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# Bertram Rickmers established second holding company in 2015

GERMAN SHIPOWNER BERTRAM Rickmers established a second holding company two years ago, as it was becoming apparent that his now-insolvent Rickmers Holding vehicle was entering choppy waters, registration records show.

The Asian Spirit Steamship Company was established on October 21 2015, with Bertram Rickmer Clasen Rickmers — Bertram Rickmers' full given name — listed as limited liability partner, with 100% participation.

Asian Spirit Steamship is in turn listed as sole partner in five further KG companies, of the type that are often used to own single ships.

These are Spirit of Dubai; Spirit of Hong Kong; Spirit of Jakarta; Spirit of Lisbon; and Spirit of New Delhi. All were also set up in October 2015.

According to the Lloyd's List Intelligence database, Spirit of Lisbon is registered owner of the 4,256 teu boxship *Spirit of Lisbon*, built in 2009. It is not known if any of the other four similarly own one or more vessels.

The revelations could be a pointer to Bertram Rickmers' future business plans, after Rickmers Holding went under in June 2017, suggesting that its founder may be planning a rapid comeback under his own colours.

Mr Rickmers was said to be travelling on Friday, and thus unavailable for comment. His representatives did not return emails or telephone calls seeking confirmation and comment.

But the 'Spirit' companies were set up at a time when the shipping downturn was clearly starting to bite at debt-burdened Rickmers Holding, which was to collapse less than two years down the road.

Earlier this week, Lloyd's List published for the first time full details of ultimately abortive efforts to keep the company's head above water, culminating in HSH Nordbank's board-level decision to pull the plug, even after some of its employees had signed a term sheet to restructure over $1bn in debt.

Creditors — including banks and investors who bought into a $275m junk bond in 2013 — have been warned that they are looking at a payback of an unenticing three cents on the euro.

**A quick buck**

It now seems all but certain that the administrator will later this month sign off the purchase of what is left of Rickmers Holding by Bremen-based building outfit Zech Group, headed by local entrepreneur Kurt Zech.

Zech's project shipping arm, Zeaborn, has already acquired vessels and entire companies from Rickmers Holding. Mr Rickmers is likely to be on board in some short of minority capacity.

But most Hamburg shipping hands suspect that Mr Zech has no long-term commitment to shipping, and will happily cash out for a quick buck after helping Mr Rickmers back onto his own two feet.

Mr Zech's street reputation is that of a man who got to the top of his core business, real estate development, through being an opportunistic investor, buying at distressed prices where possible, they add.

They highlight the fact that Zech Group was able to pick up Rickmers' multipurpose arm Rickmers-Linie for negative consideration, picking up a million dollar sum in the mid-single figures for its pains. Deals like that are enough to whet anybody's appetite, they reason.

But the consensus is that Mr Zech is headed for an early exit, possibly facilitated by the current consolidation in the MPP world, which could generate a profitable disposal opportunity.

There is also speculation that, in addition to investing his own money, Mr Zech may also be fronting up for other investors.

Meanwhile, Mr Rickmers could feasibly use ASSC as an ownership vehicle, with 'New Rickmers' taking on the role of interim technical manager. Ultimately, Mr Rickmers could then buy out Mr Zech.

"Zech has plenty of cash to invest, and I guess shipping is one of the last asset classes which has not reached historic highs again after the financial crisis," noted one Hamburg shipowner.

"But I think there is certainly a deal between Zech and Rickmers, and Rickmers will not be restricted to a minority shareholding in the medium to long term."

A senior manager at a major dry bulk operator even argued that Mr Zech may have his social standing, as much as business, in mind.

"He may want to buy respectability in his city of Bremen. Being a shipowner certainly ranks more advantageously on the social ladder than building czar. But such a feeling doesn't last long, so mid-term exit is likely.

"And of course there is the possibility that he is simply offering a hibernation cave. Why not hand the whole bundle back to Bertram once the dust has settled, and earn a little rent on the way?"

Another Hamburg shipping observer commented: "I'm asking myself what Zech is aiming at by building up a fleet of MPPs. Is it just asset play, buy low sell high? Will he stick to shipping for longer and earn money from maritime services?"

"I don't know how big his financial involvement is in his shipping deals, or how big his portion will be when the cream is shared out, if there is upside potential."

Few see any synergies with Zech Group's core business and, in its current state, the project cargo segment is hardly a licence to print money right now.

## NEWS

# South Korea's rising star SM Line has global growth ambitions

OVER the past a year, SM Line has grown to the second-largest shipping company in South Korea in terms of capacity, after Hyundai Merchant Marine.

But with the first anniversary of its foundation just around the corner, Woo Oh-hyun, the expansionist chairman of the South Korean conglomerate Samra Midas Group, which owns SM Line, is setting his sights higher.

Mr Woo wants to buy other domestic and overseas shipping companies and sees no reason why the company that effectively emerged out of the ashes of Hanjin's collapse, can't go on to become a world leading shipping line.

"I am determined to grow SM Line into something comparable to Hanjin Shipping," Mr Woo said.

# Cosco Singapore is buying its way into Asian logistics

SINGAPORE-listed Cosco Shipping International (Singapore) is looking to purchase shares of a local logistics company as well as an Indonesia-based affiliate to expand its logistics business network in Southeast Asia following the disposal of its shipyard division.

Cosco Singapore says that the acquisition would complement parent China Cosco Shipping Corporation's existing logistics business network across China and help it find new business in Southeast Asia as China's One Belt, One Road infrastructure initiative develops.

Following the disposal of its shipyard business, the company has been pursuing investment opportunities, but appears to have now settled on developing further integration in the logistics sector in Southeast Asia.

In May this year, the company inked a sale and purchase deal with Cosco Shipping Heavy Industry to dispose of its 51% stake in Cosco Shipyard Group, its 50% stake in Cosco (Nantong) Shipyard and a 39.1% stake in Cosco (Dalian) Shipyard for a total consideration of Yuan1.5bn ($212.4m).

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## MARKETS

# VLGC rates are up, but expensive bunker costs are hurting earnings

VERY large gas carrier rates are seeing better seasonal per-tonne returns than they did last year. However, at the same time they are paying more for bunkers. More expensive fuel will offset the modest gains that owners are seeing in spot market earnings.

Before recent softening, there was a small seasonal bump in spot market rates that occurred in late October of this year, similar in magnitude and duration to the increase seen in the year-ago period. Benchmark rates remain low when compared to their five-year range.

Oversupply remains a concern, as the total number of liquefied petroleum gas carriers of all sizes pushed above 800 vessels in the spring of this year and now stands at about 830 ships.

However, total growth across all segments will remain limited, which should lead to a stable to decreasing fleet size over the next three years. The slow but consistent rise in spot rates suggests that owners are better positioned to negotiate commercial terms this year when compared with last year.

# Tanker bulls escape from lower Botas exports following Kurdish conflicts

WHILE crude exports from the Botas terminal in Ceyhan were lower than normal last month with disruptions in oil flows from northern Iraq, tanker earnings in the Mediterranean remain supported by delays in the Turkish Straits, according to market participants.

The Botas terminal, the majority of whose exports are from Iraq's Kurdistan and Kirkuk areas on aframaxes and suezmaxes, exported 1.6m tonnes on 15 shipments in October, initial data from Lloyd's List intelligence suggested. The figures included 13 vessels that had departed and two still in the terminals as of Thursday.

In comparison, the terminal, owned by Turkey's state-owned pipeline and terminal operator Botas International, on average exported a monthly volume of 2.1m tonnes on 19 vessels in January-September.

However, with vessel supply curbed by delays in the straits traffic, the reduced shipments have had little impact on tanker rates so far, brokers said.

# The slack season no-show has slowed the spot market recovery

SPOT rates may have moved up marginally on the premier east-west trades at the start of November, but with carriers still to announce capacity reductions to compensate for the traditional winter slack season, a rate recovery in the final months of 2017 is looking increasingly unlikely.

Although the transpacific and Asia-Europe trades welcomed a strong start to the year for rates, as prices per teu gained momentum from the get-go and maintained relative stability through to August's peak season height, rates since have steadily declined.

Volumes in recent months have been healthy in comparison to last year, particularly on the transpacific trade, and, such was the level of demand, even led to the introduction of several extra loaders as carriers were caught off-guard.

However, carriers succumbed to their usual practice of undercutting competitors on price and any attempts to raise rates, whether through GRIs or benchmark levels, failed to gain any real traction.

## NEWS IN BRIEF

**Dorian is betting on growing Chinese LPG demand as a way to exit the market slump**

DORIAN has reported a net loss of $11.9m for the third quarter of 2017, reflecting continued weak market conditions for the transportation of liquefied petroleum gas. But the company is betting on fast-improving tonne-mile demand for LPG, supported by increased Chinese LPG consumption and a growing market share of LPG exports from the US.

To support its thesis, Dorian pointed to a 14% year-on-year increase in Chinese LPG imports for the first nine months of 2017. It expects imports to continue their upward trajectory in the coming quarters due to a government mandate to shut down coal-fired boilers in Northern China that began at the end of October.

At the same time US exports are capturing a growing share of the incremental demand for LPG, adding to the overall tonne-mile demand.

To bridge the gap between near-term market headwinds and better days ahead, Dorian turned its attention to its balance sheet and generating further operating efficiencies.

**Ports of LA and Long Beach have just launched a new phase in their clean air action plan**

AUTHORITIES at the ports of Los Angeles and Long Beach have given the green light to the 2017 Clean Air Action Plan Update, which recommends strategies to achieve a zero-emission working environment.

Under the plan, the ports will come up with clean engine

targets for new trucks transporting cargoes at the facilities, and establish rates and incentives to make the conversion to near-zero and eventually zero-emission on-road trucks by 2035.

One of the strategies is to establish a universal truck reservation system, staging yards, smart transportation systems and other programmes to cut emissions and to optimise cargo flows.

From 2020, terminal operators will need to procure new low-emission cargo-handling equipment with the aim of converting all equipment to zero emissions by 2030.

**Eagle Bulk narrowed losses thanks to dry bulk market improvements**

EAGLE Bulk reported a narrower net loss for the third quarter ended September 30, 2017, mainly due to the improved dry bulk market leading to higher charter rates, as well as increases in the owned fleet and chartered-in vessels.

Despite the loss, it is the first time Eagle Bulk has posted positive operating cashflow since it emerged from bankruptcy protection in late 2014.

The dry bulk operator incurred a net loss of $10.3m for the third quarter of 2017, compared with a loss of $22.5m in the prior year.

**MISC net profit surged thanks to LNG vessel leases**

MALAYSIA'S MISC reported a sharp jump in third-quarter net profit to RM695.8m ($164m) from RM143.4m in the year-ago period due to much stronger contributions from its liquefied natural gas and offshore businesses. Group revenue during the period edged up to RM2.32bn from RM2.29bn but earnings were helped by a 12% year-on-year fall in cost of sales to RM1.56bn from RM1.78bn.

Looking ahead, the company expects seasonal demand during the peak winter months to help the petroleum shipping sector to end on a firmer note.

And while spot charter rates remain sluggish on the LNG shipping front due to tonnage oversupply, the company expects rates to pick up as countries start building up inventories to meet winter heating demand.

**Star Bulk out with the old, in with the new $50m baby bonds**

STAR Bulk, the Oaktree majority-owned and Petros Pappas-led dry bulk specialist, is refinancing its existing $50m baby bonds with new ones, two years ahead of schedule.

The new bonds, which were priced on Thursday last week, will pay interest of 8.3% and have a five-year term. They can be redeemed or "called" at the company's option after 1.5 years.

Following a hiatus of almost two years, baby bonds are again becoming popular with shipping companies. In October, containership lessor Seaspan issued $80m of baby bonds with a 10-year term and a coupon of 7.125%.

These bonds are called baby because they are issued in denominations of $25 per bond, in contrast to corporate bonds which are typically issued in denominations of $1,000 per bond.

Baby bonds are also publicly traded on one of the two major New York exchanges. Star Bulk will apply to list its new bonds on Nasdaq.

**Matson results received a boost from strong China and Alaska volumes**

HIGHER container volumes handled in the Chinese and Alaskan markets helped lift New York-listed Matson's total revenue for the third quarter to $543.9m, versus $500.4m a year ago.

As a result, revenues from ocean transportation were up 5.3% at $419.2m, boosted by higher fuel surcharges and a higher $7.5m contribution from the company's SSAT terminal joint venture, versus $3.6m in 2016.

**Hafnia gained $8.5m from a sale and leaseback deal**

NORWAY-listed Hafnia Tankers has signed its first sale and leaseback agreement for one of its tankers with a Japanese private shipowning firm, enabling the company to maintain its policy of having substantial free cashflow levels. The transaction, which has already been completed and the vessel delivered to the Japanese owner, adds another $8.5m to Hafnia's already strong liquidity position.

At a time where the tanker market continues to soften, sale and leaseback agreements help vessel owners to free up available cash for other more immediate purposes.

Hafnia posted a net loss for the second quarter from a profit a year earlier due to the weakening product tanker market. Its half-year profits plummeted to $2.2m compared with $17m in the first six months of last year.

# Michael Grey's Viewpoint: Blocked arteries

THERE is a pleasing timelessness about the National Infrastructure Commission's interim National Infrastructure Assessment, which might be thought of as a periodic health check on the UK's transport arteries. While the NIC might be a modern quango, pretty well all its latest conclusions might have been trotted out at any time during the past 40 years.

Indeed, it must have been in the 1980s that I was involved with a government initiative that sought to address the nation's choked road system by persuading people to send their goods by sea. A parallel body addressed the opportunities for rail.

I recall that we thought it a bit wasteful to run thousands of tonnes of lavatory paper, bottled water and other volumetric cargoes up and down the country's motorways at 60 mph, when it could chug happily around the coast at 12 knots. The intentions were clearly laudable, but the efforts fell on stony ground, as one might gather from the current conclusions of the NIC, although its attention is to be welcomed if it manages to get anything constructive done by the government of the day.

You cannot fault the report's conclusions and the importance it attaches to the inland transport connections and the identified need for a strategic vision for transport infrastructure in the coming 30 or so years. At the same time, you have to sympathise with people who have to move goods and have been shouting about their poor road and rail connections for the past 30 years without much measurable progress. Strained national resources which will always discover more urgent uses for the available money, different political priorities and not least the blocking tactics of anti-road activists and other environmental enthusiasts, seem to conspire to slow down the whole process of infrastructure improvement.

Full marks for a robust response to the report from the British Ports Association, whose chief executive Richard Ballantyne makes the case for the ports he represents and for the freight and logistics sector, which he suggests need higher priorities in government.

Mr Ballantyne pinpoints some of the problems, such as the sheer costs to the economy of poor connectivity and congestion. He suggests that the needs of freight have been regarded as secondary to those of passengers, while the amount of road-hauled freight has grown exponentially. And right on cue, just a couple of days later, we read that the cost to the economy each year from blocked motorways in the UK has been estimated to be £9bn ($11.8bn) with all that traffic, with its seething drivers, sitting motionless in queues.

Nobody can argue with the fact that the ports in the UK have done their bit and more to modernise, to streamline their operations and ensure that it is not them acting as a brake on progress. They finance it themselves too, unlike those cosseted havens on the Continent. But if the freight, sped through the port with commendable speed, comes to a grinding halt in gridlocked traffic, it might be thought that there is a lot of wasted effort.

Mr Ballantyne also wrote of his "disappointment" that the opportunities of coastal shipping did not feature in the infrastructure assessment and suggested that the government "has effectively given up" on the concept of increasing the amount of goods shipped by water. And that's a pity, although perhaps not unexpected, as all earlier efforts in this cause seem to have foundered.

**Nudging the shippers**

It is not directly connected, but I wonder whether we can take some inspiration of the award of the Nobel economics prize this year to one Richard Thaler, originator of the "nudge theory" in which behavioural science gently persuades people along a line of action which they might not independently have taken.

Is there anything that can be done to "nudge" shippers and others to look more positively at marine alternatives to the usual landside route for their goods?

Ports themselves have used the process quite successfully to encourage more sustainable behaviour, so might we look again at financial or operational attractions that could help to regenerate the coastal trades?

It is somewhat defeatist to consider that nothing will move in this respect until the "coercion of congestion" completely bungs up all the landside links. There is plenty of good marine and cargo handling technology that can be employed, but there are mental, as well as physical blockages that need to be cleared.

You might argue that all of this assumes greater importance as freight looks certain to increase its

demands on the transport links. We have all these monster ships coming into service, dumping bigger consignments on the quays, which have to be cleared around the kingdom. You only have to look at the difficulties currently being suffered by some of the big Continental ports to realise that loading and unloading ships is just half the battle.

There are, however, some good news stories. While we were still reading the infrastructure report, there came the news that the Port of Felixstowe's proposed rail connections improvement plan had been approved, so that up to 47 freight trains per day will be able to run in and out of the port in each direction, a substantial increase on the current 33. A second track will be laid between the port and Ipswich, which will facilitate the increase.

The £60.4m ($78.9m) improvements will be jointly funded by Hutchison Ports and Network Rail, which is par for the course in the UK today, under the "user pays" principle now long established. If the arteries are blocked, you can't completely depend on the NHS.

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**Cet avis d'appel d'offres concerne les armateurs propriétaires des navires et les courtiers dûment mandatés.**

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## <u>EN ALGERIE</u> :

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