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Daily Briefing
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Europe will suffer if it introduces Brexit trade barriers, warns UK trade minister

THE European Union will suffer if it does not opt for free and open trade with the UK, and should prioritise the wellbeing of its citizens over its political ambitions, UK Secretary of State for International Trade Liam Fox told shipping industry officials on Thursday.

"If we introduce impediments to trade and investment in Europe that do not exist today, Europe as a whole will become less competitive in a global context," Mr Fox said, addressing the London International Shipping Week conference.

Mr Fox said open and free trade between the UK and EU post-Brexit was imperative, and argued that an agreement depended on the attitude of the EU, not the British government.

"The challenge is going to be making sure that economics and the prosperity and wellbeing of our peoples takes precedence over political ideology related to ever closer union. And that is very much what the United Kingdom wants to see," said Mr Fox.

Mr Fox added that he had encouraged the UK's global trading partners to make it clear to the EU that it was not conducting the Brexit debate in a political and economic vacuum. "If you look at the bigger picture, if you look at Brexit from Singapore, it looks like a relatively small and limited debate," he said.

Mr Fox said that aside from the EU, the UK would seek to forge free trade agreements with emerging markets as well.

Thursday’s warning came after he participated in a high-level meeting at Downing Street with shipping industry leaders on Monday as the government looked to reassure businesses that it remains capable of servicing their needs outside the EU, and as it seeks to find ways to capitalise on Brexit.

Mr Fox pledged the UK’s government support to the shipping industry as the key facilitator of free trade. At the heart of the support is the government’s industrial strategy, focused on infrastructure investment

The government will launch a renaissance of UK shipbuilding as part of national shipbuilding strategy, Mr Fox added, aimed at making it maritime industry more competitive and exporting ships to merchant navies.

Mr Fox dubbed the shipping industry one of the most innovative on the planet, with a pace of development and willingness to adopt technology that few can match.

One key aspect going forward would be protecting maritime routes using both diplomatic and military resources, especially the lanes that open up from melting sea ice above Russia and through the Canadian archipelago, he said.

“These northern sea routes represent a global opportunity and are part of the ever closer link between east and west. They are, after all the first new sea trade routes since the age of discovery,” Mr Fox said.

NEWS

Brexit is insignificant compared with China's global ambitions says Sohmen-Pao

ANDREAS Sohmen-Pao, chairman of BW group, cautioned at the London International Shipping Week conference today that global shipping growth was becoming too dependent on China.

“Currently no other country can replace China in growing shipping trade demand,” he said. “Its growth rate was 10 times that of Britain’s industrial revolution and 200 times its scale. Even at its lowest growth rate, China was adding an economy the size of Greece every 16 weeks.”

But elsewhere growth is uninspiring.

Among the areas of concern Mr Sohmen-Pao identified were continuing overcapacity in the world’s shipyards, the risks around new technology, abundant capital, and digital disruption. Many London International Shipping Week events have focused on digital disruption, but the BW Group chairman warned that “disruption is not something we should wish for”.

Meanwhile, Willem Buiter, global chief economist at Citigroup, offered a controversial view of China’s ambitious Belt and Road Initiative, describing it as “a collection of white elephants... Very little will come of it,” he said.

Mr Sohmen-Pao responded that although there would undoubtedly be some projects that failed to deliver as had been anticipated, and while we should be careful with some of the figures claimed for the initiative, Belt and Road would change the way Asia, Africa and Europe traded.

In a brief note on Brexit for the British audience, Mr Sohmen-Pao commented that “things are happening in Asia on an altogether different scale. The Belt and Road initiative will impact on two-thirds of the world’s population.”

The 'mammoth-ification' of containerships is over, claims Maersk

The trend towards ever-larger container ships is over for the foreseeable future, according to Maersk Line, the company credited with starting the current economies of scale arms race.

The economies of scale that drove the rush to acquire mega container vessels no longer exists, partly because port infrastructure finds it more of a challenge to accommodate ships of that size, according to Maersk Line chief operating officer Sõren Toft.

Reduced frequency of sailings for such ultra large containerships will mean customers will be left without much choice when they use Maersk's services.

"If you only have the mega, mega, mega ships, you can only offer two or three sailings every week between Asia and Europe, whereas the customer may demand four or five sailings."

Higher bunker fuel costs brought about as crude oil prices recover from their lows and persistent overtonnage in the sector, leading to more vessel chartering options have also robbed these ultra large containerships of any efficiencies of scale that were previously still viable.

"We believe the 'mammoth-ification' of ships has come to an end," said Mr Toft.

As to whether the trend of near-sourcing of manufacturing facilities was affecting the mega boxships and container shipping as a whole, Mr Toft said there was still growth in the deepsea trades close to the level of global gross domestic product, although not as much as there used to be.

Near-sourcing is the practice of companies locating their manufacturing facilities closer to their target markets, perhaps owing to advances in automated production driving down costs.

The trend need not necessarily lead to the exclusion of the container shipping component of trade, but may instead lead to changes in shipping routes.

According to Mr Toft, intra-regional trades may grow a tad quicker than deepsea trades, with intra-Asia trade increasing more rapidly compared with the continental trades over the past 10 years.

But he noted that this was also attributable to more robust economic growth and the corresponding rise in affluence, which means the large middle class population have more disposable income to spend on manufactured goods.

Maersk has been eyeing this trend for a long time and has acted to profit from it with its intra-Asia container shipping arm, MCC Transport, which the group has been consistently expanding over the past decade.

OPINION

Are Singapore waters too congested for collisions to be avoided?

BARELY three weeks after the warship USS John S McCain collided with the oil tanker Alnic MC on August 21, the waters around Singapore witnessed another fatal collision early on Wednesday.

The latest accident - involving the tanker Kartika Segara and the dredger JBB De Rong - brings the number of collisions so far this year to seven.

Data from Lloyd's List Intelligence from 2007 shows that the number of collisions every year around Singapore waters has ranged from a low of six in 2009, 2010 and 2011 to as high as 11 in 2014 and 10 in 2013. From the 2014 high, the number fell to eight in 2015 and seven in 2016.

This equates to an average of 8.1 collisions per year over the period, or a minimum average of one accident at least every two months.

As in a busy highway where car crashes are sometimes expected, Singapore sits in the middle of shipping routes connecting east and west.

The Singapore Strait is one of the world's busiest sea lanes where vessels are separated by less than a nautical mile, or about 1.8 km, and daily vessel movements total more than 1,000.

To further illustrate the density, the world's second-biggest container port handles more than 30m teu every year.

So, are the waters around Singapore just too congested for ships to avoid colliding with each other?

The answer is actually a "no", as both of the recent collisions could have been avoided.

As for the Kartika Segara and JBB De Rong collision, both vessels had not heeded warnings from the port's vessel traffic control to avoid the collision, and in the case of USS John S McCain and the Alnic MC, the warship was not detected, possibly due to not switching on the automatic identification system, and there was also steering gear failure.

The port also uses a traffic separation scheme to reduce collisions. The scheme involves neatly co-ordinating ships sailing through a busy strait by moving them into distinct lanes heading in the same direction.

An ex-naval officer with extensive experience said that 8-10 collisions a year is not much different from other very busy harbours in busy straits and narrow channels, while emphasising that more should be done to avoid fatal accidents.

More often than not, such accidents are due to human error or mechanical error.

Ship collisions have a greater probability of occurring at night when the crew may be tired and visibility is poor. The Kartika Segara and JBB De Rong collision was slightly after midnight while the USS John S McCain and Alnic MC collision occurred in the pre-dawn hours.

To further remind shipping crews, who sometimes pay with their lives in such collisions, the ex-naval officer suggested having a standby radar switched on during the night or when it is raining, and having an extra person on watch during the night, ideally someone senior.

And as the maritime sector embraces digitalisation, an over-reliance on technology can also be responsible for collisions. Actually seeing vessels from the deck is much better at avoiding collisions than just relying on the radar, which may not pick up small boats or where a miscalculation might suggest an approaching vessel being further way than it actually is.

There has been an increasing focus on safety at sea, highlighting issues such as mental health of seafarers, but perhaps more can also be done in terms of training and motivation of crews to keep them safe from collisions.Shipbuilding and Hyundai Merchant Marine.

South Korea's policy bank saw a net loss of about Won3.6trn in the 2016 fiscal year due to restructuring expenses it incurred from bailing out a number of shipbuilders and shipping lines. The loss was the bank's largest since 1998.

Next year will be payback year for dry cargo industry

DRY cargo shipowners should feel good about their prospects. Spot markets are tight, second-hand values are rising, demand is finally catching up with supply. The order book for 2018 is set and fewer vessels are expected to join the fleet compared to years past. It seems like 2018 is going to be payback time for dry cargo shipping.

But before we all catch a fever from so much not-so-irrational exuberance, let's not forget who stands to get paid first. Good old-fashioned commercial banks and ship lenders. Especially those who stood by their clients in the dark years, either by choice or necessity.

The industry-wide practice of delaying or suspending debt amortisation payments in recent years was just a stop-gap measure. It helped shipping companies make ends meet by lowering their cash breakeven when cash was scarce. But it was meant to be only temporary.

If you take a quick survey of publicly traded dry cargo companies, you quickly find out that debt amortisation payments will resume in 2018 or 2019 at the latest. The same is true for debt covenants, which means that companies would have to reduce their leverage.

You can make a strong argument for a payment holiday when you struggle to cover your operating costs, less so when you are flush with cash, especially when some of your lenders are in worse shape than you.

Therefore, the more cash that dry cargo shipowners earn in the coming quarters, the more will go towards debt repayments. And this may be a good thing for the industry. Consider some of the alternatives and the risks they entail, such as renewing the fleet or returning cash to shareholders.

Both are sensible strategies but only if practised in moderation - something which the industry lacks. For example, excessive newbuilding orders can kill the golden goose by starting another cycle of oversupply. Resuming full dividends may deprive companies of equity capital to reinvest in their business.

If you are a dry cargo shipowner rejoice, because better days are coming. Just don't forget who you must pay first.cargoes that had been handled by Hanjin Shipping have been taken up by global competitors, while about 1,000 people in the country lost their jobs, according to the report.

UKSR steps up expansion efforts with a slew of new initiatives

EFFORTS to expand the UK Ship Register have been stepped up with a slew of new initiatives, including new levels of autonomy from the government-run Maritime and Coastguard Agency, which has overall responsibility for the flag.

The move is in direct response to pressure for better customer service, and follows the rapid bolstering of its management team, brought on board with the ambitious target to double the size of the register to 30m gt.

Following the appointment of Doug Barrow as director of the register earlier in the year, industry veteran David Jones has just started at the UKSR as deputy director.

Plans are under way to digitalise the vessel registration process by mid-next year in order to make it far less paper-heavy, said Michael Parker, the non-executive chairman of the Maritime and Coastguard Agency, talking up the initiatives at a London Shipping Week event to promote the flag. After that, the next step will be to digitalise seafarer records and medical certificates.

The projects are a positive sign that the government is backing the UKSR with the necessary investment, said Mr Parker, who was among the delegation of industry bosses that visited Downing Street on Monday for a round table discussion with government ministers, who have been very vocal in their support for the register during the London celebration this week.

"All these changes are being made to give you a better service," Mr Parker told the shipowner community. He also stressed the importance of choice, with the UKSR determined not to be too rigid, and instead offer an à la carte menu of services, while keeping fees competitive.

"We are not expensive," he said. "It will be a budget à la carte menu."projects over 2017-2020, as global refinery expansion efforts remain concentrated in the Asia-Pacific region, Ms Yan said

MARKETS

CAPESIZE

Capesize earnings sputter despite rates reaching three-year highs

WHILE life is looking pretty good for capesize owners at the moment, with some routes approaching three-year highs, the segment has started showing signs of cooling off, with freight rates on some routes expected to come down slightly given recent high levels.

The Pacific region was a touch quieter this week, mainly owing to Typhoon Talim and its course toward Taiwan and South China. The port of Ningbo in South China has already been affected by Talim and is closed.

That said, nobody is panicking just yet - the average weighted time charter on the Baltic Exchange jumped to $19,129 per day at the close on Wednesday versus $18,231 a week ago and the capesize index was up 7.8% to settle at 2,628 points on September 13.

VLGC

VLGC rates extend gains as US Gulf delays persist

SPOT rates for very large gas carriers rose for the fourth consecutive week following the effect of hurricanes in the US Gulf as port delays kept many vessels tied up, while Asian propane demand remained healthy.

The Baltic Exchange Liquefied Petroleum Gas Index, which assesses VLGC freight rates on the Middle East-Japan route, rose to a three-month high of $26.50 per tonne at Wednesday's close from $24.21 a week earlier. It has rebounded from a low of $18.86 on August 8.

IN BRIEF

Baltic considers earlier Panamax Index

THE Baltic Exchange is considering settling the Baltic Panamax Index at 1100 hrs instead of 1300 hrs to straddle three time zones and promote liquidity and improve volumes. The proposal will be considered at a committee meeting in October, and is the latest in a series of changes and trials on the exchange's products since it was bought by the Singapore Exchange in 2016.

The Baltic has started a consultation on a new weekly assessment for the liquefied natural gas sector.

Jones Act shelved for another week

AFTER being hit by two major hurricanes in recent weeks, the US has extended the waiver of its protectionist Jones Act for another week to alleviate fuel shortages.

The move allows foreign vessels to carry petroleum products between US ports, redistributing supplies to areas in need and strengthening a logistics chain weakened by hurricanes Harvey and Irma. Refiners have been authorised to release up to 5m barrels of crude oil from the nation's strategic oil reserve to help address shortages.

Maersk joins box information database

MAERSK Line has uploaded the technical specifications of its entire container fleet to a not-for-profit database to give customers access to weights and sizes of its boxes. The size, weight and packing of containers has a significant impact on containership stability, and verification of the gross mass of containers has been mandatory since June 2016.

The BIC BoxTech database now holds information on 30% of the container fleet, and aims to enhance safety by improving access to box specifications.

Investigation into fatalities raises shipyard safety concerns

MULTIPLE safety regulations were not met ahead of an explosion that killed four subcontractors at STX Offshore & Shipbuilding, raising concerns over safety at South Korean yards. Faulty explosion-proof lamps, inadequate ventilation and a lack of gas checks were discovered during an investigation by Korean authorities.

This year 12 subcontractors have died at Korean yards. Of the 76 workers who have died at Korean yards over the past five years, 87% were subcontractors.

TOP Ships chief charters newbuild to affiliate

TOP Ships' 50,000 dwt newbuilding Eco Palm Desert has been chartered to a company affiliated to chief executive Evangelos Pistiolis for up to five years. Central Ship Chartering will take the ship, due for delivery from the yard this quarter, for a minimum of three years, with options for two further years.

The charter will gross up to $27.5m if the options are exercised, TOP Ships said. The charter brings Top Ships' fleet to 100% coverage for 2017 and 95% for 2018.

Australia bans bulker for bad bookkeeping

THE Australian Maritime Safety Authority has banned 81,805 dwt bulker DL Carnation from Australian ports for a year for matters relating to crew pay. Investigating a complaint via the International Transport Workers' Federation, the AMSA found two sets of wage accounts on the vessel which showed underpayment of wages of over $17,000 per month since at least April. The vessel was detained last week and released on Thursday once outstanding payments were made. The AMSA called the event "extremely concerning".

CSIC to buy back subsidiary yard stakes

CHINA Shipbuilding Industry Corp's Shanghai-listed CSIC unit plans to issue new shares to buy back stakes in two of its subsidiary yards from eight state-backed investors.

It plans to purchase a 43% stake in Dalian Shipbuilding Industry Co and a 36.2% stake in Wuchang Shipbuilding Industry Group, which were previously sold to investors for a Yuan21.9bn ($3.3bn) capital injection. A framework agreement has been signed, but a price has yet to be agreed for the investors' exit.

For classified notices please view the next page

East Anglia ONE Offshore Windfarm Limited

NOTICE OF APPLICATION FOR SAFETY ZONE SCHEME DURING CONSTRUCTION OF EAST ANGLIA ONE OFFSHORE WIND FARM 43KM EAST OF THE COAST OF SUFFOLK

THE ELECTRICITY (OFFSHORE GENERATING STATIONS) (SAFETY ZONES) (APPLICATION PROCEDURES AND CONTROL OF ACCESS) REGULATIONS 2007 - Statutory Instrument 2007 No. 1948

Notice is hereby given that East Anglia ONE Limited (Company No 07366753) (the Company) (whose registered offices are at: 3rd Floor, 1 Tudor Street, London, EC4Y 0AH have applied for: Company number: 07366753

Consent from the Secretary of State for Department for Business, Energy & Industrial Strategy as set out in the Energy Act 2004 and the Electricity (Offshore Generating Stations) (Safety Zones) (Applications Procedures and Control of Access) Regulations 2007 (SI No 2007/1948), for a safety zone scheme to be placed around the consented East Anglia ONE offshore renewable energy installation (OREI) in the southern North Sea.

Copies of the safety zone scheme may be obtained from the following email address **jyoung@ScottishPower.com**, telephone number: +**44 (0) 1502 509236**.

Any person wishing to make representations to the Secretaries of State about the applications should do so in writing to the Secretary of State for Department for Business, Energy & Industrial Strategy, 3rd Floor, Orchard Area 2, 1 Victoria Street, London, SW1H 0ET, UK or email: BEISEIP@beis.gov.uk stating the name of the proposal and the nature of their representations, not later than **Friday 13th October 2017.**

The Department for Business, Energy & Industrial Strategy will co-ordinate the receipt of any representations on behalf of each of the regulators concerned and will pass to the applicant a copy of any representations received unless the person or persons making the representations expressly request that their comments should not be copied to the applicant.

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