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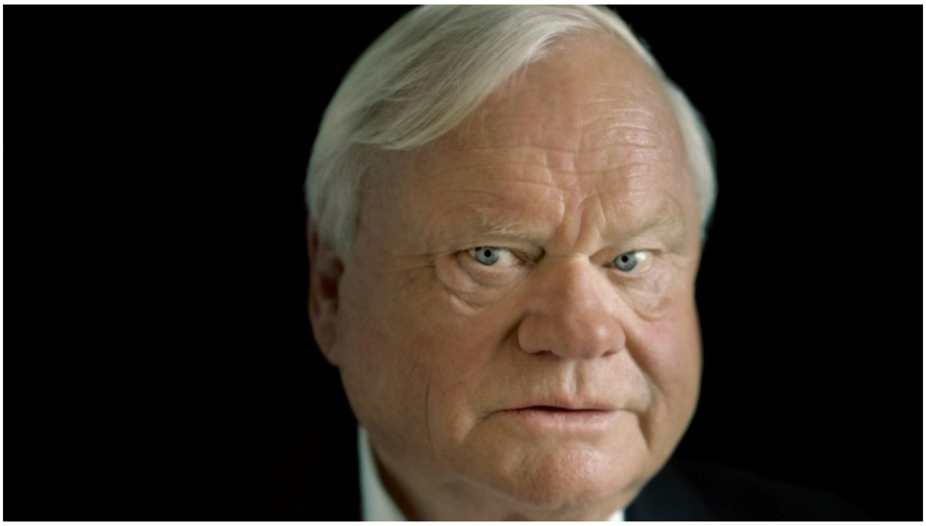
Private equity hires prompt speculation over future of Fredriksen empire



NORWEGIAN BILLIONAIRE JOHN FREDRIKSEN has given the clearest signal yet on the future direction of his $10.6bn shipping empire, as two newly hired former fund managers join his private investment vehicle with a mandate to restructure and invest outside shipping and oil and gas.

The quick succession of hires has led to speculation that Mr Fredriksen is considering a private equity buyer for the entire portfolio, rather than dismantling and selling off companies.

Lloyd's List understands that at least three separate funds have recently been making discreet enquiries about Mr Fredriksen's businesses seeking informed guesses regarding valuation.

Tor A Svelland, a Norwegian hedge fund manager, officially began as chief executive officer of Seatankers Group on August 28, alongside former investment director of ODIN Fund Management, Vegard Soraunet.

Mr Svelland is a former trader with Trafigura and Goldman Sachs who ran his own hedge fund specialising in shipping and commodities markets until moving to Seatankers.

Mr Soraunet, whose position was not revealed, "will be responsible for setting up a new structure under the group, with focus on long-term and active ownership outside the shipping and offshore markets," a statement said.

The Seatankers Group is the empire's investment engine house, presiding over shipping, offshore and property assets as well as a large financial portfolio, a statement said. It is owned by the Fredriksen Family Trusts.

The appointments indicate Mr Fredriksen, 76, is moving to establish a diversified, professionally run fund that he can leave to his twin daughters Cecilie and Kathrine, who have shown little appetite for running the all-consuming business.

Both outside appointments have little direct shipping experience, unlike previous trusted executives, with their wider contact with private equity and investment fund structures sought to secure a sale on Mr Fredriksen's terms and at his price.

While the size and scale of the shipping empire diminishes the number of possible suitors, the executives would be able to highlight lower shipping values and the diversified nature of the fleet to funds seeking a serious maritime investment but who want to spread risk across sectors.

The Seatankers Group, incorporating Golden Ocean Group, Frontline, FlexLNG, FSL Corp, Avance Gas and Seadrill has wide exposure across the offshore, maritime and shipping sector, taking in bulk carriers, crude tankers, liquefied natural gas, containership and liquefied petroleum gas vessels.

The diversified fleet of some 225 ships is valued at $10.61bn according to maritime analytics firm VesselsValue, the lowest in records going back to 2012. Some $1.77bn has already been slashed from values since the coronavirus outbreak. Back in 2014, VesselsValue placed a $18.51bn price on the Fredriksen shipping empire.

While Mr Fredriksen is known to distrust private equity funds, he will most likely have studied the evolution of the Onassis Foundation, established after the death of Greek shipping magnate Aristotle Onassis. The foundation has only one of its original board members and changed commercial direction in the past 15 years.

Mr Fredriksen would also recognise that his empire's value to private equity lies in its consolidated, cross-sector exposure. Selling off individual companies, especially in the current uncertain market would diminish to the total value, especially given the current shipping market.

Famously known for making decisions based on his gut, rather than spreadsheets, the billionaire first suggested he was ready to wind down his involvement in shipping two years ago but has given little clues on the timing since then.

He has previously said that much of his money is no longer invested with shipping and offshore businesses. Some $3bn is placed with US-based Lone Star Funds, a private equity fund which manages some $85bn and in which he is said to be among one of the largest limited partners.

Private equity's relationship with shipping has been uneasy over the last 10 years even as investment has risen. The first tranche of funds who invested in the post-Lehman Bros downturn failed to achieve the very high returns on investment sought and understand the industry's longer-term, cyclic nature.

The biggest impediment to any sale is said to be Mr Fredriksen himself. Known to hold out for the last dollar, which has scuppered deals before, whether any willing private equity buyer will find a willing seller will be the ultimate test of one of shipping's last big personalities.

Mr Fredriksen declined to comment and Mr Svelland told Lloyd's List it was too early to talk about the new vision for the Fredriksen group.

WHAT TO WATCH

Tankers face headwinds as pandemic weighs on oil demand recovery

FURTHER headwinds are expected for refined and crude tanker markets with new forecasts showing that any prolonged secondary wave of coronavirus cases could see oil demand in 2021 remain 7m barrels per day below 2019 levels.

Stalled refinery output on poor margins, amid a slower-than-expected recovery in global oil demand and lower imports from the biggest buyer, China, has already pushed spot earnings for the global tanker fleet to 12-month lows.

Earnings are at or below average operating costs on 12 of the 16 clean routes and 13 of the 19 dirty routes, as assessed by the London-based Baltic Exchange.

The rising number of newly confirmed coronavirus cases, growing by 250,000 daily for the past two months, is adding to fourth-quarter uncertainty, the S&P Global Platts Middle East Oil Virtual Forum was told.

"Next year we're still facing a scenario that if there is a potential second outbreak, if that happened total global oil demand will still be 7m bpd lower than 2019," Zhuwei Wang, lead analyst told delegates.

The International Energy Agency's latest forecast is for oil demand in 2020 to be 8.1m bpd below 2019 consumption, at 91.9m bpd — the lowest in six years — recovering to 97.1m bpd in 2020.

The forum listed numerous challenges ahead for the Organisation of the Petroleum Exporting Countries plus their allies to comply with agreed cuts to raise prices while at the same to balance supply with demand as inventories draw down.

A moribund gasoline driving season in the US, Opec compliance with production curbs and concern over whether northern hemisphere winter demand would be enough to invigorate demand for middle distillates weighed on oil prices.

Crude indices tumbled to three-month lows this week with Brent hovering around $40 per barrel, down 15% from a week ago, as Middle East Gulf producers raised output but dropped prices to key markets in Asia and Europe for October sales.

Amid economic uncertainty and stalling demand for land and air transport fuels, European refiners told an earlier forum on Tuesday that diesel margins were unsustainable, at one third of levels seen earlier this year, at $4 to $5 per barrel. Cracks for middle distillates, which include gasoil, diesel and jet fuel, are now the lowest in nearly 20 years, led by international air travel, which is mostly closed except for domestic markets in China, the US and the intra-Europe region.

On top of slowing demand and refinery run cuts, excess capacity is now emerging as a further issue for the sector with 4.2m bpd to be coming online in 2021 and 2022 at a time when demand is at a five-year low.

China raised crude imports to records in June and July by purchasing crude at 20-year low prices.

Second-quarter refinery output also hit new records, with low oil prices yielding higher profits.

IMO warns crewing crisis is putting safety of ships at risk

THE International Maritime Organization has made another plea to governments to resolve the crew-change crisis ahead of a UN General Assembly meeting.

Urgent action is needed to protect seafarers' health and ensure the safety of shipping, says IMO secretary-general Kitack Lim.

In a letter, he warns that more than 300,000 seafarers are thought to still be trapped at sea because of coronavirus travel curbs, quarantine measures, lack of flights and limits on issuing visas and passports.

Mr Lim calls on governments to designate seafarers as key workers, implement the IMO's protocols to allow safe crew changes, and remove restrictions on flights, travel and medical care.

The statement, the latest in a series of increasingly desperate industry calls on governments to help resolve the crisis, comes ahead of the General Assembly on September 22.

The IMO, the International Labour Organisation and UN Global Compact are organising a side event to highlight the crisis, most likely on World Maritime Day on September 24.

"While significant progress has been made by many countries in allowing for crew changes for all seafarers, the rate of progress is not keeping pace with the backlog of ships requiring crew changes," Mr Lim says.

Some seafarers have been on board ships more than 17 months and some have been denied proper access to medical care and shore leave, increasing the risk of casualties at sea, says Mr Lim. "If the crew change crisis is not resolved soon, ships will no longer be able to operate safety."

The calls come as the 21 Ukrainian crew on the dry bulk carrier *Tomini Majesty* have threatened a hunger strike after being stuck on the ship for at least a year.

While multiple rounds of high-level talks have so far failed to resolve the crisis, industry groups have detailed measures behind the scenes to work around the problem.

Allan Falkenberg, V.Group's head of crew management, has said in an interview that the crew manager had reduced its number of overdue seafarers from 34% in May to 19%.

He said this was through collaboration between rival companies, ship owners covering extraordinary costs, and changes to the way crews were sourced and sent to their vessels.

He added: "The industry has stopped believing this is a two- or three-month issue that will hopefully just go away."

OPINION

Does UK's freeports plan offer a post-Brexit trade solution?

BETWEEN February and July, the UK government established an extended consultation period to review and inform its 'freeports' policy, *write Chris Dunn and Craig Boyle-Smith of global law firm Kennedys*.

Plans are being considered to create up to 10 freeports in the UK, which are designated areas (that could be sea ports, airports or rail hubs) combined with special economic zones or 'enterprise zones' where the business and trade laws are different from the rest of the country.

They are not necessarily directly linked to the maritime sector specifically, but have been welcomed by major industry stakeholders.

Under the proposals, tax concessions would be granted to goods imported into freeports (i.e. without payment of customs duties), with duty becoming payable only when the goods enter the domestic market.

While being within a country's geographical borders, freeports are effectively outside a country's customs borders.

Freeports are designed to encourage businesses that import, process and then re-export, thereby providing a much-needed stimulus for economic activity.

UK freeports would operate under a different regulatory and customs framework than other ports or hubs. They would be national hubs for global trade and investment across the UK, promote regeneration and create high-skilled jobs in ports and surrounding areas (prioritising deprived communities), and hotbeds for innovation.

Other tax incentives are likely to be introduced in order to facilitate trade especially with the economic ramifications of Covid-19 likely to be a feature well past the UK leaving the European Union customs union.

Freeports are not an alien concept to the UK. There were seven in operation at various points from 1984 to 2012 including Liverpool, Southampton, Tilbury and Glasgow Prestwick Airport.

While the re-establishment of freeports in the UK has been linked with Brexit, they are not (presently) prohibited by EU law, and there are over 80 free zones in the EU.

The government has supported maritime trade via its 'maritime 2050 strategy' consultation, providing a roadmap of industry and governmental actions required to augment the UK's position in the maritime professional business sector. The economic reason is clear — the maritime sector facilitates approximately 95% of UK trade.

The bidding process to become one of the new freeports is expected to be launched soon, with the successful applicants to be confirmed in the Spring 2021.

Associated British Ports has already confirmed in its response to the consultation that it is seeking to secure freeport status to several of its ports in south Wales.

Concerns with the current proposals

(1) Lack of details

The government's policy proposal states that goods would not attract tariffs, import VAT or excise duty until they leave the freeport and enter the domestic market. They also include simplified customs procedures and declarations, which will likely encourage imports. Further, tax incentives might include business rate discounts, stamp duty reductions, tax credits on research and development, larger capital allowances and relaxed requirements for employers to pay national insurance contributions.

These have been welcomed by port owners as clearly any tax incentives are potentially beneficial to their customers. However, the lack of clarity and detail in the proposals make it difficult to understand whether the policy will offer the necessary benefits to stimulate economic activity. The UK Trade Policy Observatory (UKTPO) has cautioned that the wider economic impact can be mixed unless there is a focus on the design, infrastructure and availability of capital and access to skilled labour within the freeport.

The existence of freeports in the UK ended in 2012 as they were no longer deemed necessary, and it is difficult to predict to what extent they are likely to be successful under the current proposals, while there remains uncertainty surrounding the UK's trade regime (including the tariffs on imports) and UK Global Tariff following Brexit.

It is therefore impossible to calculate what the exact potential benefits of freeports will have on the economy until the issue of tariffs is settled. Commentators have warned that the exact tax incentives on offer to companies using freeports is also likely to be a major area of difficulty for the government in its negotiations regarding its future relationship with the EU.

This is because the EU freeports have to comply with EU state aid rules and competition, in order to ensure there is a level playing field for businesses.

The UK government states that the UK will not be subject to the EU state aid rules, but any significant deviation that would place UK business at a significant competitive advantage over its European counterparts is likely to be contested.

(2) Potential for business to be transferred and not increased overall

Post-Brexit, goods imported into Britain will of course still be subject to tariffs, and goods which enter via the freeport will still be required to pay tariffs once they enter the domestic market, whether that is in the UK or elsewhere. The tariffs will not therefore be eliminated, but paid at a different stage of the process.

While the proposals may streamline certain customs procedures, remove some of the dreaded 'red tape' businesses loathe, and potentially allow freeports to become a hotbed for innovation, it is difficult at this stage to ascertain what the actual benefits of paying the tariffs at a later stage may be.

As such, business may just in fact be transferred into the freeports, and not actually increased overall. Indeed, the UKTPO analysis has reported that at a time where UK tariffs are already low, there would be no benefit at all if already established businesses simply relocate to the freeport in order to pay potentially significantly less tax without contributing to greater economic activity and employment.

(3) Concerns over money laundering and tax evasion

With innovation in processes, any customs and tariff system is open to cyber-crime.

The EU operates 83 freeports across 21 members states. In April 2019 the European parliament demanded the scrapping of EU freeports following its report on tax evasion and money laundering. The report argues that freeports provide operators 'with a safe and widely disregarded storage space, where trade can be conducted untaxed and ownership can be concealed'.

Under the current proposals, the new UK freeport operators would be responsible for security (each freeport area would be surrounded with perimeter fences) and maintaining records of the goods entering and leaving the site, including whether or not the goods had been processed/manufactured while there (and therefore potentially subject to additional/differing tariffs).

Unfortunately, this derogation of authority simply does not go anywhere near far enough to address the potential issues raised by the European parliament.

Proper consideration ought therefore be given to involving the relevant customs authorities [HM Revenue and Customs] and stakeholders responsible for preventing money laundering including the banks in order to ensure compliance with the UK anti-money laundering regime as set out in the Proceeds of Crime Act 2020 and associated legislation.

IUMI's digital conference set to attract a virtual crowd

WHEN the health crisis prevented the International Union of Marine Insurance from holding its conference in Stockholm, it transformed it into an online event, with advantages and some drawbacks, *writes David Osler.*

The conference is seen as the highlight of the marine insurance sector's calendar, and local trade associations compete for years in advance to win the honour of staging it.

Preparations were at an advanced stage when the influential trade association decided to switch the format earlier this year.

But secretary-general Lars Lange, who heads a small team at its Hamburg headquarters, remains undaunted.

He said the step was taken at IUMI's own behest. Sweden famously operated a lockdown policy that was liberal in comparison to other governments, and was at the time of the cancellation still prepared to let 600 people from 40 countries come together in the same meeting room.

"It was a voluntary decision. We said at the end of the day we cannot guarantee that the participants are safe from the virus, and it was a risk we didn't want to run," he said.

In comparison, the UK has decided to slash meetings to no more than six people, down from 30, starting on Monday September 14, as coronavirus cases have started to accelerate. Whether or not IUMI can go ahead with its annual, and far smaller, winter meeting, which usually takes place in London in January, is unclear.

There were also financial considerations for IUMI's decision to move online, based on the assumption that in-person attendance in Stockholm would have been down on past iterations, and attendance fees may not have covered fixed costs

As things have turned out, the online conference has actually attracted greater enrolment than the usual turnout of 450-500 paying delegates.

"We have more than usual. We have 600 attendees registered as per today and we're still getting registrations, and that is marvellous," Mr Lange said. "It's a bit cheaper, there's no travelling, so we are reaching more people this year."

It was also easier to line up big name speakers without them having to free up several days in their diaries, and the programme reflects that quality.

Even so, two hours of Zoom meetings a day for two weeks requires clear commitment, even though it is intended to be compatible with a standard working day.

"We considered the format very carefully and this is what we came up with. It's no longer than two hours a day, otherwise you simply exhaust people, but flexible that people can squeeze us into their normal business day."

All sessions will be live, rather than pre-recorded presentations, to preserve spontaneity of discussions, and there will also be question and answer sessions and audience polling.

The core purpose of IUMI conference is to share information, but networking has always been a secondary function, and efforts have been made to replicate networking as far as possible online, through the provision of chat facilities and the ability to contact the sponsors.

Undertaking any project on this scale in a revolutionary new way obviously comes with a degree of risk, not least serious technical glitches, but at this stage, Mr Lange is as confident as he can be that things will come off smoothly.

"I would say we have everything under control. We have lots of technical experts in the background, we've had dozens of test runs and gone through everything several times. Ask me again in two and a half weeks."

The impact of the pandemic on marine insurance is likely to be the dominant issue. It will be the theme of the president's workshop on day one, and will almost certainly feature in every sectoral workshop as well.

There will also be sessions on sustainability, big data and digitalisation, and the annual facts and figures presentation, a key yardstick of claims trends and premium income for the industry as a whole.

ANALYSIS

Shipping's leaders say shadowy status is fuelling crew crisis

MARITIME leaders have expressed their frustration with national governments, accusing politicians of creating a humanitarian crisis due to a failure to meet their obligations on seafarer repatriation.

Speaking on an International Chamber of Shipping webinar, Knut Ørbeck-Nilssen, head of Maritime at DNV GL, conveyed his disappointment at politicians and their "lack of accountability".

ICS secretary-general Guy Platten compared the experience of trying to move politicians on the issue to "banging your head against a wall".

Guy Ryder, director-general of the International Labour Organization, said he recognised how closely shipping representatives had been working together but lamented their lack of progress.

He believed the complexity of the situation within governments had got in the way of a resolution to the crewing crisis. "Maritime ministries understand but other [ministries] do not."

The problem, said Gerardo Borromeo, chief executive of Philippine Transmarine Carriers, was that the crewing crisis was global but had come up against local considerations. "Seafarers are normally considered heroes [in the Philippines]; now seen as pandemic carriers."

However, Hugo de Stoop, head of the tanker operator Euronav, saw a different cause.

"At the heart of the problem is the way we have built this industry in the past. We have tried to live in the shadows, tried to be discreet, tried to be forgotten. Nobody wanted to pay tax, nobody wanted to be heavily regulated. We have chosen tiny jurisdictions like Panama, Bahamas, Marshall Islands.

"What influence do they have on a worldwide problem? None," he said.

In Mr de Stoop's view, the unprecedented level of co-operation among shipping organisations since the outbreak of Covid-19 had been a reaction to the crisis. In reality, shipping remains as fragmented as ever.

"Only the big players have come forward to solve the crisis. That does not represent a lot of people. We need to bring small players in the same direction."

Many family companies have stayed in the background, he said. The result is that people only hear bad things about shipping — such as an oil spill in Mauritius or a cruise ship sinking in Italy.

To correct this perception, we need to be willing to talk about the industry much more than we have done in the past. Not just because there is a crisis."

The panel agreed on the urgency to underline the designation of seafarers as key workers, and to allow them to move around the world safely and securely.

"People see seafarers disembarking from a ship as a threat," said Mr de Stoop, "but they have been in quarantine for more than 15 days, so they are clean of any virus. The problem is only those seafarers embarking not disembarking."

The lesson to be taken away is that the industry must prepare for the next black swan event.

"We can't wait for the next 99-year event," said Mr Borromeo. "We must use the technology, review the processes, and think now about other potential disasters."

Mr Ryder concluded that it was clear both the shipowners and seafarers wanted to tackle the crew change issue and have worked alongside one another. But governments have not responded.

"They [governments] will divest themselves of international obligations for reasons of popular opinion. We should apply a little bit of heat to non-responsive governments," he said. "We should form coalitions of the willing: get together those governments that are willing to meet international obligations."

DNV GL foresees maritime energy demand peaking by 2034

THE health crisis in 2020 will have a long-lasting impact on global energy use, while shipping's energy demand will peak in 2034, according to DNV GL.

The classification society estimates that global energy demand will fall by 8% in 2020. It will also be each year through to 2050 between 6% and 8% lower than what it would have been without the coronavirus pandemic, due its accompanying behavioural shifts such as remote working and reduced commuting.

"The drop-off in demand will influence consumption for all energy sources: oil and coal are most severely impacted, followed by gas, with renewables least affected," DNV GL said in its energy transition outlook.

The use of coal reached its highest point in 2014, crude oil use likely peaked in 2019, and natural gas will peak in 2035, it added.

"Aggregate hydrocarbon use has already peaked, and energy-related emissions are therefore not likely to return to 2019 levels," DNV GL said.

DNV GL president Remi Eriksen said during a virtual conference on Wednesday that emissions from energy peaked in 2019, as 2020 carbon dioxide emissions are expected to drop by 8%.

However, despite the flattening of the energy demand over the next 30 years, the world is still not on course to meet the Paris Agreement's goals of reducing global warming by 2 degrees Celsius and aiming for 1.5 degrees Celsius compared to pre-industrial level, Mr Eriksen said.

To limit global warming to 1.5 degrees, the world would need to achieve the same level of reductions that were recorded in 2020.

"Clearly that is not sustainable," Mr Eriksen said, citing the human toll the pandemic has taken.

Mr Eriksen believes the use of electricity will take off over the next 30 years, while the use of solar energy will expand 20-fold and wind by 10-fold as costs decline. But governments and industries should also focus on trying to decarbonise natural gas to yield products such as hydrogen.

"In a world seeking net zero emissions by 2050 the decarbonisation gas will be far too late and way too slow, as we see things," he said.

DNV GL projected that in 2034 half of all maritime energy use will be non-fossil fuels. In the same year, maritime's energy demand is projected to peak.

In 2050, around 60% of global shipping's fuels will be low- and/or zero-carbon fuels, according to the outlook. Natural gas, primarily in the form of liquefied natural gas, will claim another 30% share of the fuel market.

Overall, maritime's oil demand in 2050 may drop to as low as 6% of what it is today, where it claims over 90% of the fuel market.

The classification society expects that digitalisation of logistics and supply-chain improvements will improve shipping fleet efficiencies.

"However, a world GDP that doubles by 2050 will see cargo tonne-kilometres increase in almost all ship categories. The exception is coal and oil transport, where tonne-kilometres will be reduced by more than 50% and 30%, respectively," DNV GL said in the report.

Major shifts among maritime sectors are also anticipated over the next 15 years. In 2025 seaborne container trade is expected to surpass crude oil trade while in 2039 seaborne gas trade will exceed coal trade.

Container demand will reflect weaker consumer spending

THE current boom in volumes, particularly on the transpacific, could be masking what may turn out to be a long and slow recovery for the container sector.

"The container shipping industry is particularly vulnerable to changes in consumer spending, which has been severely impacted by lockdowns across the world," BIMCO chief shipping analyst Peter Sand said in his latest outlook for the sector.

While volumes were hit hardest in April and May, in line with the strict lockdowns in place at the time, over the first half of the year liftings were down 6.9%.

"Though volumes have started to recover, actual demand for goods is still considerably down," Mr Sand said. "The high rates are testament to shippers again frontloading their goods, this time ahead of a potential second wave of coronavirus around the world and resulting lockdowns."

While frontloading occurred ahead of an increase in tariffs because of the trade war in 2018, total retail sales in the US, excluding food and beverages, were down 1.3% in the first six months of this year and there the risks of higher unemployment and lower consumer incomes are looming as governments unwind state support programmes.

"Even the higher state support was unable to stop consumer spending falling in the major consuming nations of the world, and, as this comes to an end, spending is likely to suffer even more, lowering demand for container shipping," Mr Sand said.

"The effects of this lower actual demand on container shipping will be more painful given the frontloading that we are currently seeing, which will depress volumes and freight rates in the future."

BIMCO said while new housing starts in the US, a signal of economic confidence, were higher than they were a few months ago, they still remained 4.5% below where they were in February this year.

Despite capacity now being close to or above last year's levels, and although demand remains low, container freight rates remained resilient, which had helped carriers to the achieve their most profitable second quarter results since 2010.

"Across the board, major carriers have announced strong results for the first half of the year, despite volumes falling," Mr Sand said. "This has so far been achieved by the stable freight rates and the cost savings from cheaper bunkers, blanking sailings, and returning ships to tonnage providers."

But capacity management had been the key to success and as capacity is reinstated without a permanent recovery in demand, carriers would find themselves balancing on a "thin tightrope" between maintaining market share and freight rates.

This would happen while the fundamental balance in the market deteriorated as the fleet grew by 2% and demand falls, said Mr Sand.

"BIMCO expects freight rates to fall in the near future unless capacity adjustments are constantly made to rebalance the market."

Carriers reap rewards of lucrative transpacific rates

CONTAINER lines continue to fill their boots on the transpacific trade with rates climbing to yet more historical highs over the past week.

The latest Shanghai Containerised Freight Index shows further gains, with spot freight rates to the US west coast and US east coast up by another 3.3% to $3,758 per feu and 7.9% to $4,538 per loaded 40 ft box, respectively, as lines succeeded in pushing through another round of general rate increases.

Cargo space remains extremely tight with utilisation levels close to 100%, while carriers continue to put on extra loaders to meet strong demand and take advantage of the higher yield.

According to Alphaliner, as many as 10 ships of between 3,300-13,800 teu are active on eastbound routes to the North American west coast from the Far East acting as 'extra sailers'.

"Some sailings are carried out by two classic panamax ships working in tandem due to the short supply of larger tonnage," it said.

The analyst noted that Mediterranean Shipping Co's recently launched 'Santana' service from China, commencing with the departure of the 8,819 teu *MSC Lily* from Shanghai on September 5, will be joined by two additional sailings this week by the seasonal 2M China-California 'Sequoia' service.

The 15,000 teu *MSC Virgo* departed Yantian, Shenzhen, on Tuesday (September 8) and sister ship *MSC Aries* will embark from the same port on September 11.

Alphaliner also noted just how lucrative the transpacific is for liner operators, as its current top trade earner.

For the spot transport of a 40 ft container carried from Shanghai to North America's largest port Los Angeles, equivalent to 5,818 nautical miles, carriers currently earn $0.64 per nautical mile, if taking into account the latest rates on the SCFI.

That compares with $0.19 on the Shanghai-North Europe trade, using Antwerp as a base destination port, which is roughly 10,624 nautical miles, according to Alphaliner.

"The fact that earnings per nautical mile are more than three times as high on the Asia-US west coast trade is remarkable as carriers need less resources (ships and equipment) on a shorter trade," it said. "A typical Far East-North Europe service requires the deployment of some 12 ships, whereas six ships are sufficient for a transpacific southwest loop."

The lingering question for carriers is how long this period of lucrative earnings will last.

Carriers will be mindful that China's Golden Week is fast approaching, when the country closes the majority of its manufacturing plants and factories to celebrate the annual holiday.

The holiday traditionally triggers a drop in rates as demand waivers, signalling the end of the peak season. However, with the discipline in capacity management displayed by carriers in recent months, there is optimism that lines will continue with this approach, which has proved extremely profitable so far this year, rather than resort to their old ways of chasing market share.

A spate of blank sailings have already been announced for the post-peak season downturn, as a sign that carriers will indeed stay true to form and keep a lid on supply on the water.

Nevertheless, carriers are anticipating rate erosion of sorts and remain cautious, according to anecdotal reports.

"Here we are, fresh highs again, but they won't be here by the end of the month," one US-based carrier source told analyst's Platts earlier this week.

"Demand will collapse like a sucker punch to the gut, but let's ride the wave now," the source added.

IN OTHER NEWS

BPA says UK needs to increase freeports ambitions

THE UK should not arbitrarily cap the number of freeports set to be rolled out under current government plans, the chief executive of a sector trade organisation has told lawmakers.

Richard Ballantyne of the British Ports Association made the comments at a hearing of the House of Commons international trade committee.

While the BPA endorses the broad concept of free ports and has been pushing for their introduction for a number of years, Mr Ballantyne described himself as "slightly miffed" that only 10 are to permitted.

Reefer owner works to release kidnapped crew

SEATRADE is working to secure the release of a Russian captain and another crewman kidnapped yesterday from a reefer vessel off Lagos, Nigeria.

The Liberian-flagged, 5,429 dwt *Water Phoenix* (IMO: 9045168) was attacked 33 nautical miles southwest of Apapa-Lagos early on September 8, Lloyd's List Intelligence reported.

Seatrade has confirmed that two of the crew were taken and the other 16 were safe and unhurt. The vessel was proceeding to berth in Lagos escorted by the Nigerian Navy.

Egypt boosts trade hopes with new oil facilities

EGYPT has advanced its ambitions to become a regional hub in the oil trade as Total Egypt and OLA Energy Egypt jointly unveiled a plan to build, own and operate a new petroleum products terminal in the port of Alexandria, Egypt.

Peyami Oven, managing director of Total Egypt, said his firm was "proud" to expand its logistics resources with the new 10,000 sq m Alexandria Petroleum Products Terminal.

Mr Oven called Alexandria "a main entry point of supply on the Mediterranean" and said that the APPT would complete Total's "supply set up with existing terminals in Mostorod and Suez".

Oil leak fears from burning VLCC off Sri Lanka

A SMALL patch of diesel oil has been spotted 1 km away from the very large crude carrier *New Diamond*, the Sri Lankan Navy confirmed in a statement.

The fire on board the VLCC off the Sri Lanka coast, which reignited on Monday evening, was doused and boundary cooling was being carried out to prevent reignition, the officials said.

"Over the past few days, the firefighting teams continued to surge [huge] volumes of sea water to extinguish fire on board," the navy said, speculating that as a result, the engine room of the ship was flooded with sea water, causing it to lie in a position known as 'trim by aft'.

Santos moves to restrict older vessels

THE port of Santos is imposing stricter inspection and access rules on older ships as part of a new berthing and mooring policy.

Brazil's biggest port will not be accepting vessels built before 1990, unless those ships have documents that prove they have been retrofitted, Brazil P&I Club reported.

Additionally, vessels built before 2002 may be subject to Port State Control inspections and will need to have a P&I certificate as well as confirm they have wreck removal cover.

Tomini Majesty crew threaten hunger strike over crew change delays

DRY bulk carrier *Tomini Majesty* became the latest vessel to be hit by the crew-change crisis, with its 21 Ukrainian crew members threatening to go on a hunger strike after being stuck on the vessel for at least a year, according to Lloyd's List Intelligence reports.

The planned strike, which was averted at the last minute, was the culmination of the crew's long battle with the vessel's owners to get back home.

The situation has been complicated by the coronavirus outbreak as well as a change of vessel ownership in the interim period. The crew said that in March this year, the previous owner of the Marshall Islands-flagged ship had the opportunity to send them home but due to the rising costs of replacing crew amid the worldwide coronavirus pandemic, the crew changeover did not occur, Lloyd's List Intelligence said.

Anger grows over treatment of Maersk Etienne

ANGER is growing within the maritime community about the treatment of the *Maersk Etienne* crew, and the migrants they rescued more than a month ago, amid calls for a change to the law in a bid to ensure such a situation never occurs again.

The latest to speak out is the head of V.Ships, Franck Kayser, who said it was "shameful to see that the human rights of refugees and the 21 seafarers involved are being ignored".

He is calling for governments to take action "and let the refugees on board *Maersk Etienne* come ashore and have their situation resolved by the proper authorities".

For classified notices please view the next page.

Enforcement Officer Risto Sepp sells a vessel named "OCEAN SPIRIT" IMO 8325793, located at Bekker Port, Tallinn, and belonging to "IMG ehf" of Island at an oral auction. Claim of DAN Bunkering serves as grounds for conducting the auction. The auction begins on 12.10.2020 at 14:00. The auction shall be conducted in the offices of "Ühinenud kohtutäiturid" at Rävala pst 5, Tallinn, VII floor. Starting bid of auction is 562 500euro. Persons having the right to claims ensuing from maritime claims are to submit such claims no later than on 10.10.2020 with substantial grounds. The Enforcement Officer proposes to all persons having rights in regard to the vessel being sold or rights that would obstruct the conduction of the auction, to achieve a closure or halt of the auction before the day of division of earnings on the basis of an agreement with the claimant or a ruling of the court; Any additional information concerning auction or vessel details or inspection of the vessel sold at the auction is possible on arrangement with the Enforcement Officer. A request must be submitted by e-mail buroo.sepp@taitur.net or by phone +372 53 48 34 83.