents and companies from international shipping operation business.

A total of 14 seafarers missing after ships collide

A TANKER carrying gasoline and a barge have collided off China with 14 crew still missing.

The collision happened on Thursday morning in the Yangtze estuary leading to the sinking of the barge. The China-flagged *Long Qing 1* tanker, which was carrying 3,000 tonnes of gasoline caught fire.

Lloyd's List Intelligence reports that out of the 14 crew on *Long Qing 1* and the three on the barge, only three seafarers were rescued, leaving 14 unaccounted for.

"An search and rescue operation was launched, and an SAR ship proceeded to extinguish the fire, which had gutted the accommodation block and was raging on the cargo deck at the starboard side," Lloyd's List Intelligence reported.

Malta urged to resolve stuck Maersk tanker with 27 rescued migrants

THE Denmark-flagged, 37,300 dwt combined chemical and oil tanker *Maersk Etienne* rescued the 27 people – including one child and a pregnant woman – on August 4 from a small boat in distress in Tunisian waters. The request was made by Maltese authorities, Lloyd's List was told. The vessel subsequently sank.

Since arriving in Maltese waters, *Maersk Etienne* been refused permission to berth at any port in the Mediterranean country and disembark the migrants.

"The merchant fleet is neither designed nor equipped to care for additional people, and we are quickly depleting the supplies on board," said Maersk Tankers chief technical officer Tommy Thomassen in a statement.

Iran-UAE vessel seizures likely a 'local dispute', security observers caution

MARITIME security sources say Iran's seizure of a United Arab Emirates-registered vessel on Monday is unlikely to further

stoke geopolitical tensions between the opposing Middle East Gulf states.

Iran seized the Emirati ship and detained its crew "due to illegal traffic in our country's waters", Reuters reported on Thursday, citing Iranian state TV.

The same day, UAE guards shot and killed two Iranian fishermen and seized a boat.

Iran's foreign ministry said it summoned the UAE chargé d'affaires to call for the release of the boat and the bodies of those killed, plus compensation for the damage.

Saudi Arabia ports prohibit open-loop scrubbers

SAUDI Arabia has banned the use of open-loop scrubbers at its ports and territorial waters, expanding the list of jurisdictions that have prohibited the exhaust gas cleaning system.

The Saudi Arabia port authority said in a circular that it is banning open-loop scrubbers until the government issues an environmental standard on wash water discharges.

Open-loop scrubbers continue to face resistance from certain coastal jurisdictions as controversy concerning the impact of wash water discharge on marine environment persists.

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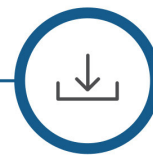
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