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Maritime more important than ever after Brexit, says Liam Fox



BRITAIN'S MARITIME INDUSTRIES will become "more important than ever" in the period following Brexit, UK Secretary of State for International Trade Liam Fox has told Lloyd's List.

The international trade secretary stressed that shipping is crucial to his department's efforts to boost UK exports, opening up what he sees as the enhanced trading opportunities offered by departure from the European Union in 2019.

The post-EU game plan will see maritime employers encouraged to double the number of apprenticeships on offer, and there will be a renaissance in British shipbuilding under the National Shipbuilding Strategy, he pledged.

He also reassured ports that the government is committed to making trade as frictionless as possible, after several industry chiefs hit out at the potential for waterfront congestion once the UK comes out of the EU customs union.

Mr Fox — twice an unsuccessful contender for the leadership of the Conservative Party — gave Lloyd's List an exclusive email Q&A interview prior to his speech at the Tory conference in Manchester this week, in which he made clear that he was optimistic about Britain's prospects after EU withdrawal.

Critics, both inside and outside his own party, have instead pointed to the slow progress made in Brexit talks, with agreement with Brussels on divorce settlement basics required before talks on third country trade deals can even commence.

Mr Fox described the UK as a great place for maritime businesses, thanks to its attractive tonnage tax offering, low corporation tax rates, and the general ease of doing business here.

The maritime sector contributes £22bn (\$29.2bn) a year to the economy and employs 360,000 people, he said.

But more must be done, and the government will build on the recommendations contained in the 2015 Maritime Growth Study, Mr Fox went on.

The document's 19 recommendations include commitments to double the size of the UK flag, increase commercial focus at the Maritime and Coastguard Agency, help market the British maritime sector abroad, and improve seafarer training.

"There is vast potential to unlock increased trade with the world post-Brexit, but we must do it by being technologically advanced and innovative. So this sector will become more important than ever," said Mr Fox.

"The sector has already made great strides and just as it was the driver of Britain's prosperity in the past, so it will be in the future as we move forward as an independent nation."

Mr Fox has previously spoken of a "post-geography trading world". Asked to unpack the concept, he pointed to the way in which communications technologies have done much to eliminate barriers of time and geography.

Shipping takes credit for making it economically viable to transport materials and components across

the world, thus expediting the development of the global economy.

"These value chains have had a very real impact on the lives of ordinary people across the world.

"In this country, living standards have climbed to their highest level in history, as more goods become available at better prices, and wages go further."

Moreover, economic liberalisation in China and India could not have produced an economic boom without the ability to access global markets by sea.

In this way, shipping has contributed to a "great emancipation of the world's poor", which could not have taken place without it.

Nor is Mr Fox disheartened by recent unfavourable economic data, including a widening trade deficit with countries outside the EU, and the failure of British exporters to gain as much market share as some economic models predict in the wake of sterling depreciation.

"The fundamentals of our economy remain strong. Our exports are increasing and we're attracting more foreign direct investment projects than ever before," he insisted.

"Our science and research excellence, system of commercial law, low tax/low regulation economy continue to be a major draw for international investors."

NEWS

Economou has stumped up \$99m to cover his DryShips rights offering

DRYSHIPS founder and chief executive George Economou will lift his stake in the Nasdaq-listed company to almost 70% after backstopping a \$100m rights issue that other stockholders steered clear of.

The offering, which expired after market closing in New York on Tuesday, raised less than \$1m from outside investors, triggering an investment of \$99.2m from Sierra Investments, one of Mr Economou's private vehicles.

Mr Economou and affiliates had agreed not to exercise any rights to shares in the rights offering, other than through the backstop commitment.

DryShips has said that proceeds may be used for vessel acquisitions or repaying amounts under its credit facility with Sierra.

Following the offering, the amount outstanding under the unsecured Sierra facility is calculated to be about \$73.8m and this is expected to be refinanced with a new secured loan from Sierra, the company said.

Sierra's new investment in DryShips brings the total number of common shares controlled by Mr Economou to almost 104.3m, or 69.5% of the company.

The Greek shipowner has turned around the company in bewildering fashion over the last 12 months, expanding and diversifying the fleet to 22

bulk carriers, four tankers and four very large gas carriers.

Tanker scrapping accelerates amid soft earnings and higher recycle rates

THE pace of scrapping crude carriers has picked up in recent months as stronger demolition rates, coupled with weak spot earnings and asset prices, are giving owners more incentives to recycle their old tonnage.

A total of 5.9m dwt of crude carriers went to scrapyards in the first nine months of this year, compared with 1.4m dwt in the whole of 2016 and 1.3m dwt in 2015.

The increase closed the gap between secondhand prices and scrap values of tankers aged 15 years or above, which, coupled with spot earnings dipping below operating costs for some time in the third quarter, triggered the latest round of tanker demolition, an industry official said.

Cambodia denies links to North Korean shipping

CAMBODIA has denied links with a North Korean bulk carrier that was seized off Egypt last year for carrying a substantial cache of weapons. Cambodia's ministry of foreign affairs issued a statement on Tuesday saying that the use of the Cambodian flag of convenience by any ship, including the Jie Shun, was illegal.

The Cambodian government had decided to close down the registration of vessels under the nation's flag since August 17, 2015, although it still allowed ships with valid registry certificate under the Cambodia flag to operate until the expiration date at end-August, 2016, said the ministry. "Any ships claimed to be under the Cambodian flag after this due date are considered illegal and subjected to

"This increase in scrapping was mainly on account of a sharp decline in freight rates during the third quarter," Drewry's lead tanker analyst Rajesh Verma told Lloyd's List.

"As the market is oversupplied, older vessels are finding it difficult to get employment."

While industry officials generally agree the scrapping volume could have been higher if the International Maritime Organization had not announced a two-year grace period for the ballast water management convention, the dim market outlooks have provided more incentives for ship demolition.

applicable international laws and regulations," it added.

A recent investigation by Lloyd's List tracked a fleet of roughly 20 small product tankers that were moving fuel cargoes sourced from Chinese refineries and Russian oil terminals, and supplied to the North Korean port of Nampo.

The vessels are several decades old with a dubious trading history, mostly flagged in North Korea, but also include several Russian product tankers. So far this year, the number of product tanker shipments that can be followed by vessel tracking systems appear to have dropped significantly.

MARKETS

Suezmax earnings on the Baltic Exchange rebound above \$10,000 per day

SUEZMAX tanker rates posted a healthy increase in the past week on stronger chartering activity across

regions including West Africa, the Middle East and Europe, and demand is likely to hold up for the rest

of October. While recent strength in very large crude carrier markets supported demand for the cheaper, smaller suezmaxes, strong loading volumes helped

spot earnings rise as much as \$14,000 per day in West Africa, nearly 40% more than a week earlier, brokers said.

Market fundamentals are firming for product tankers

THERE is increasing evidence of improved petroleum product market fundamentals, signalling beneficial changes for product tankers, despite vessel supply overhang. "The entire global oil complex is ripping, led by products," Bank of America Merrill Lynch said in its latest energy

report. It said strong product trades were leading the charge, with most product markets in backwardation as inventories had fallen progressively. Hurricane Harvey had only exacerbated a tightness in product markets that was visible in prior months.

Panamax rates have started to edge up after hitting one-month low

ABSENCE for Golden Week in China and autumn holidays in other parts of Asia were to blame for the slide in panamax bulker earnings over the week, with lower activity reported in both basins. But signs of improvement are nigh as rates edged up on the day. The average weighted time charter on the

Baltic Exchange fell 9% to \$10,253 per day at the close on Wednesday. That is an improvement from \$10,022 per day on Tuesday, the lowest level in a month. The index dropped 130 points to 1,276 points.

OPINION

Can UK logistics avoid a looming crunch?

Join Lloyd's List in Liverpool next week and find out for yourself

THE UK logistics sector is facing a tough year ahead with business conditions deteriorating amid greater competition and fears of a so-called hard Brexit.

Ninety per cent of the goods coming into and out of the country arrive by southern ports, which are congested and slow.

Shippers compete to secure cheap, but limited, rail freight space to carry container cargoes from southern ports to northern depots, before redistributing to a warehouse for local delivery.

Cargoes that miss out on rail freight must be trucked across the country, adding to overall cost of delivery, road congestion and environmental pollution.

The delicate balance of just-in-time supply chains could be upset should Brexit negotiations introduce delays and extra costs from routine customs checks at ports as part of any transitional customs arrangement.

The UK Chamber of Shipping has led a campaign to prevent 'operation stack' on the UK's roads and to keep goods flowing post-Brexit. With an overhaul of ports technology needed, alongside infrastructure upgrades to road and rail, there are clear challenges ahead.

Any restrictions on employment from the European Union and free movement of people will also increase pressure on an under-resourced trucking industry, with British road hauliers already facing a lack of skilled drivers and staff.

Meanwhile, businesses along the supply chain are being squeezed. UK ports have to compete on cost domestically and with large European hubs such as Rotterdam and Hamburg, which can undercut UK operations through cheap port fees and regular daily feeder services.

UK logistics firms expect to continue to be squeezed on pricing, with simply too much capacity chasing too little freight, according to the UK Logistics Confidence Index, published by a Barclays Bank and accountants Moore Stephens.

And there is a ticking time bomb when it comes to available storage. The supply of warehousing in the UK has fallen by 72% since 2009, the report found.

Liverpool will consider what can, and should be done to benefit shippers, freight forwarders and ocean carriers alike. Register here.

Can the shipping industry help solve these pressing issues? Our Tuesday October 10 panel debate in

NEWS IN BRIEF

Google is working with Rolls-Royce on autonomous shipping

ROLLS-ROYCE has inked an agreement with Google to improve the ability of autonomous vessels to identify objects encountered at sea. Google's Cloud Machine Learning Engine will be applied existing software being developed to detect, track and identify objects encountered at sea by vessels. In addition to machine learning research the two partners will be exploring speech recognition solutions for human-machine interfaces in marine applications.

African port developments need careful consideration

COUNTRIES in Africa planning to develop ports should consider their position on the Maritime Silk Road before investing in what could become expensive white elephants. Speaking at the International Cargo Handling Co-ordination Association conference in Las Palmas, Louvain School of Management professor Manuel Herrera warned that China's One Belt, One Road initiative would play a critical role in port planning in coming years.

"One Belt, One Road is not just a transport initiative but is also about economic development with Chinese investment," Prof Herrera said. "These soft

elements need to be improved first."

Singapore's port regulator handed deal-blocking powers

THE Maritime and Port Authority of Singapore has been granted more regulatory oversight as the government seeks to ramp up the protection of strategic interests in the island nation. The new powers mean the port authority will now be able to approve or reject transactions that could lead to a change of substantial shareholder in port-related entities, namely PSA International and PSA Corporation. The MPA will leave day-do-day operations of these entities to their own management teams.

UK insurers launch dangerous goods database

WITH an estimated 10% of containerised shipments comprising dangerous goods, in theory some boxships can have in excess of 1,000 containers carrying dangerous goods on any given voyage. Hazcheck Restrictions, a portal developed by Exis Technologies, allows participating lines to upload and maintain the operator, vessel and port restrictions for their operations, check for DG compliance with partner lines and accept provisional bookings.

The portal started as an initiative with several major container lines that already used Exis Technologies' range of Hazcheck compliance systems for their DG shipping operations, particularly to resolve issues posed under vessel sharing agreements.

Sembcorp Marine has axed more rig contracts

SINGAPORE-listed Sembcorp Marine has announced its PPL Shipyard unit has terminated three jack-up rig contracts with Integradora de Servicios Petroleros Oro Negro and its subsidiary Oro Negro Vastus.

It said the rigs had been "technically accepted" by the buyer, although delivery had been deferred. PPL Shipyard chose to cancel the contracts as per the conditions set down in the deferment agreements it had signed with Oro Negro.

Genting HK delists in Singapore to focus on North Asia cruise market

GENTING Hong Kong will delist its shares from the Singapore exchange as it focuses resources on its core cruiseship operating businesses, particularly on the Chinese market in North Asia. The group says it is looking to keep its primary listing in Hong Kong and grow its profile to North Asian investors.

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