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Cexim to finance CMA CGM's 22,000 teu orders

by Wei Zhe Tan
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China's leasing houses will also join the deal, but play a minor role

The largest boxships in the CMA CGM fleet are currently 18,000 teu vessels such as CMA CGM Kerguelen, pictured.

THE Export-Import Bank of China will take the lead role in financing CMA CGM's newbuilding orders of up to nine 22,000 teu containerships at two Chinese yards.

Sources familiar with the deal told Lloyd's List that the policy bank was now in talks with the French line on lending for the $1.5bn package — six firm newbuildings and options for three more.

The owner is able to add other structures, including leasing arrangements, into the deal later on, one banking source in China said.

China's leasing majors, especially the large bank-backed ones, were also involved in the discussion, said another Chinese banking source, but the lessors would at best take a minor part of the financing. He added that Cexim was equipped with abundant liquidity and would be able to offer loans at attractive prices for the vessels.

"That is also part of the reason why Shanghai Waigaoqiao Shipbuilding and Hudong-Zhonghua Shipbuilding can snatch the orders from Hyundai Heavy Industries," the source added.

The first source said the newbuilding agreement was still at the "letter of intent" stage, and was expected to get board approval from the Marseilles-based carrier next month.

The second source confirmed that, adding that a binding contract was likely to be signed in September.

The remarks followed confirmation by an SWS official that the two yards had signed an LOI with CMA CGM about the orders.

He added the deal marked a big step for the Chinese builders, as they won the orders from their South Korean rival, which is known for its capability for building ultra large containerships.

CMA CGM declined to comment on the newbuilding order.

An HHI official admitted that the shipbuilder had lost the contract to the Chinese yards. He said his competitors were likely to sit down and discuss the details of the contracts next week.

The SWS official declined to disclose more details.

Brokerage sources said the newbuildings would be divided by Hudong and SWS, with the former leading the

construction of the dual-fuelled ships at about $160m apiece and the latter building the so-called “LNG ready” vessels at $140m each.

CMA CGM lags behind other global carriers in adding ships of this class to its fleet. Its so-called 18,000 teu ships such as *CMA CGM Benjamin Franklin* and *CMA CGM Bouganville* are in fact modified 16,000 teu-class ships and, with a beam of 54 m, are narrower than standard 18,000 teu-20,000 teu class vessels. The just-delivered 21,400 teu *OOCL Germany* is 59 m wide.

Maersk's first generation 18,000 teu Triple-E ships cost close to $190m each, whereas CMA CGM will probably pay nearer $150m apiece.

Lloyd's List first reported that CMA CGM was looking at 20,000 teui-class ships back in June.

CMA CGM has ordered three 20,000 teu boxships from Hanjin Heavy Industries Subic Bay, Philippines shipyard.

The first of these was originally slated for delivery in the final quarter of this year. This has since been pushed back to next year, CMA CGM confirmed.

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Maersk Tankers signs digital deal with CargoMetrics

by James Baker

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Access to hedge fund's analytical tools will boost data development

Maersk is seeking to bring digital technology to its tanker division.

MAERSK Tankers is continuing its push toward digital development with a strategic partnership with Boston-based hedge fund CargoMetrics, even as parent Maersk Group prepares to sell off its tanker division.

The agreement provides Maersk Tankers with access and exclusive rights to CargoMetrics' analytical models, algorithms and capabilities, Maersk said in a release.

“In the partnership, we will accelerate our use of digital solutions to enable our business strategy, which will deliver value to our customers and

partners while we generate income and develop our position as the digital frontrunner in the product tanker industry," said Maersk Tankers chief strategy officer Søren Meyer. "CargoMetrics is the right partner to support us in this as they have the analytical models, algorithms and capabilities that we need in Maersk Tankers. This will also help us to further develop our in-house digital know-how and capabilities."

CargoMetrics links satellite tracking data, historical shipping data and proprietary analytics for trading purposes in its investment platform.

"Data about the 90% of global trade that moves by sea is a powerful trading edge," said CargoMetrics chief executive Scott Borgerson. "This is the quintessential partnership where we can drive returns in both of our businesses by collaborating with one of the leading players in shipping while applying our technology to their physical tanker operations."

Maersk has been at the forefront of developing digital technology in shipping, with chief executive Søren Skou pushing plans to ditch analogue processes that still feature prominently in the shipping industry, and introduce digital products that will revolutionise the carrier-customer relationship.

As well as a much-publicised trial of publishing its prices on Chinese e-commerce platform Alibaba, Maersk's own mymaersk.com turns over around $14bn a year.

But Maersk has changed its conglomerate strategy of combining container transport with energy and tanker operations. This week it announced the sale of Maersk Oil to Total and it plans to sell Maersk Tankers by the end of next year.

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Navios set to benefit from Vale iron ore contract

by Lambros Papaeconomou

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'Take or pay' guarantee projected to generate minimum $35m in annualised ebitda

The Angeliki Frangou-led company's deal comes as worldwide iron ore production and prices increase.

NAVIOS Logistics is on target to begin a lucrative 20-year iron ore contract with Vale in the fourth quarter of 2017.

The contract, which stipulates that Vale has a minimum annual transhipment obligation of 4m tonnes under a ‘take or pay’ agreement, is expected to generate $35m in annualised earnings before interest, taxes, depreciation and amortisation.

The news comes at a pivotal time for Navios Maritime Holdings, the parent company of Navios Logistics, as it seeks to shore up its financial position and refinance $291m in corporate bonds maturing in 2019.

It coincides with rising worldwide iron ore production, rising iron ore prices, and the prospect for a substantial recovery in dry bulk shipping in the years ahead.

An iron ore terminal in Nueva Palmira, Uruguay began operations during the second quarter with Vale transhipping a total of 41,000,000 tonnes for a revenue of $800,000.

Angeliki Frangou, chief executive of Navios Maritime Holdings, said on Tuesday that Vale now had a stockpile of about 160,000 tonnes and transhipment was expected to continue ad hoc in the third quarter. She added: “Beginning in the fourth quarter of this year (when Vale’s minimum transhipment obligation commences) we can reasonably expect revenue of about $10.3m.”

Navios Maritime Holdings has a 63.8% stake in Navios Logistics.

The iron ore terminal has the capacity to tranship a total of 10m tonnes per year. Vale has guaranteed a minimum 4m tonnes and it has the option to tranship an additional 2m tonnes.

Based on full utilisation, Navios estimates that total ebitda can reach $85m per year, or an extra $50m per year over and above Vale’s minimum guarantee.

However, one item of concern is the actual production in the Corumba region that feeds the terminal, a point raised by JP Morgan analyst Noah Parquette. “We believe there is some market concern regarding iron ore production in the Corumba region, which has declined significantly since peaking in 2012.”

Navios projects that iron ore production should rebound in the short term to 5m tonnes annually from 3m tonnes in 2016, because of higher global iron ore prices and lower transhipment costs from a fully operational terminal.

Mr Parquette said that if progress was made on utilising the extra 6m tonnes capacity at the terminal “it could materially improve the valuation of Navios Logistics and the financial situation of Navios Maritime Holdings”, expecting that Navios might attempt to monetise its holding in Navios Logistics as the Vale contract started generating profits in early 2018.

This turn of events is a long way from the situation a year ago, when Navios and Vale were embroiled in arbitration proceedings over the validity of the port services contract. An arbitration panel in London ruled in favour of Navios, deeming the contract in full force.

With terminal construction now completed and improved iron ore fundamentals Vale is finally ready to honour its end of the bargain.

Navios Maritime Holdings posted a wider net loss of $37.3m in the second quarter ended June 2017 compared with a $26.4m loss in the year-ago period, while revenue came in at $118.6m versus $105.7m.

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Seaspan flips Hanjin ships

by James Baker

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Quick asset play pulls in $14m profit

Seaspan said it would receive gross receipts of $37m for the four Hanjin vessels, which it acquired in the fourth quarter of 2016.

SEASPAN has made a quick $14m profit by flipping four former Hanjin Shipping vessels it acquired last year.

The New York-listed owner said it would receive gross receipts of $37m for the vessels — *Seaspan Alps*, *Seaspan Grouse*, *Seaspan Kenya*, and *Seaspan Mourne* — which it acquired in the fourth quarter of 2016, after taking into account closing costs and vessel improvements.

The buyer of the vessels was not revealed.

Meanwhile, Seaspan said it had taken delivery of *MSC Shuba B*, an 11,000 teu containership that will start a 17-year fixed-rate bareboat charter with Mediterranean Shipping Co.

Upon completion of the bareboat charter period, MSC is obliged to purchase the vessel for a predetermined amount. *MSC Shuba B* is the first of five sisterships, all of which are signed to bareboat agreements with MSC.

Seaspan also announced that it had entered into fixed-rate time charter contracts with a major carrier for two 10,000 teu newbuilding containerships under construction at Yangzijiang shipyards.

The two vessels are scheduled to be delivered in 2018 and will begin three-year fixed-rate time charters with options to extend for up to an additional three years.

They were the last vessels ordered on spec by Seaspan. The company said that it is now in advance discussions with a leading Asian financial institution to obtain financing on these two newbuildings.

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All vessels in Seaspan's operating fleet now appear to be employed.

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Sovcomflot vessel breaks Northern Sea Route transit time record

by Max Tingyao Lin

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Icebreaking LNG carrier spent just over six days and 12 hours in the passage

The 172,845 cu m vessel spent six days, 12 hours and 15 minutes in the NSR without any escort icebreakers.

SOVCOMFLOT said its icebreaking liquefied natural gas carrier *Christophe de Margerie* recently set a new time record for transiting Russia's northern sea route, taking advantage of the Northeast Passage during summertime.

In a company statement, the Russian state carrier said the 172,845 cu m vessel spent six days, 12 hours and 15 minutes in the northern sea route without any escort icebreakers — the first merchant vessel to do so.

In this transit, the ship covered 2,193 nautical miles (4,060 km), from Cape Zhelaniya in the Novaya Zemlya archipelago to Cape Dezhnev at Chukotka, Russia's easternmost continental point.

The average speed of *Christophe de Margerie* during the passage exceeded 14 knots, despite the fact that in some areas it had to sail through ice fields 1.2m thick, according to Sovcomflot.

The previous transit time record was six days and 14 hrs, set in 2014 by the 47,095 dwt product tanker *SCF Amur* another Sovcomflot vessel, in an escorted voyage.

Christophe de Margerie is the first of 15 planned LNG carriers specially designed for the Yamal LNG project in the Russian Arctic. It was named after the former chief executive of Total, who died in a plane crash in 2014.

Yamal LNG has yet to start, and *Christophe de Margerie* was carrying a cargo from Hammerfest in Norway to Boryeong in South Korea.

The total time for the whole voyage was 19 days, about 30% faster than the regular southern route via the Suez Canal.

“This again demonstrates the economic potential of using the northern sea route for large-capacity vessel transits,” the carrier said.

Like its sister ships under construction at Daewoo Shipbuilding & Marine Engineering, *Christophe de Margerie* is an Arc7 ship capable of sailing independently through ice of up to 2.1m thick.

With three Azipod units installed, the ship has propulsion power of 45 megawatts.

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Panamax index hits four-month high on grain demand

by Inderpreet Walia

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FFA market looks bright with high expectations for the fourth quarter

FREIGHT rates for panamax bulkers increased further this week, with the Atlantic grain trade increasingly adding to healthy inquiry for tonnage.

Based on the Baltic Exchange’s assessments, the average weighted panamax time charter climbed to $10,778 per day as of the close on Tuesday, from $10,330 a week ago.

Meanwhile, the Baltic Panamax Index soared to 1,345 points from 1,289 points a week ago, up 4.3% and the highest in about four months.

According to Fearnleys, tight supply of tonnage, especially in the North Atlantic region, pushed fronthaul rates close to $19,000 per day and transatlantic rates to the mid-$11,000s per day. Baltic rounds fetched around mid-$12,000s per day.

However, Braemar ACM pointed out that a dip in paper values knocked some shine off the panamax market after a

very firm previous week.
“Both charterers and owners are weighing up the impact of the drop in the forward freight assessment market on the long duration fronthaul values, which underpinned the firm demand recently for both North and South Pacific positions,” it said.
The direction of these long duration trips is likely to set the tone for intra-Pacific business, which have been paying greater premiums to attract owners’ attention, the brokerage added.
But there is still a lot of expectation in the FFA market. October is priced at high-$10,000s per day, while the fourth quarter is now priced close to $11,000 on the panamax time charter average index.

In the spot market, 54 trades were reported in the past seven days, compared with 46 a week ago, Clarksons data shows.
The highest spot trade was concluded at $13,500 per day for a voyage from east coast South America to the Far East, while the lowest was seen at $9,250 per day for a nickel ore shipment from the Philippines to China, Clarksons reported.
Around eight time charters were concluded in the past week, heightening sentiment among owners. Most of the fixtures were for short term periods of between four and eight months.
In other industry news, a delegation of importers from China signed agreements to buy 3.8m tonnes of US soyabeans valued at about $1.56bn at a ceremony in Omaha, Nebraska, according to the US Soybean Export Council.
Five US export companies and 10 Chinese importers signed a total of 11 purchase agreements, the group said.
This is certainly good news for panamax and capesize bulkers as they are most likely to benefit from increasing Chinese demand for soyabeans.

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US Navy orders fleet review after latest warship collision

by Wei Zhe Tan

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Updated: Commander of the 7th Fleet Vice-Adm Joseph Aucoin relieved of duty and will be replaced by Rear Adm Phil Sawyer

Search and rescue operations are continuing, with the area covered expanded to 2,620 sq m.

THE US Navy's highest ranking officer has called for a fleet-wide safety review of training and seamanship in light of the latest warship collision incident on Monday morning near the Malacca Strait, the second such incident over the past three months.

Chief of Naval Operations Admiral John Richardson called for a worldwide operational pause as part of the review as investigations were conducted into the root causes of incidents involving the US Navy's 7th Fleet in the Pacific, according to a video posted by the US Naval Institute.

Adm Richardson said there were no indications as yet that the incident was intentional or due to cyber intrusion or sabotage.

He added that he was asking fleet commanders across the globe for a 1-2 day staggered operational halt to talk about what can be done to ensure safe and effective operations.

The initiative may start within a week, with the review carried out on a tight timeline.

Adm Richardson said a board review would scrutinise training of US forces deployed to Japan "to make sure we are doing everything we can to make them ready for operations," and would include examining "operational tempo, trends in personnel, materiel, maintenance and equipment."

As part of the review, commander of the 7th fleet Vice-Admiral Joseph Aucoin was relieved of duty “due to a loss of confidence in his ability to command”, according to a US Navy statement.

In his place, Rear Admiral Phil Sawyer has been nominated for the post and promoted to vice-admiral as he assumes command of the 7th Fleet with immediate effect.

Meanwhile, US Navy and Marines divers have recovered the remains of some of the 10 sailors who were reported missing from the *USS John S McCain,* according to an update from Pacific Fleet commander Admiral Scott Swift.

He said the Royal Malaysian Navy has reported finding the possible remains of another missing crewman, while it was carrying out search and rescue support operations east of the Malacca Strait and Singapore.

“While the search and rescue efforts continue, I sincerely thank our Singapore partners, our Malaysian partners and everyone who has responded with urgency, compassion and tireless commitment,” Adm Swift said.

CNN has reported, citing a US Navy official, that the warship experienced a steering casualty as it began its approach into the Malacca Strait, close to Singapore, which resulted in the collision with the *Alnic MC* early on Monday.

Lloyd’s List has invited the US Navy to comment on the issues.

Search and rescue efforts are being led by Singapore, which is co-ordinating with the US, Indonesia, Malaysia and Australia, according to the Maritime & Port Authority of Singapore, with the Republic of Singapore Navy sending out the *RSS Gallant* and *RSS Fearless* patrol boats on Tuesday.

The city-state accepted Indonesia's offer of assistance on Monday to cover the northern coastline of Bintan Island, and also accepted Malaysia's offer on Tuesday to dispatch four aircraft to join the search, which has been expanded to cover 2,620 sq m, including Malaysia's coastline.

Indonesia has raised assets deployed to two aircraft and three vessels, while Australia has offered fixed wing aircraft to assist with the search.

Singapore port authorities said: “In total, so far, the Singapore Armed Forces (SAF) has deployed three patrol vessels,

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three fast craft, one frigate, two Super Pumas, one Chinook, one C-130 and one Fokker 50 while Police Coast Guard deployed four patrol craft. MPA deployed two craft, three tugboats and a team of divers. In addition, MPA has been issuing hourly navigational broadcasts to advise passing vessels of the incident and to request them to keep a lookout for any persons in the water."

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Shipbreakers on a spree as rates hit $400 per ldt

by Inderpreet Walia

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Rates to improve further at least for the next few weeks, broker says

A total of 22.4m dwt has been sold for scrap in the year to date.

SHIPBREAKERS have staged a comeback in the market after the monsoon lull period, snapping up several vessels at around $400 per light displacement tonne.

A number of shipowners offered their ageing tanker and container tonnage at higher prices, setting and smashing records in each successive sale over the past week.

The average prices on the Indian subcontinent for tankers were around $410 per ldt and dry bulk units were about $385 per ldt.

“At this rate, a growing number of shipowners who had earlier been inclined to run their aged vessels due to better freight environment, may well consider the demolition option instead,” said a broker based in Singapore who believed the rates would improve further at least for the next few weeks.

Breakers in Chittagong, Bangladesh, trumped rivals in Alang, India, and Gadani in Pakistan, snatching the lion’s share of recent deals for yet another week, with the Indian market following closely, noted Intermodal in its weekly report.

Hadiyah, a 20,148 ldt suezmax tanker, was reportedly sold for $400 per ldt to a Bangladeshi yard this week, a much higher rate compared to *Maran Lyra*, a 41,891 ldt VLCC that was sold at $390 per ldt the previous week.

In neighbouring Pakistan, the lack of preferred candidates for recycling resulted in a lower number of deals concluded, although buyers’ appetite remained strong.

As Pakistan is still closed for tanker tonnage, buyers in the region continue to bid at exceptionally high levels for dry candidates, forcing many to wonder whether the market is getting ahead of itself, Intermodal added.

Gadani recyclers continue to be unavailable since the beginning of this year as a destination for scrapping tankers.

This is mainly because the rules for recycling tankers have been tightened by the Pakistani government, which has sent clear signals that Gadani will have to meet safety standards in order to avoid a repeat of the catastrophic accidents that marred their domestic recycling sector earlier this year.

However, “this means that higher ldt bulk carrier and containership vessels might currently expect to achieve levels above $425 per ldt, if sold on a delivered basis in Pakistan,” Clarksons estimated.

Meanwhile, a total of 22.4m dwt has been reportedly been sold for scrap in the year to date, down 21% compared with a year ago, Clarksons data showed.

While tanker scrapping only accounted for 6% of total recycling activity in 2016 in tonnage terms, this share has increased to 24% so far in 2017.

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German shipmanager and vessel owner charged with falsifying pollution records

by Wei Zhe Tan

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Companies accused of entering US waters and ports with a misleading oil record book presented for inspection

The investigation was handled by the Coast Guard Investigative Service.

THE Germany-based shipmanager and owner of the bulk carrier *Marguerita* have been accused by the US Department of Justice of covering up pollution.

MST Mineralien Schiffarht Spedition Und Transport (MST) and Reederei MS 'Marguerita' Geschlossene Investment were charged with failing to maintain an accurate oil record book that noted down the transfer and discharge of oily wastewater on the vessel.

The DOJ said that on at least eight occasions between 2016-2017, the Liberia-flagged, 2016-built, 27,700 dwt vessel had entered US waters and called at US ports with a "false and misleading" oil record book that allegedly covered up discharges of oily mixtures and machinery space bilge water. The book was subsequently presented for inspection by the US Coast Guard.

The DOJ said the accused were in violation of the Act to Prevent Pollution from Ships, a US regulation that follows the International Convention for the Prevention of Pollution from Ships.

“The companies were also charged with falsification of records with the intent to impede, obstruct, or influence inspections and examinations of the *Marguerita* by the US Coast Guard,” said the department, adding that, “an indictment is merely an accusation and defendants are presumed innocent unless and until proven guilty in a court of law”.

With investigations carried out by the Coast Guard Investigative Service, the prosecution is being carried out by John Cashman and Shane Waller from the department's Environmental Crimes Section.

Separately, the US Coast Guard has slapped a $5,000 penalty on owners of the 2017-built, 33,200 dwt bulk carrier *Ansac Moon Bear* for illegally dumping ballast water into the Willamette River in Portland on August 16 this year.

The coast guard had carried out a regular port state control ballast water examination of the vessel and found out that it had discharged ballast water into the river on three separate occasions when it called at ports in 2017.

“As part of the port state control exam, log books were reviewed during administrative evaluations by the marine

inspectors, which led to the ballast water discharge discovery," said the USCG.
Subsequently, the owner of the vessel was ordered to pay the $5,000 notice of violation or issue a Letter of Undertaking worth $38,175 to ensure the fine will be paid up to that maximum amount if needed.
The vessel's registered owner, is Ansei Carriers, a unit of Marubeni Corporation in Japan, according to Lloyd's List Intelligence data.
Shortly after the issued notice of violation, the vessel's operating firm paid the fine and it continued with its scheduled route.

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Sinotrans to buy logistics firm from China Merchants

by Wei Zhe Tan

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Move to reduce inter-group competition after the merger of both entities last year

The transaction is worth $818.2m

SINOTRANS has signed a deal to buy a logistics firm from its controlling shareholder China Merchants Group as both sought to reduce inter-group competition.
A Sinotrans statement said: "It is expected that the transactions contemplated under the acquisition agreement can help reduce actual and potential competition between the group and its controlling shareholder, given the freight forwarding and contract logistics services offered by the target group represent direct competition of the group's services in terms of service scope and

geographical coverage."
Hong Kong-listed Sinotrans will acquire all the shares of China Merchants Logistics Holdings for Yuan5.45bn ($818.2m).
Payment will be via the issuance of up to 1.4bn domestic shares of Sinotrans at Yuan3.78, or HK$4.43, per share to China Merchants.
The issue price of the shares can be adjusted upwards "if the highest of the volume-weighted average price per H Share for the 10, 20 and 60 consecutive trading days before (and excluding) the date of the [extraordinary general meeting] exceeds the initial issue price of HK$4.43, provided that such upward adjustment will not exceed 10% of the initial issue price."
Should the issue price be raised, the total amount of consideration shares will fall accordingly "in view of the fact that the initial issue price approximates the market price of the shares and the acquisition agreement provides for upward adjustments to reflect increases in market price per share (albeit subject to a 10% cap) such that the dilutive effect of the issue of the considerations shares is thereby minimised."
When discussing the deal, Sinotrans factored in working capital requirements, as well as the fact that the issuance of domestic shares will not dilute voting rights linked to its H shares (Hong Kong-listed), and would not affect its cash reserves.
It said China Merchants Group had seen improvements in its financial performance over the three years ending December 31, 2016 as well as the six months ended June 30, 2017.
China Merchants has agreed that on completion of the transaction, there will be a lock-up period of 36 months in which it will not transfer the shares issued by Sinotrans to any other entity.
Sinotrans said the acquisition would help consolidate its position as China's biggest logistics firm. It would also help Sinotrans to provide the full range of logistics services to onshore and offshore clients with the addition of less-than-truckload offerings as well as cold chain logistics operations provided by CMLH.
CMLH's expertise in contract logistics for fast-moving consumer goods provides a new market for Sinotrans, while it is also able to tap on infrastructure developments in the South Asia region and Europe established by China Merchants.
China-incorporated CMLH is based in Shenzhen. It has fully paid-up registered capital of Yuan1.4bn. It provides third-party logistics services including contract logistics, trucking, cold chain logistics, international supply chain logistics, and equipment leasing.
Its assets comprise logistics warehousing facilities, a trucking fleet and other property, plant and equipment.
CMG and Sinotrans & CSC Group completed a strategic merger in April 2017 with the latter becoming a fully-owned unit of the former.

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