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Singapore's MPA has revoked licences of two more bunker suppliers

TWO SINGAPORE BUNKER fuel suppliers have had their licences revoked after bad practices were uncovered by the Maritime and Port Authority.

Panoil Petroleum was found to have made unauthorised alterations on five of its bunkering vessels, allowing bunker fuel already measured by mass flow meter to be siphoned off, thereby distorting the accuracy of the readings.

Meanwhile, Universal Energy's licence was cancelled after it accumulated demerit points for delivering bunker fuel that was severely aerated and for stoppages during bunkering operations.

A third company, Uni Petroleum, did not apply for a renewal of its bunker supplier licence when it expired on September 30, according to the MPA. The company has been largely inactive in the market.

Both Panoil and Universal have filed for bankruptcy protection as a consequence of the decision. A creditor list seen by Lloyd's List suggests that claims against Universal total about $100m; among the 90 smaller creditors are Vitol, World Fuel Services, Coastal Energy, Shell and Sinochem. French bank Société Générale has the largest claim, at $56.7m.

Industry sources said the financial damage is likely to be overstated as Universal has some assets, including three bunker barges — one on time charter — that can be sold. There are also funds owed to the business. The process of liquidation could take up to 18 months.

"The meeting with creditors took place last week and we will be reviewing the claims of various parties and consolidating the assets of the company," said Abuthahir Abdul Gafoor, partner at audit firm RSM Chio Lim, which has been appointed as one of the liquidators.

RSM Chio Lim has also been appointed by the courts as a judicial manager for Panoil. Under judicial management, there is a reasonable possibility of rehabilitating the company while under liquidation.

The outlook is somewhat more positive for Panoil Petroleum. Sources said the company has more assets and after selling some of them and with creditor and investor support, it may still be able to operate as a bunker supplier.

Lloyd's List Intelligence principal credit analyst Edwin Seah said industry fears that creditor claims following the fall of Universal Energy would amount to $100m had been exaggerated.

"Credit might be seen to be tightening but it is still business as usual," Mr Seah commented. "The community is relatively tight and among local bunkering circles there are always murmurs of which physical suppliers are more trustworthy. If suppliers do not rely on banks for liquidity, then tightening of bank credit is non-existent for them. Inter-supplier or trader credit lines will still be required and provided within the bunkering sector, albeit with closer scrutiny from the relevant risk managers."

In his discussions with other bunker suppliers, Mr Seah noted that the market was cautious but also anticipating a takeover of some of Universal Energy as well as Panoil Petroleum's clients.

Although Universal Energy was considered a major player in the Singapore market, there is no comparison with OW Bunker, which had a global trading network.

MPA Singapore implemented measures on January 1 to clean the bunker supply industry by mandating the installation of mass flow meters to eliminate discrepancies in bunker supply. In June, Lloyd's List reported that while the move had been successful, some suppliers were failing to use the measuring tool after installation. Instead, a two-tier market has emerged, with the previous method of tank gauging using sounding still being offered to buyers, according to the regional advisor to the UK P&I Club Lee Wai Pong, who has also served as a captain in the industry.

"Regulators are unable to monitor every transaction. If both seller and buyer agree not to use MFM on their own accord, there is little to stop them," the former global head of Maersk Oil Trading Joshua Low explained.

NEWS

Hyundai Heavy is only eight months away from closure if orders don't pick up

KWON Oh-gap, the vice-chairman of Hyundai Heavy Industries, has said the company might need to halt operations at all yards in eight months owing to a lack of orders.

Mr Kwon's remarks were made during a review on Thursday conducted by South Korea's National Assembly.

The review was part of annual inspections held to improve the running of key organisations and companies in the country. It involves high-level officials from different organisations being summoned to answer questions from politicians based on specific performance data and information.

Asked by Kim Kwan-young, a Seoul-based lawmaker, whether HHI would be able to resume operations at its shipyard in Gunsan, Mr Kwon said it would be impossible because of a lack of orders.

"More than Won100bn ($88.24m) of losses are expected if we resume operations at the Gunsan yard," Mr Kwon said. "HHI has only been able to win about 30 orders this year so far, which is not enough. [Without further orders], HHI might need to shut down all yards in eight months."

In May, the shipbuilder said it was temporarily suspending operations at its shipyard in Gunsan from July onwards owing to a lack of newbuilding projects there.

"Including myself, all employees at HHI are trying our best to normalise the company's business. I have not been paid for four years in a row," Mr Kwon added.

In August HHI decided on further restructuring measures as it continues to suffer from a dearth of newbuilding orders.

At that time, the company said it had no other alternative but to come up with more cost-cutting measures, including reducing education and training initiatives, unpaid leave and personnel reassignment from September onwards to try to address the issue of idle capacity at the yards.

HHI officials told Lloyd's List that up to 5,000 workers were expected to go on unpaid leave.

Chinese maritime should open up to Europeans

CHINA should open up its maritime sector to European interests if it expects to continue its expansion in Europe, an industry audience has been told.

Speakers at a panel discussion at the international Shipping and the Law conference in Naples yesterday highlighted what some saw as a lack of reciprocity on the part of the Asian country.

Panos Laskaridis, president elect of the European Community Shipowners' Associations, argued that the One Belt, One Road initiative should be taken seriously.

China would not be investing in the Balkans if it did not mean business, he argued. But if Chinese interests are allowed to own the port of Piraeus, European concerns should equally be allowed to invest in similar facilities in Shanghai.

ONE will honour Japanese lines' existing contracts, says Jeremy Nixon

OCEAN Network Express, the liner shipping joint venture formed by NYK Line, Kawasaki Kisen Kaisha and Mitsui OSK Lines, is looking to take over all contracts with shippers from the three Japanese giants.

"We very much hope to be able to bring all of those customers to ONE," the company's global chief executive officer Jeremy Nixon told the audience at a panel discussion during the 2017 TPM Asia Conference in Shenzhen on Thursday.

Mr Nixon said the trio would move the current contracts across to ONE and let the latter honour them.

Moreover, ONE will negotiate with clients directly for new contracts starting from April 2018 — by the time that the new entity should be fully ready, he added.

When asked about the prospects of ultra large containerships following the recent orders of 22,000 teu ships by CMA CGM and Mediterranean Shipping Co, Mr Nixon argued that the jury is still out for these leviathans.

He said the lower slot cost said to be enjoyed by the ULCs was debatable, as vessels in such a class are hampered by a series of factors, including the port and logistics productivity that is yet keeping up. "Personally, I'm not convinced by the big ships. I don't believe that is the way forward."

The disparity in ordering the super-sized boxships, however, might lead to differentiation in strategies among carriers over the next two-three years, according to Mr Nixon.

Will it be the mega carriers pursuing lower slot cost or smaller ones focusing on providing better frequency and more reliability on transit time?

"We'll see in the longer term who will win out," Mr Nixon said.

HSH Nordbank is closing in on sale, NordLB may not be so lucky

HSH Nordbank is close to a sale and expects to receive offers for the German shipping finance provider as a whole and not just for parts of the business, chief executive Stefan Ermisch has told German weekly WirtschaftsWoche. Sources familiar with the matter said in April that Chinese

conglomerate HNA Group and Apollo Global Management were trying to bid for HSH, according to Reuters reports.

But while HSH appears to be closing in on a solution, industry concerns about the future of NordLB's shipping portfolio remain. NordLB, which has been trying to distance itself from the shipping industry that was the main source of its thumping $2bn loss for 2016, is understood to be struggling to offload problematic sections of its loan book.

Unlike HSH, NordLB has not been able to offload the worst of its shipping book onto the public sector. It has also undergone a shotgun marriage with another shipping debt-burdened regional bank, Bremer Landesbank.

OPINION

Shipping survived protectionism in the 1930s, and can do so again

Our Finance editor David Osler is out in Naples this week chairing a session at the Shipping and the Law conference, where his favourite topic of protectionism is on the agenda.

Shipping, he argues, has adapted to everything humanity's economic life has thrown at it for more than two millennia.

The last era of protectionism — some 80 years ago now — was by all accounts devastating for the industry. Huge proportions of the world fleet were laid up, many operators went bust, and those that did not often became dependent on state subsidy.

Sure, shipping survived protectionism in the 1930s and can probably do so again in the 2020s. But it might be better if the proposition were not put to the test.

ANALYSIS

Steel ambition could move India closer to China's league

INDIA'S ambition of increasing its steel-making capacity could boost the country's imports of iron ore and metallurgical coal for the long run, renewing hopes for bulker owners in search of the next growth engine.

In August, India came within a hair's breadth of becoming the world's second-biggest steel producing country, with output hitting a near record 8.5m tonnes, which was just 260,000 tonnes less than Japan, according to the World Steel Association.

The steel sector represents 2% of Indian gross domestic product and the long-term plan to raise production is to meet the demand generated by steel-intensive infrastructure investment plans drawn up under prime minister Narendra Modi.

New Delhi has $60bn earmarked for infrastructure investment across 90 cities, having judged that the conditions are ripe for massive increases in consumer-driven growth in the country.

Forecasting India's finished steel consumption per capita to rise to 158 kg by 2030-2031 from the current level of 61 kg, the National Steel Policy has drawn up aggressive production targets to match.

With an expected growth rate of 9%-10% per year, the aim is for 170m tonnes of production capacity in 2019 and 300m tonnes by 2030.

This will firmly establish the country as the world's second-biggest individual producer, well ahead of Japan and the collective output of the European Union. India's steel sector already provides significant demand for the dry bulk fleet and in theory there could be enormous potential for expansion as it grows.

MARKETS

Rising waters on the Ohio River are stifling dry bulk carrier demand in the US Gulf

RISING waters along the Ohio River have dramatically reduced grain, coal and lumber movements on the waterway, bringing them almost to a standstill and stifling dry bulk carrier demand in the US Gulf. Chronic port congestion off the river during the harvest season may put unprecedented pressure on most routes as cargo demand falters and may also result in the cancellation of grain shipments.

Doyle Trading Consultants, a unit of Lloyd's List parent the Informa Group, said in a report that there were 478 barges queued at Lock 52, carrying different commodities, which did not include those up and down river at other locks that were being held up.

The river closures have halted movement of grain barges from a large portion of the Midwest farm belt to Gulf coast export terminals, which handle about 60% of US corn, soyabean and wheat export shipments, Reuters data showed.

Capesizes are set to maintain momentum for the rest of October

CAPESIZE bulker rates have eased slightly over the past week, mainly on weaker Atlantic trades, but downside could be limited, with expected firm demand in October.

The average weighted time charter on the Baltic Exchange rose to $19,893 per day at the close on Thursday versus $20,156 a week ago, while the capesize index fell to 2859 points from 2888.

NEWS IN BRIEF

New ocean freight digital players 'over-hyped'

NEW e-forwarding companies are struggling to penetrate container shipping markets because many are over-hyped and offer only "piecemeal" solutions, according to Alphaliner.

The analyst argued in its latest weekly newsletter that despite recent publicity surrounding the growing numbers of technology start-ups in the container shipping market, the industry had shown no sign of embracing the use of new technology. "The shipping industry has continued to lag behind other sectors in innovation, with disruptive technologies failing to gain any visible foothold in the market," it said.

"About half of all bookings for container shipments continue to be made manually, while up to a third of shipping invoices are reported to contain errors, despite the introduction of e-commerce capabilities by shipping lines more than 15 years ago."

Pacific Basin chief sings a confident tune for the bulker market

THE dry bulk market has picked up to profitable levels, according to Pacific Basin chief executive Mats Berglund, who believes the segment has passed its worst in the cycle.

"It is demand which is driving the improvement in the market," Mr Berglund said, pointing out that if demand growth can be maintained, he expects the gradual market recovery to continue, albeit with some volatility along the way. This was particularly true in the handysize and supramax segments in which the Hong Kong-listed dry bulker operator specialised, Mr Berglund said during a conference call on Thursday.

Collision between US warship and tanker off Singapore was preventable, says US Navy

THE collision between the US warship *John S McCain* and the tanker *Alnic MC* off the coast of Singapore could have been avoided, said the US Navy in a statement. "While the investigation is ongoing, it is evident the collision was preventable, the commanding officer exercised poor judgement, and the executive officer exercised poor leadership of the ship's training programme," said the US Navy.

Korean authorities have been criticised for lacking transparency in shipping industry rescue measures

A GOVERNMENT-backed advisory group in South Korea

has criticised the state for failing to be more transparent in its measures to rescue the country's ailing shipping industry.

The group, which was set up in August, comprised 13 independent industry experts who examined government policies and related activities in different sectors to come up with improvement suggestions. It highlighted that the government should make its decision-making processes more transparent in order to earn the trust of the public.

Until early 2016, all government decisions related to the restructuring of shipping companies were made at closed meetings, the group said. "In particular, about 80% of documents handled by the Financial Services Commission were not open to the public, showing that decision making process was opaque," said the group.

CMA CGM plans to start up an incubator in Marseilles

AS part of its digitalisation strategy, CMA CGM has unveiled plans to establish its own incubator programme that will be based in its Marseilles headquarters to attract start-up firms across the globe.

The project will add to the number of local innovation initiatives it has already rolled out, such as Carburateur, which is an incubator programme located in the northern districts of Marseilles; a collaboration with Aix Marseille French Tech to promote digital innovation; a partnership with The Camp that serves as a gathering place for large companies, start-ups, teachers and researchers; and its most recent pact with Indian IT firm Infosys to upgrade its computer systems and improve customer service.

Gothenburg is keeping port tariffs unchanged for third straight year

AUTHORITIES at the Port of Gothenburg have decided to maintain port tariff charges for the third year in a row as it seeks to grow its business operations. "By doing so, we are seeking to boost growth in industry, shipping and port operations. At the same time, we want to be part of the effort to curb rising logistics costs for our stakeholders," said Gothenburg Port Authority chief executive Magnus Kårestedt, adding that stringent cost controls helped alleviate the need for increases in charges.

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