Don’t worry, the container recovery is still coming says Maersk

MAERSK REMAINS POSITIVE it will benefit from the upturn in global trade, despite a less than sparkling third quarter.

In an interview with Lloyd’s List, Maersk chief financial officer Jakob Stausholm said the global macro-economic picture was good and that the line had increased its demand growth outlook for 2017 from 2%-4% earlier this year to 4%-5% for the full year.

“It is not very often we see the world growing so much in synchronicity,” Mr Stausholm said. “That is very much good for our business.”

Speaking at an analyst briefing earlier in the day, Maersk chief executive Søren Skou said there would be a few hurdles ahead next year as new deliveries entered service, but Mr Stausholm played down any threat of overcapacity in the market.

“We cannot change the fact that ships have been ordered years back and there will be some deliveries next year,” he said. “The reality is that the orderbook is at an historical low. That basically means that if you look beyond the quarter to a longer time horizon, the supply and demand position looks very good.”

Maersk itself has ruled out any new orders “for now”. It said it had no immediate plans to go back to the yards, despite recent orders equating to 440,000 teu of capacity from 2M alliance partner Mediterranean Shipping Co and from CMA CGM.

“Obviously a lot of new ordering would be bad news, but we haven’t had any orders of major vessels since the second half of 2015,” Mr Stausholm said. “The orders from MSC and CMA CGM are limited so even after those orders are delivered the orderbook will remain low.”

He added that consolidation was good for the sector, arguing that bigger players would have to be more responsible to the industry than a lot of smaller players.
However, a misapprehension of supply and demand was behind Maersk’s weaker than expected results in the third quarter, Mr Stausholm said.

“It probably surprised us a bit that despite the reasonably favourable supply and demand situation, a lot of the idle fleet was taken out and there were a lot of new deliveries,” he said. “Then suddenly we saw the rates falling quite a lot.”

But he attributes Maersk taking its eye off the ball to a “fairly extraordinary” quarter for Maersk following the cyber attack it suffered at the end of June, and said the problems would soon be remedied.

“We know how to get to the level of volumes we need for the network we have,” Mr Stausholm said. “It is key for us to get schedule reliability back so they feel the product they receive is the quality product they expect. We can do better on schedule reliability.”

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**NEWS**

**Maersk’s third-term report: Could do better**

MAERSK chief executive Søren Skou has issued a damming report card on the company’s performance for the third quarter, despite the July-September period being the busiest in its history and one in which it had to recover from a damaging cyber attack that affected bookings and revenues.

“The overall headline for Maersk Line is that we cannot be satisfied with our performance in the third quarter of 2017,” he said during a conference call with analysts following the release of its third-quarter results.

**APMT posts $267m third-quarter loss**

APM TERMINALS incurred losses amounting to $267m in the third quarter of 2017, as profit margins were squeezed by “challenging market conditions”, “industry overcapacity” and the impact of the cyber attack on its systems in June.

**CMA CGM goes for green option with LNG-fuelled 22,000 teu boxships**

CMA CGM has confirmed that the nine 22,000 teu ships it has on order will be fuelled by liquefied natural gas, in an industry first.

The decision will add considerably to the cost of the vessels, which are to be delivered in 2020. The price is reported to be about $152m per ship — pushing the final tally close to $1.4bn.

Although the ships will have a dual-fuel system, they will be designed to use LNG from the start, said Ludovic Gérard, vice-president of CMA Ships, who has been closely involved in the project. That is in contrast to other ships that have been described as LNG-ready.

Speaking to Lloyd’s List, Mr Gérard said CMA CGM would be talking to LNG suppliers between now and 2020 about the best location for bunkering. The ships will only have to refuel once during an Asia-Europe round trip.

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**ANALYSIS**

**Should China’s global port investment plans go unchecked?**

CHINA now has a very sizeable portfolio of overseas port interests, with investments around the world and undoubtedly more to come.

In the past few weeks, Cosco Shipping Ports has acquired a 51% stake in Noatum Ports, which operates terminals in Valencia and Bilbao, and added to its commitment to develop Abu Dhabi’s Khalifa Port. In total, Cosco Shipping Ports now has stakes in 42 container terminals in nine overseas...
ports that handle about 24m teu a year, on top of the 74m teu moved through ports in mainland China, Hong Kong, and Taiwan.

China Merchants is also expanding internationally, both directly and through its 49% stake in CMA CGM’s Terminal Link. Then there is Shanghai International Port (Group) which, apart from having an extensive domestic network of container terminals, and partnerships with ports in Seattle, Barcelona, Nagoya and elsewhere, has teamed up with Cosco Shipping Holdings to buy Hong Kong operator Orient Overseas (International) Ltd.

And finally, Hong Kong-based Hutchison Ports has expanded over the years and now ranks number two in the world behind Cosco’s ports business, with throughput in 2016 of 79m teu. It has a presence in 49 ports spread across 26 countries.

The latest round of Chinese port expansion would appear to be somewhat different from the ad hoc approach to overseas port investments in the past. The One Belt, One Road project is a far more calculated strategy to make sure China has the ability to reach overseas markets as efficiently as possible, and is equally able to develop a seamless import pipeline.

But does any of this matter? Should foreign governments be concerned about the spread of Chinese influence throughout global supply chain? Or should they welcome the money that is being pumped into local economies? Indeed, is this any different from what western imperial powers have done over the centuries? No one seems quite sure what to think. But our executive editor Janet Porter has been listening to the views around Europe over the past few weeks and her conclusions are required reading.

Data is ‘new asset class’, claims Maersk Tankers chief

BIG data is now so valuable to shipping that it constitutes a new asset class, a senior manager at Maersk Tankers has told an industry audience. Digitalisation is now a key aspect of Maersk Tankers’ decision-making, and offers opportunities to cut costs and benefit from new revenue streams, said Søren Meyer, the Danish company’s chief strategy and transformation officer.

The Maersk affiliate now has mathematical models, enabling it to model 19 separate shipping markets up to 12 weeks in advance. Accordingly, all of its vessels are connected to facilitate data collection and manuals on board have been replaced by iPads, a step that in itself promotes safety and has led to a decline in accidents.

MARKETS

Tanker supply-side dynamics is looking positive for 2018

DELAYS to newbuilding deliveries in the tanker market support expectations that supply-demand fundamentals will remain sound in 2018, according to shipping broker Poten & Partners.

The combination of production cuts by the Organisation of the Petroleum Exporting Countries and a steady inflow of new tonnage kept tanker rates depressed throughout the year.

However, Poten is positive on the long-term outlook for tankers. Working off the premise that owners will only take delivery of 75%-80% of the orderbook, it forecasts that there will be about 185-190 deliveries in 2018, which is 20% less than this year.

“If we see similar tanker demand growth next year, these lower delivery numbers should improve the overall supply-demand balance and support rates,” the brokerage said in a report.
Rates are unlikely to surge during the oil tanker peak season

OIL tanker rates that fell into lossmaking territory on maintenance at oil fields and refineries in October may not have sufficient momentum to hit the highs seen in 2016-2017 during the November to January peak season, according to a BIMCO report.

“The market fundamentals are too weak for that to happen. We are seeing the highest oil demand ever, but also a fleet growth of almost 5%.”

Dry bulk freight rates are still a way off from returning to permanent profitability

THE recovery in freight rates for the dry bulk segment is still fragile as demand and supply both continue to grow, leading to market fundamentals improving just a tad, according to a BIMCO report.

It noted that shipping demand for dry bulk cargoes in the first quarter of 2018 is substantially below cargo volumes recorded in the fourth quarter of this year, which will be the first obstacle to overcome.

Another would be to ensure vessels continue to operate in slow steaming mode so as to sustain the market gains seen so far.

China remains the key to dry bulk shipping’s fortunes, with seaborne coal imports rising 18.7% year on year and seaborne iron ore imports growing 6.9% for the first eight months of the year. Total demand growth for both commodities thus hit 79m tonnes in the year to date.

NEWS IN BRIEF

A prolonged shipbuilding slump is weighing heavily on Samsung’s results

SOUTH Korea’s Samsung Heavy Industries saw net profit for the three months ended September 30, 2017 drop 82% to Won23.4bn ($21m) compared with the third quarter of last year amid the continued shipbuilding slump.

Between January and September this year, the shipbuilder secured 24 new orders worth $6.3bn. The total order backlog as of end-September stood at $20.5bn, consisting of 72 vessels.

Looking ahead, the shipbuilder continues to focus on the LNG segment with at least 20 new orders for gas carriers expected at yards globally this year, it noted in its October business update. It also remains optimistic regarding growth in demand for floating storage regasification units and foresees greater business from LNG-fuelled vessels as a solution to looming regulation.

Korea’s shipbuilding workers concerned over job security

MORE than 80% of respondents to a recent opinion poll who are working in South Korea’s shipbuilding industry said they were concerned over job security.

As for reasons, 46.6% of respondents said their salaries had been cut, while 34.1% said they did not see career development opportunities with their current jobs. Respondents were allowed to give multiple answers.

While 28.9% of respondents said there was too much work to do, 23.8% said they believed their jobs would disappear in the near future.

The poll also showed that 61.2% of respondents were considering applying for jobs in completely different industries.

Scorpio Bulkers buys four more ships for $90m

SCORPIO Bulkers is back on the acquisition prowl, this time agreeing to acquire three ultramaxes and one kamsarmax for $90m in total. The company will pay $77.1m in cash and finance the remaining $12.9m by issuing 1.592m shares at the equivalent price of $8.10 per share, it said in a statement.

Seanergy returns to profit as capesizes surge

SEANELOCITY Maritime, the Greece-based dry bulk carrier owner backed by Claudia Restis, has posted third-quarter net income of $6.5m, reversing a $5.9m loss in the same period last year.
Chief executive Stamatis Tsantanis hailed a doubling in capesize earnings and a gain on refinancing of one of the company’s capesizes as drivers of the improved result.

**Navios Holdings puts liquidity concerns to rest with $300m senior note offering**

NAVIOS Maritime Holdings, the parent company in Angeliki Frangou-led Navios Group, is seeking to raise $300m of senior secured notes with a five-year term. It will use the cash to buy back the existing senior notes due to mature in 2019, through a concurrent cash tender offer. At present, $291m of the existing notes are outstanding.

If successful, Navios Holdings will extend the duration, or average remaining life, of its indebtedness by three years.

**Hutchison Ports inks deal to operate Saqr Port terminal in UAE**

HUTCHISON Ports has signed a new agreement to manage and operate container activities at Saqr Port in Ras Al Khaimah, which is part of the United Arab Emirates. Under the port concession deal, the Hong Kong-based port operator will be in charge of the facility, named Hutchison Ports RAK, over a 25-year period.

No financial details were revealed. A Hutchison Ports spokesperson told Lloyd’s List that the group is not in a position to comment on future terminal development plans.

**SM Line completes first pilot voyage using blockchain technology**

SOUTH Korea’s SM Line has become the second member of a maritime consortium to complete its pilot voyage using blockchain technology.

The shipping line, in partnership with other members of the government-backed shipping and logistics blockchain consortium, sailed one of its vessels to Bangkok and then to Ho Chi Minh City, according to a company statement. During the voyage, the company focused on minimising time spent on distribution and administrative processes when it shared information with banks, insurance firms and tax authorities, such as packing list and invoices, via blockchain technology on board the vessel.

**IMIF and Maritime London in merger talks**

TWO prominent UK-based maritime organisations are in merger talks. The International Maritime Industries Forum and Maritime London may combine forces early next year.

The plan was revealed on Monday evening at the IMIF’s annual dinner, which was co-hosted by Maritime London for the first time. IMIF council member Alan McCarthy told guests that the two associations could be consolidated within a few weeks, with a single secretariat, if Maritime London members vote in favour.

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For classified notices please view the next page.
ARRESTED VESSEL

JUDICIAL ARREST CASE NO. A71/2017
Oil Tanker "MT Pretty Scene"

Type: Product Tanker
Flag: Hong Kong
Built: 2006
DWT: 51,255
GRT/RT: 30,068
IMO no: 9354179
Call Sign: VRB23
LxB: 183m x 32.2m

The vessel may be inspected on application to ariella@clearasset.co.za / +27 79 899 9998 / +27 21 418 2630 • See www.clearasset.co.za for full documentation
REFUNDABLE REGISTRATION DEPOSIT: $100 000.00 into Registrars account • NORMAL PPE RULES APPLY • 24-HOUR NOTICE FOR APPOINTMENTS
ADDITIONAL REQUIREMENTS: ID or Passport, Utility Bill for PICA + Company Registration documents REGISTRATION ENQUIRIES: Nolo Gusha or nolo@clearasset.co.za

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