16 Aug 2017 | **News** | Europe | Denmark | Maersk Group

Maersk Line's return to the black underlines speed of box trades recovery

by Janet Porter

@JanetPorter_LL | janet.porter@informa.com

Maersk Group chief executive Søren Skou says strong global economy and low orderbook underpinning rapid container market recovery

Skou: "What we are seeing are probably the strongest fundaments in container shipping certainly since 2010 and the financial crisis." *Source: Maersk*

CONTAINER shipping is in its best shape for many years, Maersk Group chief executive Søren Skou said on Wednesday as the world's largest ocean carrier returned to the black after four consecutive quarters in the red.

The stronger-than-expected recovery, which saw Maersk Line achieve a profit of $339m in the second quarter against a loss of $151m in the same period of 2016, enabled the group to keep its $1bn profit guidance for the year unchanged despite the cyber attack earlier in the summer.

The impact of the shutdown probably cost the group between $200m and $300m, but the full effect will not be clear until the third quarter.

In the April-June period, though, Mr Skou said the big story was the turnround of Maersk Line which grew revenue by $1bn year on year. Return on capital employed recovered to 6.7% from a negative 3% in the corresponding quarter of 2016, with increased volumes and freight rates underpinning the rebound.

"What we are seeing are probably the strongest fundaments in container shipping certainly since 2010 and the financial crisis," Mr Skou said during an earnings call.

"The global economy is doing well, global GDP is edging up towards 3%, driven by the big economies in Europe, the US, and China, while contraction has stopped in the economies that are dependent on raw materials and oil such as Russia and Brazil, and we are starting to see some growth."

Corporate profitability was also recovering, "and that has all rubbed off on container shipping", with demand growth in the first half of the year above 5%, he continued.

In other words, the global container shipping industry has grown at about twice the speed of global GDP, "a very positive development", said Mr Skou.

As further evidence of the underlying improvement, Mr Skou noted that the size of the idle fleet had gone down to just 2.5% as ships were brought out of lay-up, and yet freight rates had remained stable.

"That is testament to the strength of the market," he said.

Maersk Group keeps 2017 $1bn profit forecast unchanged despite cyber attack

By James Baker Read the full article here

Demand has been outpacing supply growth since the third quarter of 2016, pushing up prices. In Maersk Line's case, average freight rates were 22% higher than a year ago at $2,086 per feu, enabling the line to post a good set of results despite much higher fuel prices and only modest 2% growth in liftings to 2.7m feu as the carrier switched attention from market share to profitability.

Also helping industry conditions was the lack of any new ship orders since the third quarter of 2015, bring the orderbook down to just 13% of existing capacity, and all time low.

Alluding to reports than CMA CGM is poised to order a series of 22,000 teu ships, Mr Skou said there was no doubt more tonnage would be contracted, given cheap newbuilding prices.

The already exceptionally low orderbook could be down to just 7% by the end of 2018 and 1% by late 2019, given the steep run-off rate, should no more ships be built, Mr Skou told analysts..

“No doubt ships will be ordered as shipyards' prices are really low and that could impact the picture, but from where I am sitting, I think it is important to consider the fact that there is no incentive to order ships from a cost perspective right now, with the fuel economics incentive minimised.”

With the charter market still in the doldrums, Mr Skou said it would be hard to build a case for ordering new vessels when hiring them in the open market would be more economic.

“So I think additions to the orderbook will be driven by the need to grow capacity in order to meet market demand and nothing else,” he said.

Mr Skou also confirmed that Maersk had no plans to order any new large ships this year or next.

Looking forward, Mr Skou said the road ahead for container shipping “was not without bumps”, but that the outlook was undoubtedly much more positive than it has been for many years.

Related Content

- **APMT slips into the red as impairments hit $250m**
- **Maersk Group keeps 2017 $1bn profit forecast unchanged despite cyber attack**
- **Container trades on course for record growth**
- **A textbook response to a digital disaster**

16 Aug 2017 | **China** | **Shipbuilding**

Beijing to cover $3.3bn debts for state shipbuilder CSIC

by Cichen Shen

The funds will be used to ease the shipbuilder's exposure to the embattled offshore sector

China Shipbuilding Industry Corp is to receive a massive aid package from state-backed investors.

Source: Brad Ko @ Shutterstock.com

CHINA Shipbuilding Industry Corp, the country's largest shipbuilding conglomerate, is to bank a near-Yuan21.9bn ($3.3bn) aid package from eight state-backed investors, through debt-to-equity swaps and capital injection.

The massive funds will bolster two of CSIC's subsidiary shipyards — Dalian Shipbuilding Industry Co and Wuchang Shipbuilding Industry Group — that are heavily exposed to the struggling offshore sector.

Two major state distressed asset managers, China Cinda Asset Management and China Orient Assets Management, both controlled by the Ministry of Finance, will use Yuan7bn to buy debts held by DSIC and WSIG, in exchange for their shares.

The deal with the other six institutional investors — China State-owned Capital Venture Investment Fund, China State-owned Enterprises Restructuring Fund, China Life Insurance Co, Huabao Investment, China Merchants Ping An Asset Management and Guohua Junmin — appears more straightforward.

The sextet, either linked to state-owned banks or large enterprises, will give the two yards Yuan14.8 in cash for an equity stake, allowing them to repay their own debts.

All in all, DSIC will be given relief worth Yuan16.5bn while WSIG will get Yuan5.4bn.

CSIC Ltd, the Shanghai-listed arm of CSIC, said in an exchange filing on Wednesday that the deals were important for the company to "implement market-led debt-to-equity swap and deleverage, which conforms to state polices and will not harm shareholders' interests."

Banking and analyst sources in Beijing, however, told Lloyd's List that the whopping capital injection was directly linked to CSIC's debt-ridden offshore sector and its undeliverable newbuildings of drilling rigs and support vessels.

Last month, CSIC Ltd disclosed a plan to write down Yuan715.1m in assets for two offshore building units of DSIC, namely DSIC offshore and Shanghaiguan Shipbuilding Industry Co, due to contract cancellation of one semi-submersible and one jack-up rig.

The news came after offshore services provider Falcon announced the abolishing of three of its four jack-up rig newbuildings placed at SSIC in June for $872m in total. Falcon has reportedly since cancelled the last one.

Clarksons data shows that DSIC Offshore and SSIC have a combined offshore backlog worth $4.4bn, consisting of 15 jack-ups, three other drilling rigs and one accommodation platform. At the same time, WSIG's offshore orderbook stands at $700m, mainly consisting of support vessels.

According to the filing, both DSIC and WSIG seem highly leveraged, with debt-to-asset ratios standing at 80% and 82%, respectively, as of end-April.

The deals, if materialised, will see CSIC Ltd's full ownership in DSIC and WSIG fall to 57% and 63.9%.

The eight investors would act in concert with CSIC and its parent conglomerate, and have no rights to intervene the companies' daily operation, the filing said.

It is worth noting that CSCVIF, one of the investors, is controlled by state-owned China Reform Holdings Corp, whose chairman Liu Dongsheng visited China State Shipbuilding Corp on Monday.

CSSC, the country's second largest shipbuilding conglomerate, also has a huge non-performing offshore backlog that is poisoning its subsidiary yards such as Shanghai Waigaoqiao Shipbuilding.

Mr Liu told his counterpart in CSSC Dong Qiang that he hoped the two companies could collaborate in areas such as asset management, fund investment and financing, according to a press release on CRHC's website.

Related Content

- Yard Talk | The hidden risks in CSIC
- China's CSIC to launch debt-to-equity swap
- CSIC raises $566m via share offering to parent group

16 Aug 2017 | **Opinion** | Greece | United States | Dryships

George Economou wins at the expense of corporate governance

by Lambros Papeconomou

Shareholder rights trampled in quest to raise $700m from public investors at all costs

George Economou will now own 53.6% of DryShips' common shares at a fraction of what the remaining 46.4% were cumulatively sold for.

GEORGE Economou, the founder and chief executive of DryShips, emerged last week as the biggest winner, perhaps the only winner, in the company's reincarnation as a going concern. He did so by choosing when to tap the market for public funds, when to stop the public offerings and more importantly when to step in and buy the company's stock. The biggest loser, sadly, is corporate governance and shareholders' rights.

After narrowly escaping bankruptcy, DryShips has raised more than $700m since the aftermath of the US presidential election, effectively recapitalising the company. It did so through a series of controversial at-the-market offerings, billed as "purchase agreements" between DryShips and Kalani Investments, an entity registered in the British Virgin Islands.

The fundraisers were controversial because Kalani appeared to be an investor in DryShips when in fact it acted as an underwriter, by buying and simultaneously selling new shares to the public. Kalani has not registered as a broker-dealer with the US Securities and Exchange Commission, based on a legal opinion that exempts it from such registration.

The second coming of Mr Economou

While these "purchase agreements" were taking place, Mr Economou abstained from buying any shares. When that money well was about to go dry, he swiftly stepped in and reclaimed majority control of the company with a $100m private placement.

He will now own 53.6% of common shares at a fraction of what the remaining 46.4% were cumulatively sold for. Mr Economou will buy 36.4m shares at $2.75 per share. Lloyd's Lists estimates that since last November DryShips sold 31.5m shares at an average share price of $22.33. These figures take into account several reverse stock splits.
Shareholders who invested $510m through March 2017 have effectively been wiped out, looking at an average purchase price over $3,000 per share. Those that poured in an additional $194m from April through the beginning of August have fared better, but are still in the red, having an average purchase price of $6.17 per share. As for the sole shareholder who invested last, Mr Economou, he got the best deal with a purchase price of $2.75 per share.
DryShips shares have rallied since the announcement of the private placement and the termination of the purchase agreement with Kalani. They closed on Tuesday at $3.62 per share.
For added emphasis, DryShips announced a shareholder rights offering to the hoi-polloi — everybody but Mr Economou — to buy up to $100m of DryShips shares on the same terms as the private placement. The rights offering appears equitable but it will not make up for the previous losses. In addition, it is back-stopped by Mr Economou, giving him the opportunity to acquire more shares should some shareholders opt out.
There have been several lawsuits, or lawsuit investigations, filed in the US and the Marshall Islands, where DryShips is incorporated. They are challenging Kalani's exemption from US securities laws, among other allegations. So far none of the lawsuits have been successful, with DryShips vowing to vigorously defend itself.

Corporate governance

As we are awaiting the outcome of legal action, we must address the biggest loser in this saga, corporate governance. DryShips is a public corporation and like all corporations it is governed by a board of directors. Their fiduciary duty is to look after the interests of all shareholders. This is true especially for independent board members. In fact, all board decisions, purchase agreements with Kalani, reverse stock splits, private placement, shareholder rights offering, were expressly authorised only by the independent members, with Mr Economou and other executive board members abstaining from voting.
Were the interests of *all* shareholders served as the independent members kept authorising successive equity offerings and reverse stock splits? Was it imperative to raise $700m at all costs?
There are certainly many shareholders who lost their money in DryShips. While it is tempting to scold them for not doing their due diligence, what about the due diligence of independent board members who serve to look after their shareholders' rights?
One of the basic auditing standards is being independent in both fact and appearance. Or as the proverb says, "Caesar's wife must be above suspicion". It is time for shareholders to demand that companies adopt the same principle for all independent board members.

Related Content

- **Economou to acquire 36m DryShips shares as Kalani deal is axed**
- **DryShips appoints two new directors**
- **Court denies investor's request to halt DryShips share sale**
- **DryShips targets new reverse stock split**
- **DryShips and the art of the deal**

16 Aug 2017 | **News** | **Europe** | **Denmark** | **Maersk Group**

Maersk cyber attack leaves no long-term impact

by James Baker

@JamesBakerCI | james.baker@informa.com

Customers have been supportive following Petya virus, says Skou

Maersk said it lost 70,000 feu of bookings from the cyber-attack in late June.

MAERSK believes it has suffered no long-term damage from the cyber attack that struck the company in the last days of June, despite forecasting a $200m-$300m hit on third-quarter revenues due to lost bookings in July.

“We do not have any indication whatsoever that customers are walking away from Maersk Line because of this,” said chief executive Søren Skou.

“Actually, to the contrary, we believe our customers were very supportive.”

Maersk said it lost 70,000 feu of bookings during the two weeks it took to bring its systems back up following the attack.

“Just prior to the attack [we had] a run rate of 210,000 feu of loadings a week,” Mr Skou said. “In the week of the attack, week 26, we loaded 212,000 feu as we had so much cargo in the system.”

That fell the following week to 160,000 feu, then recovered to 180,000 feu. By week 29 it had returned to 200,000 feu.

“Since then we have been averaging the 210,000 feu level,” Mr Skou said. “The 200,000 we had in week 29 was in the normal variance.”

The virus entered Maersk’s systems through a commonly used piece of tax accounting software in Ukraine, he said.

“In our case it spread globally and made all of our applications and data unavailable. The impact was contained to Maersk Line, APM Terminals and Damco but had no impact on customers.”

Mr Skou added that it was only access to systems that had been lost, and that the company had lost none of its data.

“We took a lot of actions to contain this attack,” he said. “We were able to respond locally and make manual workarounds and over the following two weeks we were able to bring back most of our applications.” He said that after two weeks the customer impact was minimal and the business was back to normal volumes.

Many larger customers had rushed to offer aid to Maersk, he added.

“Honestly, most business leaders see that this sort of cyber attack could happen to their company,” Mr Skou said. “It is criminals and others that try to destroy a business or hold us to ransom. We received an enormous amount of offers of help. Customers wanted to help provide IT staff, office premises, whatever we needed to get going. The message from our large customers was very clear: ‘We think you are going to work your way through this and if we can help you do that we’ll do so’.”

He added that he did not expect any long-term impact from the attack.

“We will take all of the learnings from this attack and we will share those with our customers that are interested,” Mr Skou said. “This is a fundamental problem for business globally and we need to figure out how to deal with it.”

Related Content

- APMT slips into the red as impairments hit $250m
- Cyber attack on Maersk partly to blame for Damco losses
- Maersk Group keeps 2017 $1bn profit forecast unchanged despite cyber attack

16 Aug 2017 | **News** | Europe | Denmark | Maersk Group

Maersk Group keeps 2017 $1bn profit forecast unchanged despite cyber attack

by James Baker

@JamesBakerCI | james.baker@informa.com

Impairments in tanker division and weak terminal performance lead to loss despite strong container line figures

Maersk Line made a profit of $339m

MAERSK has reiterated its guidance of an underlying profit of over $1bn for 2017, despite the impact of a cyber attack on its systems in June that took several weeks to fully resolve.

Group chief executive Søren Skou said the attack had cost Maersk an estimated $200m-$300m due to lost volume and revenue.

Maersk was forced to close its internal systems on June 27 following the attack, allowing it to contain the crisis to its container-related businesses.

"For Maersk Line, APM Terminals and Damco, systems had to be shut down for a period for precautionary measures, as they have global interfaces across businesses and partners," Maersk said.

These system shutdowns resulted in "significant" business interruption during the period, albeit with limited financial impact in the second quarter. However, the third quarter result will be more affected because of business lost in July.

"Maersk Line reiterates the expectation of an improvement in excess of $1bn in underlying profit compared to 2016 mainly due to improvements in freight rates and partly increasing volumes," Maersk said. "Global demand for seaborne container transportation is still expected to increase 2%-4%, but in the upper end of the range."

The remaining businesses in Transport & Logistics – APM Terminals, Damco, Svitzer and Maersk Container Industry –still expect an underlying profit around 2016's level.

Maersk Group reported a loss of $264m following post-tax impairments at Maersk Tankers and weak performance at some of its terminals in its APM Terminals division.

Revenue increased by $743m to $9.6bn, driven by an increase of $1bn, or 21%, at Maersk Line and an increase of $90m at Maersk Oil. This was partly offset by a decrease of $217m in Maersk Drilling and $75m in APM Terminals.

The world's largest carrier, Maersk Line, reported a profit of $339m with a positive return on invested capital of 6.7%.

"Market fundamentals continued to improve in the second quarter as demand growth of 4% outgrew nominal supply growth of 1.4%," Maersk said. "The improvement in market fundamentals in past quarters has started to reflect in the freight rate, which increased 22% compared to the same period last year and 7.6% compared to the first quarter off 2017."

Maersk said freight rates had increased by 36% on east-west trades and 17% on north-south trades. Transported volumes increased by 1.7% compared to the second quarter of 2016. Volume grew on headhaul by 5.2%, but this was offset by a decrease on backhaul by 5.6% as backhaul cargo was less attractive on some trades.

But Maersk Line was also responsible for a rise in operating costs, which were up by $456m to $7.5bn, mainly reflecting an increase of $545m in Maersk Line due to 61% higher bunker price and a 1.7% growth in volumes.

"The improvement in the market fundamentals in the past quarters started to reflect in the freight rates in the second quarter of 2017," Maersk said. "Freight rates mainly increased on east-west trades by 36%, however, supported by a solid improvement of 17% on the north-south trades."

Maersk said global container demand grew at around 4% in the second quarter compared to same quarter last year. While growth was below the first quarter, it was still high compared to the growth in the past couple of years. Moreover, the global fleet was becoming more balanced with demand.

"Container demand continued to outgrow the global container fleet in the second quarter, yet the decline in idling and network optimisations in the industry limited the improvement in the supply/demand gap," Maersk said.

Despite the improving conditions at Maersk Line, APM Terminals continued to struggle.

Total revenue was $989m, which was affected by the loss of liner services in a number of terminals and rate pressure due to liner consolidation and overcapacity, as well as continued low import volumes and adverse currency developments in oil dependent markets.

APM Terminals' volume was 9.8m teu weighted by the share of equity in each terminal, 4.3% higher than 2016 mainly due to newly operated terminals and strong volume in joint venture terminals in China.

"Adjusting for newly operated entities, like-for-like volume increased by 3.3%," Maersk said. "The average port revenue per move declined by 10% from $198 per move to USD 178 per move mostly due to adverse currency developments in West African countries and partly due to lower rates offered to attract volume in key terminals."

APM Terminals' volume growth was slightly lower than the estimated port volume growth in the second quarter, Maersk said.

"The consolidation of container carriers through acquisitions and alliances continue to create competitive pressure on terminal operators," Maersk said.

"While APM Terminals lost some services following the formation of The Alliance and Ocean Alliance, volumes were positively impacted by the slot purchase agreements signed in the first quarter with HMM and Hamburg Süd, which give them access to certain services on the 2M network."

Related Content

- **Container trades on course for record growth**
- **Jeremy Nixon warns of risks to container shipping's fragile recovery**
- **AP Moller Capital sets $1bn target for new Africa infrastructure fund**
- **Maersk Group returns to black with $201m profit in first quarter**

16 Aug 2017 | **News** | Asia Pacific | Singapore | Europe

Rickmers Maritime completes fleet sale to Navios

by Wei Zhe Tan

@ShipShape2003 | WeiZhe.Tan@informa.com

Remaining nine vessels of the fleet of 14 sold for total of $59m

Rickmers Maritime's unsecured creditors recovered 12.1% of what was owed to them by the troubled shipping trust.

RICKMERS Maritime has completed the sale of its entire fleet of 14 vessels to Navios Maritime Containers after offloading the remaining nine boxships for $59m.

The vessels had been secured under senior loan facilities extended by the lenders of the HSH Syndicate comprising HSH Nordbank and DBS Bank.

With the sale, the listed shipping trust used all the proceeds, net of operational expenses from the transaction, to pay the syndicate as partial settlement of the HSH loan facility.

As such, unsecured creditors were paid a total amount of $28.9m.

Breaking it down, HSH Nordbank Singapore Branch received $17.7m, Commerzbank Singapore Branch took $1.2m, and DB International Trust Singapore $10m.

The sums received by each party amounted to a 12.1% recovery rate, which is slightly better than the trust's initial estimated recovery rate of 11.4%.

Rickmers Maritime previously said HSH Syndicate had approved the sale of the nine ships for a total consideration of $54m plus an amount to support settlement of operational cash deficits to closing and that unsecured creditors were expected to recover total proceeds of $27m.

In addition, it has applied to the Singapore exchange to have its S$100m 8.45% notes due in 2017 delisted.

The trust itself was delisted on July 27, 2017 at 0900 hrs local time.

Navios Maritime Containers had taken delivery of the first five ships in Rickmers Maritime's fleet in May, paying $59m for the deal.

RMT was forced to wind up its business after it failed to secure funding to pay off its creditors.

The trust was unable to get noteholders to approve the refinancing of its S$100m 8.45% medium-term issued notes, which was a requirement for it to restructure secured bank loans through a $260m new credit facility from senior lenders.

Annual losses at Rickmers Maritime continued to balloon last year as the struggling Singapore-based panamax boxship owner reported another loss in the fourth quarter.

While the net loss of $48.4m in the fourth quarter was an improvement on the $129.6m it lost in the fourth quarter of 2015, full-year losses rose 40% to $180.1m as the company’s much-publicised troubles weighed on charter rates and vessel utilisation.

Related Content

- Rickmers Maritime delisting approved by Singapore Exchange
- RMT creditors approve nine-boxship sale to Navios for $54m
- Briefing: Rickmers power grab behind HSH restructuring rejection
- Navios takes first five Rickmers Trust containerships
- Rickmers Maritime makes $4.7m repayment to five senior lenders
- Bondholder withdraws injunction against Rickmers Maritime fleet sale

15 Aug 2017 | **News** | Europe | Greece | Norway

Ocean Rig to submit debt restructuring plans to court on September 4

by Wei Zhe Tan

@ShipShape2003 | WeiZhe.Tan@informa.com

Company received the votes needed to push ahead with the plans during creditors' meetings

Successful restructuring will reset the group's capital structure, providing a certain and stable environment to foster future growth.

NASDAQ-listed Ocean Rig UDW has said that it received a final vote of approval from its creditors to present its debt restructuring plan to the court.

It had held meetings with creditors of a number of its subsidiaries late last week regarding the proposed schemes of arrangement with 97% of Ocean Rig UDW creditors voting in favour of the plan, 100% of Drillships Financing Holding creditors approving the restructuring, 100% of Drillships Ocean Ventures creditors giving the green light and 100% of Drill Rigs Holdings creditors agreeing to the terms.

Subsequently, the George Economou-led offshore services provider has arranged for its submission to be heard by the Grand Court of Cayman at 1000 hrs local time on September 4 until September 6.

If that is approved, the company has scheduled the effective debt restructuring date by the end of September.

“We are very happy with the results of the scheme meetings conducted on Friday — the results represent the best outcome for all stakeholders. We wish to thank the scheme creditors for their support throughout this process. The restructuring will reset the group's capital structure, providing a certain and stable environment to foster future growth,” said Ocean Rig chairman and chief executive Mr Economou.

A successfully executed debt restructuring will see the company and its units “substantially deleveraged through an exchange of approximately $3.7bn principal amount of debt for new equity of the company, approximately $288m of cash, and $450m of new secured debt".

In June, the company had also received a conditional exception from the Nasdaq Hearings Panel to allow its shares to continue trading on the stock exchange, rather than have it delisted, on the condition that it completes its debt restructuring procedures.

The exchange regulator had sought to delist Ocean Rig's shares after it filed for protection under Chapter 15 of the US Bankruptcy Code in March this year amid the protracted offshore oil and gas slump.

Another offshore services provider, John Fredriksen-linked Seadrill, has also been in the process of negotiating with creditors and other stakeholders over a comprehensive restructuring plan.

The company managed to amend terms of a credit facility to subsidiary Seadrill Eminence to mature on September 14 this year, which was approved by all the relevant scheme creditors and sanctioned by the Supreme Court of Bermuda.

"The amendment aligns the maturity of the facility with that of the company's $400m credit facility and the revolving credit facility provided to North Atlantic Drilling, a majority owned subsidiary of the company, thereby providing an additional period for negotiations to continue with the company's bank group and other stakeholders over a comprehensive restructuring plan," it said in a statement.

It said in April that lenders agreed to postpone the maturity dates on a number of credit facilities to give it more time to complete the talks, and that effectively implementing a debt restructuring would likely involve schemes of arrangement or Chapter 11 bankruptcy protection proceedings.

The company does not expect shareholders to be able to recover most of their investments based on feedback from stakeholders, new investors and its current debt levels.

Related Content

- Over 90% of Ocean Rig's creditors support its debt restructuring plans
- Ocean Rig seeks court order to start debt restructuring
- Ocean Rig ready to push ahead with restructuring plan
- Ocean Rig unit debt restructuring hits a snag
- Ocean Rig extends deadline for bondholders to accept restructuring plan
- Nasdaq issues fresh warning to Ocean Rig on its share price

15 Aug 2017 | **News** | Asia Pacific | Singapore | Containers

PIL and PSA jump on the blockchain bandwagon with IBM

by Wei Zhe Tan

@ShipShape2003 | WeiZhe.Tan@informa.com

Companies to look into proof of concept blockchain-based supply chain network technologies

Teo: PIL's link with PSA and IBM seeks to develop solutions that reduce fraud and errors, as well as save costs.

SINGAPORE-based Pacific International Lines has inked a memorandum of understanding with PSA International and IBM Singapore to develop and test proof of concept supply chain business network solutions based on blockchain technology.

"The MoU seeks to develop solutions that translate into fraud and error reduction, as well as cost savings. PIL is pleased to contribute towards our common objectives with intermodal and shipping business knowhow and services," said PIL managing director Teo Siong Seng.

"We hope that the fruits of collaboration may in the long term enhance our support to Chongqing Connectivity Initiative projects, the Southern Corridor connecting Western China to Southeast Asia via Guangxi, as well as Southeast Asia trade corridors."

All three parties will collaborate to come up with proofs of concept utilising digital technologies including blockchain to make regional supply chain business networks more secure, efficient and transparent, while also expediting approvals and fraud prevention in trade finance.

IBM will be tapping its Hyperledger Fabric platform, its supply chain business network, and knowhow from the Singapore-based IBM Center for Blockchain Innovation to facilitate these projects.

"A more transparent, secure and robust certification system and document flow will benefit the whole supply chain as well as have enormous potential for application in sectors such as food, pharmaceutical and trade finance," said PSA group chief executive Tan Chong Meng.

"Across the global movement of goods and cargo, many activities continue to operate in silos. Blockchain has the potential to reduce inefficiencies and gaps within the supply chain, promote more cost-efficient transactions and facilitate the continued growth in world trade."

"PSA looks forward to working alongside its partners in supporting this initiative and we will contribute our expertise and knowledge in managing ports and advancing supply chains," said Mr Tan.

PIL's move comes after Maersk partnered IBM in March this year to use block chain technology to digitise paperwork related to the global supply chain process to improve efficiency and optimise costs.

The industry giant followed up this pact by collaborating at end-April with technology conglomerate Microsoft to provide its newly formed transport and logistics division with cloud computing services and the Azure platform as the Danish firm takes the next step in its digital drive.

Digitalising the many steps required to move a container from one part of the world to another could take "a humungous amount of cost" out of the supply chain, Maersk Line's chief commercial officer Vincent Clerc said at the TPM2017 conference in Long Beach.

The Port of Antwerp in Belgium has also joined the digital revolution as authorities at end-June unveiled plans to introduce a digital platform to optimise efficiency in the container handling logistics chain at its terminals.

Developed by start-up firm T-Mining and based on blockchain technology, the platform's aim is to eliminate physical paperwork from the box handling process and improve operational safety.

Related Content

- Singapore authorities cancel Panoil Petroleum's bunker craft operator licence
- A token solution to no-shows
- The evolutionary opportunities of end-to-end digitalisation
- Antwerp to use blockchain technology in container handling operations
- The time is right for digitalisation to change the shipping industry
- New tech must not compromise ship safety, says Lloyd's Register

16 Aug 2017 | **News** | Europe | Norway | Dry Bulk

Songa Bulk raises $45m for vessel acquisitions

by Wei Zhe Tan

@ShipShape2003 | WeiZhe.Tan@informa.com

Company expects to add vessels to fleet in the near-term

Blystad: Risk-reward ratio is still attractive in the dry bulk segment.

OSLO-listed Songa Bulk has secured $45m in net proceeds from a public bond issue as it continues with its fleet growth strategy.

The fundraising activity took place via a tap issue of its senior secured callable bond which matures on June 13, 2022.

A tap issue allows the company to sell bonds or other short-term debt from past issues, priced at the original face value, maturity and coupon rate, at current market prices.

The bond has a borrowing limit of $150m with the company having previously raised $75m.

Together with the latest proceeds, Songa Bulk raised $120m in total from the bond issuance.

"We are once again very pleased with the response received from the bond market. The additional $45m from the tap issue will let us continue to grow the fleet in line with our strategy," said Songa Bulk chairman Arne Blystad.

"We still find the risk-reward ratio attractive in the dry bulk space and we expect to add additional vessels to our fleet shortly."

As of August 7, the company had invested $217m in secondhand purchases with the latest being a 81,466 dwt kamsarmax, built in 2010 at Japan's Sumitomo, to be delivered during the fourth quarter of 2017.

The company has 10 vessels in its fleet so far with its previous acquisition of the capesize *Songa Opus* to be delivered by end-August.

Songa Bulk chief executive Herman Billung had said he was betting on a supply-driven increase in dry bulk asset prices amid limited newbuilding orders.

He saw significant upside in seocndhand prices and is pursuing a strategy of purchasing vessels near the bottom of the cycle to capitalise on a price recovery.

The company, which started trading on the Oslo Axess bourse in late April posted a $1.8m loss in its first quarter of 2017, revenue of $1.6m and $2.5m in operating expenses.

Related Content

- Songa Bulk invests $217m in vessel buys since inception
- Songa's Billung bets on 'supply-driven' rises in bulker prices
- Songa Bulk suffers further loss in first quarter
- Songa Bulk inches closer to main Oslo listing
- Songa Bulk clinches first capesize

16 Aug 2017 | **Opinion** | Europe | Denmark | Maersk Group

Fifty-dollar oil depresses Maersk's Energy division

by Richard Clayton

@rjbclayton | richard.clayton@informa.com

Oil dependent group cannot deliver decent returns on invested capital until price rises above $60 per barrel

Maersk's 10 idle rigs meant utilisation of its offshore supply fleet was 56% in the second quarter. *Source: Navin Mistry @ Shutterstock.com*

UNTIL such a time as AP Moller-Maersk finds "structural solutions" for the oil, drilling, offshore supply vessels, and tankers businesses — a search with an end-2018 deadline — the Energy division's overall result will continue to erode profitability at the Danish group.

For the second quarter of 2017, Energy suffered a loss of $276m, significantly behind the profit of $221m posted in the heady days of second-quarter 2016.

The driver for this is global supply of oil which, for the second quarter, was surplus to demand. This held the price of crude in the range $40-$50 per barrel; and with the surplus expected to last into 2018, the price outlook remains uncertain.

This is below the level required to support sustainable economic returns for the offshore drilling market. In its report to investors, the directors note that Maersk Drilling "does not expect to see sufficient financial improvements from an increase in offshore rig demand until the market reaches a stable oil price above $60/bbl" or until cost levels have been squeezed even more tightly. Maersk's 10 idle rigs mean that utilisation of the rig fleet was 64% in the second quarter, with forward contract cover for rigs seeking business this year standing at 61%.

This has obvious consequences for the offshore supply vessel fleet, for which the second-quarter utilisation was 56% and contract coverage for 2017 is just 26%. The sector continues to be characterised by oversupply, financial restructurings, and consolidation. One in four offshore supply vessels is in lay-up, and the medium-term outlook is subdued.

Over at Maersk Tankers, the short period of running against the general shipping tide of red ink has come to an abrupt end: second-quarter spot market rates are about 21% below the levels seen a year ago. This was only to be expected: newbuildings ordered in 2015 are now competing for business, refineries in eastern Asia are in maintenance mode, and large oil inventories are being drawn down. Maersk Tankers' average time charter equivalent earnings declined 27% compared with second-quarter 2016, a shortfall that could not be eased by reducing repair and maintenance costs, or putting pressure on seafarer expenses. All of which depresses the value of its ships.

So, while a higher value of oil (to $50 in second-quarter 2017 from $46 in second-quarter 2016) has helped Maersk Energy to an increase in underlying profit, simultaneously there was a negative impact for Maersk Line, which reported a 61% rise in bunker costs lifting operating expense. Despite Maersk Line continuing to hope for an improvement of $1bn in underlying profit for 2017, this is a business that depends on oil — exploration, production, shipment, consumption. Like the major energy producing states and the major global suppliers, AP Moller-Maersk as a group will fail to deliver decent returns on invested capital until it sees oil at $60-plus per barrel. With credit rating agencies Moody's (Baa2) and Standard & Poor's (BBB) offering investment-grade ratings but with a negative outlook, the rough ride continues.

Related Content

- **Maersk cyber attack leaves no long-term impact**
- **Maersk Line's return to the black underlines speed of box trades recovery**
- **APMT slips into the red as impairments hit $250m**
- **Cyber attack on Maersk partly to blame for Damco losses**
- **Heavy fleet impairments knock Maersk Tankers**
- **Maersk Group keeps 2017 $1bn profit forecast unchanged despite cyber attack**

BOOK YOUR TABLE

Will you be in the room when we announce the best of the Global Maritime industry?

Book your table now and join us on 27 September to celebrate the achievements made in the global maritime community over the last 12 months.

Be a part of the most prestigious maritime event in the UK calendar:

- Join in the conversation as we provide the most targeted networking opportunity in the shipping industry.
- Find out first hand who will be proclaimed the high flyers and rising stars of the maritime industry for 2017.
- Be front and centre in case your team are called up as a winner for our 2017 awards.

Visit our website to book your table:
lloydslistawards-global.com/book

CONTACT OUR TEAM

Raff Fernandes
Raffael.Fernandes@informa.com
+44 (0)20 337 73510

Sponsored by

The American Club · Bureau Veritas 1828 · ClassNK · CMPort 招商局港口 · DNV·GL · DP World · Hutchison Ports