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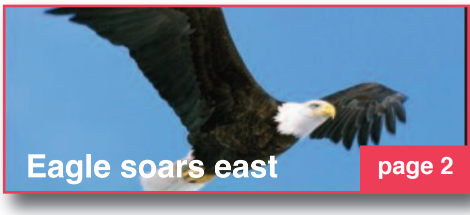
Eagle soars east page 2


Mega coal port page 4


Management passion page 8

Container prices soar to 20-year high

Dry box manufacturers struggling to meet demand

The worldwide shortage of containers is pushing up the price of equipment to new highs, as fears grow that production will be unable to meet surging demand for boxes.

"Both carriers and container leasing companies are rushing to place fresh orders to meet the demand, sending container prices soaring to their highest levels in almost 20 years," industry sources said.

"The current price for a teu has reached $2,750, compared to less than $2,000 per box at the end of last year, and an average price for the last 10 years of between $1,500 and $2,400 per box. Even at these higher prices, demand is expected to outstrip supply for the current peak season."

Container manufacturers are having difficulty restoring full capacity following the halt in the production of dry containers from October 2008. The total capacity at the main producers was cut back significantly after late-2008 as production lines were shut down and twin-shift operations were reduced to single shifts.

Although the annual production capacities at the two largest container manufacturers – CIMC and Singamas, both in China – is over 3.5m teu, the two suppliers are expected to produce only 1.35m teu this year. The bulk of their workers have been hired in other industries, and getting them back is not easy.

The global output of new containers is forecast at 1.5 - 2m teu for the full year, well

Continued on page 2

Eagle Bulk lands in Singapore

New York based shipowner expands in Asia on back of newbuilding programme

Eagle Bulk Shipping, the largest owner handymax bulkers in the US, has become the latest dry bulk shipowner to set up shop in Singapore.

New York-listed Eagle Bulk, has registered a pair of Singapore-based companies over the last two weeks, Eagle Bulk Pte Ltd and Eagle Bulk Shipping Pte Ltd, and is already getting up and running.


Keith Denholm

"Most of the fleet is in the Pacific market so it makes sense to open up in Singapore," Keith Denholm, commercial director of Eagle Bulk, told Seatrade Asia Week. "There is fleet expansion so Eagle Bulk is expanding both in New York and Singapore," he added.

The company's rapid fleet expansion will see it having 38 ships on the water shortly with a further 16 bulker newbuildings to be delivered by the end of next year.

The move comes less than two months after Denholm, formerly commercial director of Singapore-headquartered Pacific Carriers Ltd, shifted to New York to take up the post of commercial director with Eagle Bulk.

Eagle Bulk in Singapore is headed up by another former PCL senior executive Barkin Yazicioglu. The company plans to have a team of five commercial staff in Singapore.

Denholm said the company was currently "borrowing office space" in Singapore prior to opening up its own office at the beginning of September.

The shipowner plans to have both a commercial and technical components to its Singapore presence.

Denholm said Eagle Bulk had a technical team based in China as part of its ongoing newbuilding projects and some of this team would gradually be relocated to Singapore.

Eagle Bulk is understood to have looked at a number of other locations to set-up within Asia including Hong Kong and Shanghai, but opted for Singapore, which has attracted a large number of dry bulk shipowners to set up shop in recent years. Joining dry bulk shipowners in the republic have been major trading houses, as well as brokers targeting the sector.

Eagle Bulk reported a first quarter net profit of $5.4m on revenues of $54.2m.

Six million new boxes needed

Continued from page 1

down from the peak of 4.2m teu produced in 2007, and a global capacity of 5m teu.

The demand has gone through the roof since the beginning of the year. CIMC alone has reported sales of 102,900 teu of dry containers in the first quarter of 2010, up from 60,400 teu for the whole of 2009.

Leasing companies are said to account for 65% of the estimated 555,000 teu delivered until end-June this year, as carriers looked for sale-and-leaseback deals for their container fleet. But the lines themselves are now placing more orders as the current equipment stock has run to extremely low levels.

"We ourselves have placed a very large order for 120,000 containers, but it will take a little while for the factories to get on line," said Annemette Jepsen, managing director of Maersk Line UK.

"We have leased everything we could lay our hands on, and we are also taking vessels out of lay-ups to feed the containers back to Asia to reduce the time they are tied up on land. It is not a planning error – we just could not have foreseen this."

Estimates made by Tufton Oceanic suggest that 6m new boxes are needed – that is the equivalent of at least two years of production at the current output rate. As things stand, the supply of boxes will remain tight until at least the autumn of 2010.

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The voice of Asian shipping

Essar rides out dry bulk market plunge

Group bought coal mines in Indonesia earlier this year

India's third largest private sector shipowner, Essar Shipping Ports & Logistics (ESPLL), has gone the backward integration route in an effort to ensure long-term work for its vessels.

Rajiv Agarwal

The move comes at a time when dry bulk charter rates have plunged to crippling lows. The company acquired coal mines in Indonesia earlier this year, so that coal can be transported on its own vessels to feed the numerous power plants in electricity-starved India.

The Essar Group bought the Aries coal mines in the Kutai region of East Kalimantan earlier this year, the deal being signed less than a month after it had acquired the US-based Trinity Coal Partners from Denham Capital of Boston for $600m.

"A lot of the cargo – not only coal – to be carried on our vessels would be in-house, which is a big advantage," said ESPLL's CEO and director Rajiv Agarwal. "The Essar Group is in the infrastructure field – shipping, steel, telecoms, projects, ports – which gives us the opportunity to move our own cargoes."

Essar Power, which has promoted six projects to ramp up its capacity from 1,220 MW to 6,100 MW by 2012, will now have access to an estimated resource base of 100m tonnes of thermal coal and mineable reserves of 64m tonnes. The coal from Trinity would be used for the group's steel plant in Algoma, Canada.

ESPLL has done extremely well in the ports sector, as well. It will mechanise Paradip port's 16m tonne a year capacity multi-user berth for handling dry bulk cargo, at an estimated cost of Rs5bn ($112m). When completed by April 2011, the terminal will have a capacity of 30m tonnes a year, comprising both third party and captive cargo.

"We have signed another agreement with Paradip for developing a 14 million tonnes a year deep-draft coal berth on a 30-year build-operate-transfer concession," said Agarwal. "Of equal significance is the commissioning of our all-weather, deep-draught port at Hazira. It gives us the capacity to handle 30m tonnes of cargo.

"Earlier we had a jetty there with a poor draught. It could not be used during the monsoon. Today the draught is 13.5m, and will continue with dredging so that 50,000 dwt vessels can be handled there."

The company has decided that the worst of the recession is over, and that it is time to invest in new ships. It has ordered two jack-up rigs and 12 bulk carriers – six mini-capesizes with STX Offshore and Shipbuilding of Korea, to be built in Dalian, China; and six supramaxes to be built at ABG Shipyard in Gujarat, India.

Lines levy congestion surcharge at JNPT

Orient Overseas Container Line (OOCL), NYK Line and Hyundai Merchant Marine (HMM) are the latest box lines to impose an emergency congestion surcharge on imports at Jawaharlal Nehru port (JNPT).

The surcharge, of $150 per teu and $300 per feu, was announced earlier by APL and Wan Hai Lines. They said that the serious port congestion at JNPT had forced them to levy the additional charge for all inbound cargo including inland shipments.

In a separate notice to the trade, the carriers said that the surcharge is essential to offset additional costs incurred as a result of increased congestion and rail delays at the Indian west coast container hub.

A recent communication from the chairman of the Container Shipping Lines Association (CSLA) had listed out the various issues that need to be addressed urgently at the port. These included delays in berthing and unberthing, shortage of pilots, draft restrictions, shut-out of containers, congestion and pendency of containers at inland container depots (ICDs), mixed trains and lack of efficiency of inter-terminal trucking, port capacity and infrastructure.

Trucks queue at JNPT

"Shutting out containers has become rampant," the letter said. "Coupled with delayed berthings and congestion, the diluted productivity is having a telling effect on the liner services operating out of JNPT."

Unfortunately, this sort of disruption appears to be an annual occurrence at JNPT during the monsoon season. Efforts by the port and the Container Corporation of India (Concor) to shift accumulated boxes en masse to its nearby Dronagiri Rail Terminal at no extra cost to lines, and to deploy additional trains to facilitate speedy removal, have not yielded much in the way of results.

Australia readies world's largest coal port

Shut out by the Queensland government from its projected coal-loading facility upgrades at Abbot Point, Australian entrepreneur, Clive Palmer has announced he intends to build his own coal-loading complex north of the existing port.

The government is in the process of privatising the Abbot Point facility, which will be upgraded from its current 21m tonnes capacity to 50m tonnes.

In addition to this extra capacity, the State government has revealed further coal-loading plans at two additional sites beside the port. It is understood these will be privately run.

Industry reports indicated these sites would be allocated to Waratah coal, headed by Palmer and to Hancock Prospecting. Instead BHP Billiton displaced Waratah.

On the heels of this rejection, Palmer is reported as saying he intended to build his own coal-loading facility north of the existing port to avoid his having to rely on future allocations.

In a statement from Beijing he outlined his company's plans to handle 40m tonnes a year from its own jetty. He confirmed having lodged the relevant applications and foreshadowed construction could begin as early as the end of this year.

Palmer is one of Australia's richest businessmen and chairman of resources company Mineralogy which holds one of the world's largest iron ore deposits.

In a separate projection, the Queensland Ports Corporation which controls Abbot Point has set its sights on total capacity of up to 200m tonnes. With the addition of the privately planned Palmer operation, this would potentially make Abbot Point the biggest coal-loading port in the world.

Meanwhile mining giant, Rio Tinto has warned that what it describes as the notoriously "underperforming" North Queensland Dalrymple Bay loading facility near Mackay will be short by up to 17m tonnes of coal contracted to be shipped through it this year.

Fifty-one ships were lined up off Dalrymple Bay yesterday, queued for as far as the eye could see, racking up millions of dollars in demurrage costs.

The Queensland government is reacting to pressure on Dalrymple Bay by looking at the possibility of a new coal port further north at Dudgeon Point, to be serviced by the same rail route. The government has endorsed proposals from Dalrymple Bay Management and the India-based Adani Group to develop a master plan for coal export facilities at Dudgeon Point.

FSL Trust tanker still under arrest

First Ship Lease Trust is yet to secure the release of the product tanker Nika 1 over a month after it was arrested.

The Nika 1 was arrested on June 8 in Qingdao over alleged unpaid bunker bills totaling $2.5m to Daxin Petroleum in Singapore, run-up by former charterer Groda Shipping and Transportation. Groda reneged on its long term charter of the Nika 1 in May, along with the sister vessel Verona 1.

The Verona 1 was arrested on June 5 in Shimotsu, Japan, also relating to unpaid bunker bills by Groda to Daxin Petroleum. The vessel was released on June 17 after FSL Trust paid a $1.6m security bond.

The Nika 1 though remains under arrest in China over a month after the original detention.

"Nika 1 is still pending its release at Qingdao. We are still working on the release with the lawyers and the relevant authorities and will make announcement as soon as the release is granted, but we do not have a definitive date or time of the release at this juncture," a spokesman for FSL Trust Management told Seatrade Asia Week.

FSL Trust plans to reflag both vessels to the Singapore Registry. It has placed the Verona 1 under commercial management with United Product Tankers to trade on the spot market.

This week the trust received $6m in security deposits from the charterer of the vessels after the default notices expired.

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The voice of Asian shipping

Catlin grows marine business in Asia

Local underwriting and claims service seen as essential

Lloyd's Asia syndicate Catlin is seeing a continued growth of its business in the region on the back of local expertise and service.

Catlin, one of the first two syndicates to set-up in Lloyd's Asia over a decade ago, writes a wide variety of classes of business in Asia with marine forming a major sector of its underwriting capacity. The insurer has seven underwriters in Singapore writing hull, liability and marine cargo business, and further four staff on the marine side in Hong Kong.

"The reason to be out here was to see and write business we would not do otherwise in the UK," David Hughes, head of marine for Asia Pacific at Catlin Singapore, told Seatrade Asia Week.

The strategy for Catlin has been underwriting profitable business that it would not be able to access from the London market, although it has also seen some business shifting away from Europe to Asia.

"We do not try to repatriate business from London. For us it is getting that profitable business and getting the right people on the ground and to underwrite that business," Hughes explained.

In terms of its marine business in Asia he said their hull business was pretty strong globally and they are extending this here. Catlin was also trying to develop its marine liability and cargo lines of business.

As well as picking up new business in the region there has also been a shift of some business from London and Norway to Asia where clients have chosen to deal with people locally. "You must have underwriters in your office in Asia, on the ground with that responsibility and accountability. And you must have your claims teams to support that," he said.

Catlin has a claims team of six out of a staff of 60 in Singapore. On the marine side of its business local expertise includes a qualified mariner and a lawyer.

Hughes said the market in each Asian country was different, but in Singapore Catlin was winning business not just on price, but on its service.


Lloyd's Asia at One George St

Catlin was one of the first syndicates to set up in Lloyd's Asia in Singapore, which has seen a surge in new syndicates over the last few years. Today there are more 15 syndicates in Lloyd's Asia. "It acts as a bit of a magnet for business, I think Singapore in general acts as a magnet for business," Hughes said.

Industry proposes study to minimise Straits accidents

Concerns prompted by recent casualties

The industry is proposing a study into minimising accidents in the Singapore and Malacca Straits.

The proposal was made at a meeting of international shipping industry bodies and the littoral states of Singapore, Malaysia and Indonesia in Jakarta on Monday ahead of Co-operative Forum meeting under the cooperative mechanism for safe navigation and environmental protection in the Malacca Strait.

The International Chamber of Shipping proposed a study into ways to minimise accidents in the traffic separation scheme of one of the world's busiest shipping lanes. The proposal is subject to approval at the Cooperative Forum meeting to be held in October in Singapore.

The proposal is understood to have been prompted by concern from the industry over serious incidents in the Straits over the last year. These include the collision between the Formosa Product Brick and the Ostende Max off Malaysia last year that left nine dead, and the collision between the Bunga Kelana 3 and the Waily in the Singapore Strait earlier this year that resulted in a 2,500 tonne oil spill.

Intertanko and Intercargo also made a proposal on enhancing environmental safety in the Straits.

New Success for China Merchants

Delivery makes firm nation's largest VLCC owner

The delivery on July 13 of the New Success VLCC made China Merchants Energy Shipping has briefly made it the largest owner of very large crude carriers in China.

The 298,000dwt vessel, delivered by Dalian Shipbuilding Industry Co (DSIC) is the 11th owned VLCC in China Merchants' fleet. Additionally, the firm owns a suezmax and six aframaxes. In total, the firm has a tanker fleet now standing at 4.02m dwt. A spokesperson said the delivery made the firm the largest VLCC owner in China, albeit briefly as China Shipping's orderbook will bring it back on top.

The maiden voyage of the New Success sees it heading to the Middle East for charterer, Sinopec.

An official from China Merchants said, "The company's tankers are focused on the Middle East and Japan routes." He indicated the latest delivery was by no means the last on the orderbook. Still to come are the VLCCs New Vanguard and New Vista due for delivery this year and 2011.

Chinese owners are rapidly building up their VLCC fleets as part of an initiative by Beijing to ensure that 50% of all oil imported to the People's Republic is carried on Chinese owned hulls by 2015.

China Merchants indicated in a release that it was keen to boost its liquefied natural gas (LNG) shipping presence and expertise. The company said: "Our development strategy is to take ocean tanker transportation as the core business, while actively exploring the LNG field, strengthening cooperation with our strategic partners, and focusing on transportation business related to the import energy of China."

The tanker subsidiary of China Merchants announced its performance forecast earlier; profit in the first half of this year is expected to increase 90%-110% year-on-year.

Maruba plans box manufacturing plant

Shandong province chosen, with possible shipyard also on the cards

Argentina-based shipping line Maruba is planning to invest RMB30m in Rizhao, Shandong province to construct a container production base.

"It is the phase one project, Maruba might enter into the shipbuilding industry in the future too," Gu Fagao, deputy director of Cooperation and Investment Promotion Bureau of Rizhao City, said.

Maruba has a container fleet of over 50 ships including self-owned and long-term chartered ships. Major business of the company is container transportation among South America, North America, Europe, West Africa and the Far East. Meanwhile, the company has over 10 bulk carriers, which are engaged in South and North America routes.

Due to the global financial crisis, the container manufacturing industry has suffered a heavy impact, with many factories shut down last year.

According to statistics, there is a worldwide shortage of over 2.4m containers at present, coupled with increasing demands of global trade this year, there might be nearly 3m containers lacking, which would be a good chance for Maruba to develop container manufacturing in China.

A spokesperson for Maruba in China hinted that the line was also in China to order new ships as part of a fleet rejuvenation plan.

"We are making intentional cooperation with CSIC, Changjiang Shipping and shipbuilders to make progress on boxship building, our initial expectation is around 10 ships."

Round the region

Vinashin hands over Dung Quat shipyard

Financially troubled Vietnam Shipbuilding Industry Group (Vinashin) has been forced to hand over Dung Quat shipyard to PetroVietnam where it is building aframax tankers for the state oil and gas firm. Dung Quat Shipyard, with the capacity to build very large crude carriers, started operations in 2006 but is yet to deliver a single vessel.

The yard is the first in Vietnam to build aframax tankers in a series of four ships for PetroVietnam. The first 104,000 dwt tanker was originally slated for delivery in 2008, but remains uncompleted to date. PetroVietnam took over Dung Quat yard from Vinashin last week.

CSG bags wind turbine installation vessel

Cosco Shipyard Group has bagged a $139m contract from A2SEA to build a wind turbine installation vessel. The jack-up vessel for the construction of offshore windfarms will be designed to be able to carry 8 to 10 wind turbines at a time to operate at water depths of up to 45m.

"An increasing number of offshore wind projects in the near future will lead to even higher demands for installation vessels than already seen today," said Jens Fredrick, ceo of A2SEA. The vessel named Sea Installer is due to be delivered in the second half of 2012.

CSDC expects 50% jump in H1 profit

China Shipping Development Co (CSDC) says it expects a 50% jump in its first half year profits. In a positive profit alert the Hong Kong-listed shipping company said it expected to record a 50% increase in net profits for the first half of this year compared to the same period in 2009.

Last year CSDC reported a net profit of RMB614m for the first half of the year, a 50% increase would set reporting a RMB921m profit for the first six months of 2010. The increase in profits was mainly due to the increase in the transportation demand in the international and domestic shipping markets, and which in turn resulted in the increase in the freight rates for such transportation," the company said.

Evergreen orders at CSBC

Taiwan's Evergreen Group will order 10 ships from the island's leading shipyard for $1.03bn, powering ahead with a plan to more than double its container fleet, a report said. Tang Tay-ping, president of CSBC Corp, Taiwan, told the Taipei-based Commercial Times that his company was expected to obtain the order before the end of this month.

If finalised, the contract would require construction of ten 8,000 teu container vessels at a total price of NT$33.1bn, with the first ships due for delivery in 2014, the paper said.

Geden axes Hyundai Mipo orders

Turkey's Geden Lines has cancelled an eight-ship order at South Korea's Hyundai Mipo Dockyard (HMD). The line axed the contract for building eight 37,000 dwt products carriers inked in the latter half of 2007.

The delivery of the vessels had been delayed by more than 18 months from original 2009-2011 in the aftermath of the global financial crisis, but now the order seems to have bitten the dust. HMD has been facing a number of contract adjustments for product carriers from early this year but an order cancellation is for the first time in 23 months.

Omega reveals loan covenant breaches

Singapore-listed Omega Navigation has revealed it has been in breach of loan covenants since the end of last year as it belated reports financial results. The Greek shipowner said it had been in breach of loan-to-value covenants since 31 December 2009 on a junior loan facility with BTMU and NIBC that matures in April 2011. The lenders did not though declare any default on the loan.

"The company is currently in negotiations to reach a final agreement to obtain waivers and extend or restructure its debt, and is also exploring, amidst challenging capital market conditions, various alternatives including capital raising in order to improve both its short term and long term liquidity, meet short term commitments and manage its overall capital exposure," Omega said .

Guangzhou Port gloomy on H2

Guangzhou port reported a cargo throughput of 201m tonnes in the first half, up 11.7% from a year earlier. The major port handled 6.07m teu, up 16.8% from a year ago, the Guangzhou Port Authority said.

The cargo throughput was 8.1% higher than in the same period of 2008, that is, before the strike of the global financial crisis. The port, however, was expected to see slower growth in the second half due to big declines in demand for coal, iron ore and steel products, it said.

Wan Hai firms up CSBC order

Taiwan's Wan Hai Lines Limited intends to splash out $639m to order 14 boxships from compatriot CSBC, which are scheduled to be delivered from late 2011 gradually. Originally Wan Hai had ordered 12 ships last year, including six 1,805 teu and six 4,252 teu sizes.

Finally it has been changed to four 1,805 teu, four 1,000 teu, and six 4,500 teu types, namely 14 ships totally, after a board of directors meeting at Wan Hai on July 12th. The delivery dates of the originally ordered 12 ships were delayed by 16 to 18 months due to market recession, agreed by CSBC.

Expensive boxes

When shipping lines first started talking about the looming container shortage earlier this year it evoked more than the odd wry smile from those who commentate on the industry. With close to 10% of the world's boxship fleet still idle or laid up at the time claiming your company was short of boxes simply because none had been ordered for a bit over a year seemed to be a bit of a stretch in terms of credibility.

But a few months on, with a little short of a phenomenal bounce back of the global container trades these claims do begin to look rather more realistic. Much of the idle tonnage is now back in service and container ports in Asia have shown strong growth.

As lines moved vessels back into service they found boxes were in the wrong places or, even more worryingly, they simply did not have enough as natural attrition combined with scrapping of inventory last year to reduce the overall size of their container fleets.

As a result lines and container lessors have started to scramble for new boxes sending prices soaring to a 20-year record.

In ordering new containers they are faced with two problems. Firstly, an order for say 100,000 teu of containers is not done overnight so buying new boxes is far from an immediate solution to the problem. Secondly, finding manufacturers with the capacity to make the boxes. During last year's economic crisis demand for dry shipping containers at manufacturers like Singamas dropped by a stunning 96%. As a result production lines were closed down and workers sent home.

A year later and now manufacturers want to crank production back up to full capacity it is not so easy as workers have found other jobs. This means that manufacturers are unable to operate at full capacity even though the demand is there.

While initially the container shortage acted as a nice reason to raise rates, it could now have a more negative impact for lines, increasing the cost of replacing their equipment and in the short term reducing their own ability to meet demand.

Marcus Hand
Editor
Seatrade Asia Week

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Publisher Chris Hayman
Editor-in-chief Bob Jaques
Editor Marcus Hand
East Asia Sam Chambers
SE Asia Jacintha Stephens
China Katherine Si
India Shirish Nadkarni
Production Mixa Liu

Seatrade Communications
Singapore Pte Ltd
7500A Beach Road #13-324
The Plaza, Singapore 199591
Tel: +65 6294 2280
Fax: +65 6294 2780

Editorial Marcus Hand
marcushand@seatrade-asia.com

Commercial Manager Grant Rowles
grantrowles@seatrade-asia.com

Subscriptions Jennifer Khoo
jkhoo@seatrade-asia.com

Management passion

Marcus Hand talks to new Intermanager secretary-general Kuba Szymanski about what is on the agenda in his new role

The first thing that struck me on meeting new Intermanager secretary-general Kuba Szymanski was his obvious passion the shipping industry and those who work in it.

A master himself Szymanski is more than aware of the challenges that those at the sharp end of the industry operating ships out on the ocean waves face. He also believes the shipping industry is one that can offer a great career. "I am passionate about what I do. Everything I have achieved in life is from shipping," he states.

An hour-long chat with Seatrade Asia Week on a recent visit to Singapore revealed a wide ranging agenda from key performance indicators and transparency through to the impact of piracy and crew communications and welfare.

Not surprisingly piracy is a major topic of discussion and Szymanski is forthright in his views that more needs to be done not merely to protect seafarers and their ships off Somalia, but to eradicate the problem altogether.

At the moment, with roughly 280 seafarers held hostage, he feels their plight is "out of sight, and out of mind" compared to say if 280 passengers onboard a commercial jet were being held hostage.

Continued on page 9

Continued from page 8

On the one hand he notes there has been a lot of progress from two to three years ago with the likes of the security corridor providing naval protection.

However, on the other he says a lot is "not enough" and that "people are still being hijacked".

The solution to the problem is seen as lying with governments, with too much emphasis placed at the moment on how seafarers can defend their own ships rather than actually solving the issue.

"I think seafarers are sick of hearing advice on what they should do. Government is where we should find a solution," he states.

Despite the apparently intractable nature of the problems in Somalia, which date back from a nearly two decade long civil conflict that have left it a failed state, Szymanski does believe the issue can be solved.

"I am confident there will be a solution. The question is how quickly we can make it happen," he says.

What does concern him though is it does not require what he describes as a "titanic scenario" to make a solution happen.

Intermanager is backing the International Transport Workers Federation online petition for action on piracy. At present the petition has passed the 50,000 mark, a long way off though of its aim of 500,000 signatures.

The ongoing issue of piracy is something that is unlikely to improve the image of seafaring as a career option with many in the industry warning that a shortage of qualified seafarers remains an issue.

Szymanski though sees the problem as lying not with a shortage of people wanting to become seafarers, but a lack of cadet berths to provide training so they can actually qualify as seafarers. Intermanager itself has a rule that all its members must have one cadet per vessel but he wants to see a greater commitment by the industry as a whole.

"If you keep saying you have got a shortage of labour and human resources then let us train more cadets," he says. "If you do not have a cadet today, in 10 years you have no master, in 15 years no superintendent and in 20 to 25 years no ceo."

"If you keep saying you have got a shortage of labour and human resources then let us train more cadets."
Kuba Szymanski,
Intermanager

Szymanski also questions the often claimed lack of competency of seafarers today. "I would like to know the definition of competency."

He points to the number of different licenses a seafarer has to hold and the fact they have to be reviewed every five years, something which Szymanski maintains himself as a qualified master.

Rather than competency per se what is seen as an issue is fast track promotions which have become a common feature which give rise to a lack of experience. "What we need to do is cover that gap," he says.

In terms of retaining seafarers within the industry Szymanski says the provision of onboard internet and telecommunications for private use by the crew is highly important.

He believes that seafarers should have the same standard of communications access their colleagues on land do. "Why do we expect seafarers when they go to sea to lower their expectations? We are treating seafarers like second class citizens."

A greater awareness is seen as being needed about this issue and also an actual definition as to what can really be called broadband internet at sea, and what it is that the users onboard really want from it.

Moving away from seafarer issues Intermanager's ongoing key performance indicator (KPI) project is high on the agenda. "It is very interesting how many people do not measure themselves," he says. With the KPI project Intermanager aims to provide a set of standards against which ship managers can benchmark their internal performance. One of the aspects of the KPI project is that it is highly transparent which he says is something that managers should not be afraid of.

In the longer term Intermanager is looking towards the KPI project becoming self-sustaining and Szymanski says they are working on a business model for it.

It is clear that Szymanski plans to be a busy man and. with much of the association's membership based out in Asia, also a regular visitor to this part of the world.

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Fuel quality trends in Asian bunkering ports

Before we examine the fuel quality trends in Asian bunkering ports, we will review worldwide quality trends to provide a frame of reference, as summarized in the following table:

World Average for all RM Grades

YEAR	Dens	Visc	MCR	S	V	Na	Al	Si	MJ/Kg	CCAI
1995	975.4	255	12.6	2.70	106	27	7	11	40.44	842.3
1999	976.0	270	12.3	2.75	102	24	7	10	40.42	841.9
2003	978.0	287	12.6	2.68	102	25	8	11	40.40	843.9
2007	980.8	305	12.5	2.42	95	21	10	12	40.49	844.9
2009	981.8	310	12.6	2.32	100	21	12	14	40.52	845.6
2010	982.8	317	13	2.34	106	21	12	14	40.49	846.3

NOTE:
Water, Sediment, Ash Other Metals unchanged and low,
0.10%, 0.02%, 0.04%

There has been a steady upward creep in density and viscosity, and a slow decrease in fuel sulphur. With the exception of a gradual increase in fuel abrasives (Aluminium and Silicon, or Al + Si) the other properties have remained relatively stable. Once the two critical blend controlling parameters, density and viscosity, are met, all parameters on average have been well below the ISO 8217 specification limits.

Based on the DNV Petroleum Services 1H10 fuel quality statistics, Asian ports fit into this picture, as seen in the table below for five major Asian bunkering locations.

AVERAGE QUALITY by REGION

	Dens	Visc	MCR	% S	Ash	V (ppm)	Na (ppm)	Al + Si (ppm)	MJ/Kg	CCAI
Busan	982	330	13.2	3.55	0.03	82	10	13	40.18	844.0
Hong Kong	988	340	13.7	2.80	0.05	122	30	25	40.23	850.4
Port Klang	986	329	13.9	2.63	0.05	127	32	29	40.32	848.5
Shanghai	983	320	12.9	2.65	0.06	155	27	24	40.29	845.9
Singapore	988	338	13.6	2.73	0.05	154	24	29	40.25	850.0
All Far East	985	326	13.3	2.83	0.05	127	22	25	40.28	848.0
Rotterdam*	989	334	11.9	1.84	0.04	68	15	35	40.57	851.3
Fujairah*	982	325	15.1	3.51	0.04	95	16	18	40.16	845.0
Houston*	988	313	15.1	3.00	0.06	174	19	33	40.21	851.4

* Other major ports for refrence

Busan, Hong Kong, Port Klang, Shanghai and Singapore collectively account for over 70% of the DNVPS samples from the Far East, an important bunkering location where about one in five refueling takes place. The most striking point in the data is the generally higher sulphur content of the deliveries. There are several explanations for this. Firstly, there appears to be less of a governmental push for sulphur restrictions in the Far East. We also believe the Far East refinery crude slate is heavily influenced by crudes from the Arabian Gulf, which tend to be heavier and more sour. And lastly, we suspect that supply from off-shore sources preferentially divert their high sulphur content fuels to this less 'sulphur restrictive' part of the world.

An examination of DNVPS fuel quality statistics by sulphur range is consistent with the scenario described. For example, 95% of fuels from Far Eastern ports are greater than 2.00% sulphur, whereas only 43% of DNVPS samples from European ports exceed 2.00% sulphur.

DNVPS believes the long established bunker quality trends are about to receive a major jolt due to the emerging and more stringent limits on fuel sulphur; beginning with the one-third reduction in ECA sulphur maximum limit from 1.50% to 1.00%, effective July 1, 2010.

Secondly, there is the scheduled implementation of a new ECA covering all US coastal waters out to a 200 mile limit, including Canadian and most probably Mexican waters. This will significantly increase the demand for low sulphur fuel.

The global marine fuel sulphur limit will also be lowered from 4.50% to 3.50% on January 1, 2012. Based on DNVPS statistics, approximately 10% of all samples tested exceed 3.50% sulphur. The average sulphur content for this fraction of samples is approximately 3.80%. In order to reduce the sulphur content to the 3.50% level, we will need to blend the fuels in question with 10% of a low sulphur (0.10%) distillate or a similar ultra low sulphur blend stock.

The next contributory factor is the scheduled reduction of the ECA sulphur limit to 0.10% in 2015. And finally, we have the lowering of the global marine fuel sulphur cap from 3.50% to 0.5%, proposed for implementation in 2020 but subject to the outcome of an assessment in 2018 of the industry's capability to supply 0.5% sulphur fuel. If this review indicates an inability to supply adequate fuel of this quality, the introduction of the new sulphur specification will be delayed to 2025.

From 2H10, DNVPS expects to see some answers on the future prospects of the fuel supply community to meet the increasingly stringent sulphur limits and the corresponding rise in the demand of bunkers meeting the sulphur requirements.

An examination of ECA quality fuels (ie. maximum 1.50% sulphur content) up to 1H10 provides some insight into the first challenge. The overall quality characteristics of these fuels, as shown in the table below, suggest that they were derived from low sulphur crude residues and therefore did not require any unusual blending practices or components.

2010 World Average Quality by Sulfur Range

Year	Dens	Visc	MCR	S	V	Na	Al	Si	Energy	CCAI
2008	976.5	290.4	11.4	1.39	66	19.9	12.8	14.1	40.90	841.4
2009	977.3	296.2	11.2	1.35	59	19.5	13.3	15.1	40.89	841.9
2010	987.5	298.2	11.2	1.32	57	18.0	13.1	15.0	40.88	842.9

However, these fuels are nowhere close to meeting the current 1.00% sulphur limit in the ECAs and will require the addition of over 30% low sulphur cutter stock (0.10% sulphur) to comply. We believe such a cutter will also be of low viscosity. The resultant blends would be significantly lower in terms of density, viscosity, as well as most other parameters.

The challenge in meeting the ECA sulphur limit will pale in comparison to the proposed global cap of 0.5%. Major refiners have already spoken of these challenges and indicated that if this indeed was the future requirement, it would almost certainly entail a switch to distillate fuels along with massive investment in residue destruction. Residual fuel as the industry has known them for the last 60 years will disappear. The only way this inevitability can be reversed is if scrubbing technology is widely adopted by ship operators.

Dr Rudolph Kassinger is a senior technical consultant with DNV Petroleum Services. Email: Rudolph.Kassinger@dnvps.com.

Seatrade ASIA WEEK The voice of Asian shipping

No need to panic?

Fears of dry bulk crash grow as freight plunge continues

"Don't panic, Capt Mainwaring, don't panic." This catchphrase from classic British comedy series Dad's Army is how one shipowner views the current plunge of the dry bulk shipping market.

With the Baltic Dry Index continuing its slide this week, closing at 1,700 points on Thursday, fears of a market crash have moved from talking about the possibility to one of outright panic. As rates have slid into the breakeven area or below some have taken drastic action with Ofer Group's Zodiac already deciding to drop anchor on some of its capesizes rather than take the low rates currently available in the spot market.

But while obvious parallels are being drawn with the crash in the latter part of 2008 that dragged the market to its lowest ever levels others believe it is not so serious. Rather a combination of a seasonal low combined with a major influx of tonnage into the dry bulk fleet in the second half of the year, which has long been expected.

"There has been a lot of panic in the freight market," the shipowner noted. He added China has been drawing down on massive stockpiles of commodities such as iron ore. China's imports of iron ore and coal fell by 9% and 8% respectively in June.

"Demand has not gone away, you are in a semi-seasonal lull," he said.

Commodore Research though noted a sharp drop in demand this week in a note to clients.

"During the previous two weeks, dry bulk cargo demand had remained relatively firm and freight rates came under significant pressure due to a significant increase in available vessel supply. This week, however, spot cargo demand has declined significantly," it said.

Brokers Fearnleys described the capesize market as one of the "most dramatic" in modern times and gave little optimism in terms of outlook for large bulk carriers.

"There have been concluded a handful of short period fixtures at around $20,000 per day for short period, perceived to be good rates for the owners. In general people are sceptical to the near future and it seems China will remain quiet for some time," the report said.

FIS bulk FFA prices 16 July

Capesize	Average 4 Timecharter Routes 172,000mt dwt
Jul-10	17,000
Aug-10	20,500
Q3 10	20,250
Q4 10	25,750
Cal 11	24,500
Panamax	Average 4 Timecharter Routes 74,000mt dwt
Jul-10	17,750
Aug-10	20,250
Q3 10	19,875
Q4 10	22,125
Cal 11	18,750
Supramax	Average 6 Timecharter Routes 52,000mt dwt
Jul-10	18,250
Aug-10	18,250
Q3 10	18,625
Q4 10	19,750
Cal 11	17,000
Handysize	Average 6 Timecharter Routes 528,000mt dwt
Jul-10	14,625
Aug-10	14,000
Q3 10	14,200
Q4 10	14,750
Cal 11	13,375

* All prices are basis midprice between best bid and offer 1300 London Time
** All prices are indications of current market level
*** Contract routes are as per the current Baltic route definitions

Positive sentiment or la-la land?

There's a suspicion in traditional shipping circles that the futures market exists in a mysterious and opaque shadow world. This has not prevented rates dropping just as sharply as they have in the physical market and this week saw the market in similar turmoil.

The fact that it was not all one way traffic begs the question – is the futures market really indicating positive sentiment or still living in la-la land?

Capesizes slid lower as the week opened – at par to supramax levels in fact - but good volume held up levels in Q4 and kept Q3 in a $18,000-$18,750 range. As the week drew on, conditions became more choppy and volatile with Q4 see-sawing before the index stabilised rates to a better bid close.

Rumours of an improving physical market sound like wishful thinking but with Q4 back up towards $26,000 and Q3 $19,500/$20,500, there was room to breathe.

Panamaxes fared better but while physical brokers were dismissing the mini-rebound, Q3 and Q4 held up early in the week as Cal11 edged higher to $18,300. Support continued with both front periods pushing higher and a more positive index prompting some to call the bottom of recent falls. The week drew towards a close with another positive index and the curve gaining a little ground – Q3, Q4 and Cal11 rising and better bid - almost a rally.

Supramaxes saw better volume from the start, with the positive panamax tone drawing out the buyers and even kicking on to the handysizes. The commitment spluttered but then turned more bullish - Q3 adding $500 to $18,500, Q4 up to $19500, Cal 11 at $17,000 and the firmness continued, with resistance on the sell side suggesting residual strength.

Contributed by FIS: www.freightinvestor.com

Growing recruitment

In a sure sign that the economy and the overall prospects of the shipping industry have improved maritime jobs specialist Faststream Recruitment has moved to a new larger office in Singapore.

Trebling the size of its office space Faststream has moved to the 8th floor of Keppel Towers on Hoe Chiang Road.

"With growth comes the need to expand our own operations so we can continue to provide a world class service to clients and candidates. Our new offices will allow us to treble our workforce which puts us in a very strong position. These are exciting times for everyone involved in the business," said Mark Robertshaw, managing director in Asia Pacific for Faststream.

Garden festival

Seatrade Asia Week's Singapore-based journalists enjoyed an upscale evening with PSA International at the Singapore Garden Festival 2010 Gala dinner earlier this week.

PSA's global head of human resources and corporate communications, Caroline Lim (pictured below, centre), invited a number of maritime journalists to join the terminal operator's table at the gala dinner graced by Singapore's President S R Nathan.

As well a sumptious dinner and good company guests got a special chance to view the Singapore Garden Festival 2010 exhibition being held at Suntec exhibition and conference centre.

ClassNK continues global expansion

Japan's ClassNK has continued its global expansion this time with a new exclusive surveyor office in Cardiff, UK.

The new office becomes the fourth new office to be opened by the Society this year, following the establishment of new offices in Malaysia, Syria, and Peru earlier this month.

"With the opening of this office, I am confident we can provide even better service to our clients in the UK and ensure the continued success of the ClassNK fleet," said Noboru Ueda, chairman and president of ClassNK (pictured).

Since opening its first international exclusive surveyor office in 1962, ClassNK has grown to have a global presence, with more than 170m gt on its class register and 113 exclusive surveyor offices around the globe.

Events

10th International Dry Bulk Review
2 – 3 August
Sheraton Towers, Singapore
Contact: IBC Asia
Website: www.ibc-asia.com

Seafarers Crew Management
27 – 28 September
Singapore
Contact: Asia Business Forum
Website: www.abf-asia.com

Marine Money Asia Week Forum
28 – 29 September
Singapore
Contact: Marine Money
Website: www.marinemoney.com

6th Asia Maritime & Logistics Conference and Exhibition
10 – 12 October
Putra World Trade Centre, Kuala Lumpur
Contact: Lloyd's List DCN events
Website: www.asiamaritimelogistics.com

Seatrade China Awards
13 October
Shangri-La, Dalian
Contact: Seatrade Singapore
Website: www.seatradechinaawards.com

16th Singapore International Bunkering Conference and Exhibition
27 – 29 October
Resorts World, Sentosa, Singapore
Contact: IBC Asia
Website: www.sibconsingapore.com