28 Jun 2017 | **Opinion** | Containers | Consolidation | China

Pricing OOIL a tough task for Cosco Shipping

by Cichen Shen

Beijing may object to takeover at a premium valuation

Not everyone considers China Cosco Shipping Group's acquisition of OOIL a done deal.

THE latest bout of speculation over China Cosco Shipping Group acquiring Orient Overseas (International) Ltd, and the likelihood that the deal may be announced during the visit of China's president Xi Jinping to Hong Kong on July 1, was discussed in Lloyd's List last week.

However, not everyone considers it a done deal.

Some argue that the Tung family, which owns 69% of OOIL, repaid its debt to Beijing back in 1997, when Tung Chee-Hwa became the first chief executive of the then newly established special administrative region. So, why would they now destroy shareholder value by selling the company to a lacklustre Chinese state-owned enterprise?

The debt in question dates back another 10 years to 1987, when Hong Kong business tycoon Henry Fok — described by the Chinese Communist Party as a close friend — helped OOIL emerge from near bankruptcy with a $100m capital injection. It is suspected the money was actually provided by Beijing.

Proving the authenticity of such a tale is difficult, and it is questionable whether Cosco's performance is actually that poor, particularly when considering its potential.

What shareholders of OOIL care about right now is the value of their equity, which largely depends on how much the state-owned conglomerate is willing to pay.

A banking source close to Cosco Shipping says that the takeover negotiation between the Tungs and Cosco Shipping's top management is real, and has been going on for some months. The key stumbling block that lies before a final agreement is, unsurprisingly, the price.

It will not be in Cosco Shipping's interest to overpay. A takeover at a premium against the book value of an overseas target company could run into obstacles, the banker says, as it would be hard to get approval from the State-owned Assets Supervision and Administration Commission in Beijing.

On the other hand, however, the price must be attractive enough to the seller, and good enough to hook its non-controlling interests.

Analysts, including Alphaliner, said earlier this year that the Tung family was unlikely to accept an offer lower than $4.7bn, or around the book value of the company shareholders' equity at the end of June 2016.

That suggested a sale at a price-to-book ratio of approximately 1. According to OOIL's latest financial results, its book value had dropped to $4.5bn by end-2016.

For both the analysts and parties in the negotiation, as well as those curious about the pricing of such a potential major liner shipping acquisition, there are at least recent precedents.

CMA CGM spent nearly $2.5bn on Singapore's NOL, whose total equity stood at $2.4bn at end March 2016, according to its latest quarterly report before the sale, resulting in a price-to-book value ratio marginally higher than 1.

It is worth noting, however, that OOIL has been far more highly regarded in recent years than NOL and its container shipping arm, APL, with better profits and a healthier leverage ratio. Orient Overseas Container Line, the container shipping outfit of Hong Kong-listed OOIL, remains one of the most respected lines in the industry, despite its relatively modest size.

Another reference point is German line Hamburg Süd, which is in the process of being acquired by Maersk Line for $4bn.

As Hamburg Süd is a non-listed company, its book value before the sale is not known, but it is debt free. Nevertheless, there is still some operational data available to make a comparison.

OOCL is about 20% larger than Hamburg Süd in terms of total fleet size, and is 38% bigger when it comes to owned fleet capacity, according to Alphaliner.

OOCL also carried 38% more teu in 2016 than its German counterpart. Bear in mind, though, that the Hong Kong-based line has a considerable amount of short-distance intra-Asia trade, which helps boost volume figures, but it clocks up fewer teu-miles, according to SeaIntelligence chief executive Lars Jensen. Also, Hamburg Süd outperformed OOCL in revenue by nearly 10% last year.

Some important factors, however, are not comparable. For one, OOCL still has five 20,000 teu-class containerships on order, whereas neither APL nor Hamburg Süd have ships of that capacity.

Financing of the five ships has yet to be fully secured, according to the banking source, which might lead to the Tungs trying to finalise the sale of the company prior to the deliveries of the vessels in order to shift the borrowing responsibilities to the buyer.

OOCL ordered six ultra-large boxships in 2015 at Samsung Heavy Industries, of which one was received last month and the next is scheduled for delivery in July.

There are undoubtedly many more issues — such as revaluation of the assets and cost reduction created by synergy — that Cosco Shipping's top executives have to take into account if they seek to nail down such a significant deal.

In recent years, the state giant has been extremely active in purchasing foreign port assets, but it appears less experienced against Maersk Line and CMA CGM when it comes to the overseas acquisition of another shipping line.

Cosco Shipping made an approach for Hamburg Süd, but failed to meet key deadlines, according to those involved in the sale process.

Last but not least, given the close ties between Hong Kong and China, as well as Beijing and the Tung family, it is not possible to ignore the role that politics plays in the deal, which could well affect the transaction price.

Lloyd's List has learnt that OOIL is hosting meetings with some equity analysts and their investor clients on Friday and next Monday — maybe more details will emerge then.

Related Content

- **No idea on share price surge, Cosco Singapore tells SGX**
- **Cosco poised to announce takeover OOCL on July 1**
- **OOCL boosts intra-Asia network with two new services**
- **Cosco Shipping Holdings trade halt triggers takeover talk**
- **OOCL receives first ultra large containership**

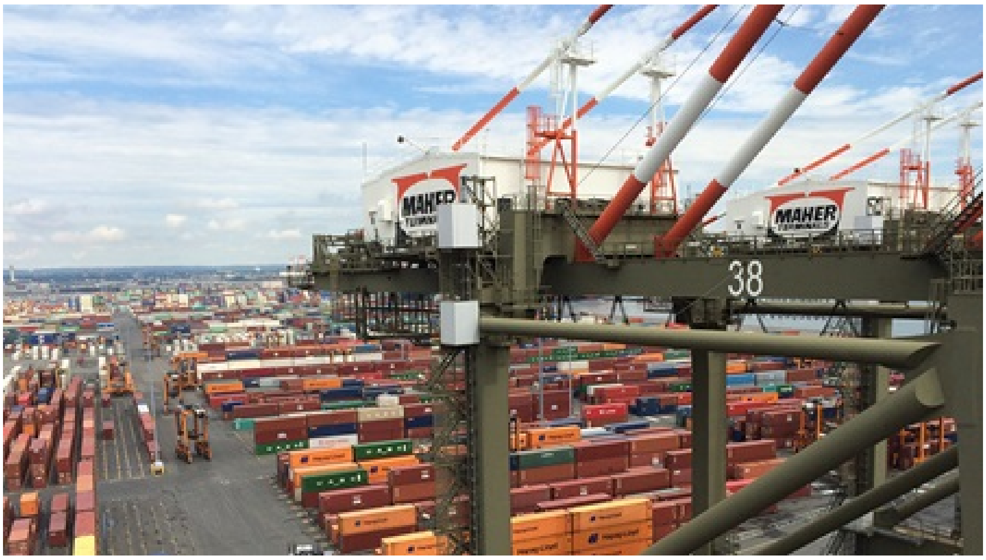
28 Jun 2017 | **News** | Europe | North America | Netherlands

Light in the gloom for box port operators

by Linton Nightingale

@LintonContainer | linton.nightingale@informa.com

The container shipping industry could be on the cusp of 'a golden age of profitability'



The port industry must address how it can turn challenges to its advantage.

DELEGATES at the annual TOC Europe Conference have been inundated with the risks the container port sector faces, but there are opportunities to be gained from these ongoing challenges, one analyst said.

For ports and terminals, the glory days may be over in terms of generous returns and exponential volume growth, but there is still good reason to be optimistic, according to Drewry's Neil Davidson.

Although he admitted that the alliance era has created further risk for the major port players in its many facets, the port industry must address how it can turn these challenges to its advantage.

One such way is for further M&A activity and consolidation among terminals, a natural response to the carriers' move in this direction, said Mr Davidson.

"We've had quite a few deals and a couple were carrier-generated but they involved terminals, such as the China Shipping/Cosco merger and CMA CGM acquiring APL."

"Cosco has also recently acquired Noatum Ports' terminals and APM Terminals has absorbed TCB, while Yilport tookover Tertir."

As well as pure consolidation deals there has also been a move toward more strategic alliance deals, such as Hutchison selling a stake in the Euromax terminal in Rotterdam to a major carrier in the same vein as PSA's joint ventures in Singapore to mitigate against the risk of volumes heading elsewhere, he explained.

"There is also an opportunity to form alliances between neighbouring ports and terminals to co-ordinate investment, vessel calls and utilise common hinterland access for example."

Seattle and Tacoma is the obvious tie up that springs to mind, says My Davidson, adding that this has worked well thus far, while in Miami there is also an agreement between its two box terminals to forge closer links.

More interesting however, according to Mr Davidson, is how further north on the US east coast, Savannah and Virginia have announced a new co-operation despite not being neighbouring ports, as Jacksonville and Charleston are located between the two.

Mr Davidson says he expects others to follow the US ports lead.

"Another opportunity that shouldn't be overlooked is demand growth, which may have been depressing in 2016 having dipped into negative territory, but the last two quarters have been positive for port volume growth."

Drewry's forecast is for growth of 4% in 2017 and probably the same for 2018.

"Despite the positive short term outlook there are still questions in the medium to longer term over the direction growth, but at least there is growth and growth on a very big base. The global port industry is a big industry so even 4% growth is significant."

The final opportunity highlighted by Mr Davidson comes indirectly and via the carriers.

He said there is every possibility we are on the cusp of a golden age of profitability for container shipping.

"If container shipping is making good money, then ultimately that has got to be good for ports and terminals. And if economies of scale in ship size has run out and we don't see any bigger ships than 21,400 teu and the industry consolidation does continue, these two elements could be the ingredients for liner shipping to make good money year after year."

"It also important to remember the box port industry is still a very good business, where EBITDA margins are high and is still and will remain profitable."

Related Content

- Dry bulk terminals lag in automation
- Ports playing a zero-sum game
- Time for box shipping to get real, says professor

28 Jun 2017 | **News** | Europe | Denmark | Maersk Group

Maersk contains cyberattack effects

by James Baker

@JamesBakerCI | james.baker@informa.com

2M partner MSC offering support

Maersk says it has contained the effects of the Petya attack.

MAERSK has contained the effects of the Petya cyber attack it suffered yesterday along with a number of other large companies around the world.

"We have contained the issue and are working on a technical recovery plan with key IT partners and global cyber security agencies," Maersk said in a statement this morning.

"We have shut down a number of systems to help contain the issue."

All immediate vessel operations would continue as planned, making the majority of planned port calls. Access to most ports was not affected, however, some APM Terminals were affected and gates were closed.

"Cargo in transit will be offloaded as planned," Maersk said. "Import cargo will be released to credit customers."

The carrier is not, however, taking new bookings or offering quotes.
Maersk's 2M alliance partner Mediterranean Shipping Co said its systems and business operations were working normally and bookings could be placed as usual. It added that it was offering support to Maersk.
“We are working together to find other means to transmit data between the two companies,” MSC said in a statement. “This includes information such as vessel bayplans, load lists, and customs information.”
If necessary, the 2M partners were prepared to divert ships away from terminals that were not currently operating as a result of the attack, and MSC would make its 53 terminals available to 2M vessels to load and unload cargo.
Maersk Oil, Maersk Drilling, Maersk Supply Services, Maersk Tankers, Maersk Training, Svitzer and MCI were not operationally affected, it added. Precautionary measures had been taken to ensure continued operations.

“Maersk Line vessels are manoeuvrable, able to communicate and crews are safe,” Maersk said. “APM Terminals is impacted in a number of ports.”

Maersk said it would continue to “assess and manage” the situation to minimise the impact on operations, customers and partners of the attack.

“Business continuity plans are being implemented and prioritised,” Maersk said. “The aggregate impact on our business is being assessed.”

Meanwhile, Lloyd’s has warned that businesses could face a much higher bill than they expect or are prepared for after falling victim to a cyber attack.

Lloyd’s warned businesses that they needed to properly prepare or face a “hefty bill”, including ‘slow burn’ costs such as reputational damage, litigation and loss of competitive edge.

Research conducted by Lloyd’s identified ransomware — such as the WannaCry worldwide ransomware attack last month and the current Petya attack — as a rapidly increasing threat, together with distributed denial-of-service attacks fraud.

“The reputational fallout from a cyber breach is what kills modern businesses,” said Lloyd’s chief executive Inga Beale. “In a world where the threat from cyber-crime is when, not if, the idea of simply hoping it won’t happen to you, isn’t tenable.”

Ms Beale said businesses should spend time understanding what specific threats they could be exposed to and speak to experts who could help handle a breach, minimise reputational harm and arrange cyber insurance to ensure that the risks were adequately covered.

“By reacting swiftly to mitigate the impact of a cyber breach once it has occurred, companies will be able to minimise the immediate costs and their exposure to subsequent slow-burn costs,” she said.

Related Content

- **Ports playing a zero-sum game**
- **Maersk suffers massive cyber attack**
- **Digital disruption inevitable, but beware of hype**

28 Jun 2017 | **Analysis** | **Arctic shipping** | **International** | **Environment**

Breaking through the ice: New currents in the Arctic

by Eric Yep

@ericyep | eric.yep@informa.com

China adds the Arctic to its Belt and Road strategy as other Asian countries boost engagement in the icy north

Beijing's long reach for the Arctic will have significant implications for the shipping industry.

ON June 20, China published a document titled Vision for Maritime Co-operation under the Belt and Road Initiative outlining the blue water component of President Xi Jinping's pet project to invest in infrastructure across a chain of countries along global trade routes.

The document, published by the National Development and Reform Commission and the State Oceanic Administration, talks about the Maritime Silk Road and trade corridors along the South China Sea, Indian Ocean and Pacific Ocean.

But there was a new development.

The document said: "Another blue economic passage is also envisioned leading up to Europe via the Arctic Ocean."

This is the clearest official statement made to date about the extension of China's Belt and Road Initiative to the Arctic Ocean, and could pave the way for a large-scale ramp-up in Beijing's engagement in the icy region from a trade, investment and maritime perspective.

Opinion on the impact of China's expanded engagement in the Arctic is divided.

It ranges from optimism about China's recognition of global organisations and international law, to strong suspicions about ulterior motives and a potential power grab in future.

Whichever way things go, Beijing's long reach for the Arctic will have significant implications for the shipping industry.

Here is the extract from the document about the Arctic component of Belt and Road:

"*Participating in Arctic affairs:*

China is willing to work with all parties in conducting scientific surveys of navigational routes, setting up land-based monitoring stations, carrying out research on climatic and environmental changes in the Arctic, as well as providing navigational forecasting services.

China supports efforts by countries bordering the Arctic in improving marine transportation conditions, and encourages Chinese enterprises to take part in the commercial use of the Arctic route.

China is willing to carry out surveys on potential resources in the Arctic region in collaboration with relevant countries, and to strengthen co-operation in clean energy with Arctic countries.

Chinese enterprises are encouraged to join in sustainable exploration of Arctic resources in a responsible way. China will actively participate in the events organised by Arctic-related international organisations."

The dragon flies north – China strengthens Arctic trade links

In 2010, when the Nobel Peace Prize was awarded to a Chinese dissident in Oslo, Beijing reacted angrily, cutting off trade ties with Norway for six years, until relations thawed in 2016 followed by Norwegian Prime Minister Erna Solberg's visit to China in 2017.

In April this year, before Mr Xi met US President Donald Trump in April, he made a strategic stopover in Finland to sign trade agreements. In May, the Danish Prime Minister Lars Loekke Rasmussen visited China.

Beijing already has a free trade agreement with Iceland, which was the first FTA between China and a European country when it was signed in 2013.

China is the European Union's second-biggest trading partner after the US, but its engagements with Nordic states are on the rise.

This is no coincidence.

Out of the eight permanent members of the Arctic Council, five are the key Nordic states of Denmark, Finland, Iceland, Norway and Sweden. The others are Canada, Russia and the US.

"Watch out for Chinese investment in Arctic infrastructure, such as in Greenland and Iceland," Capt J Ashley Roach, visiting senior principal research fellow at the Centre for International Law of the National University of Singapore, said.

With Arctic ice in summer set to vanish in coming years, China's economic interests in the Arctic will only grow further.

Given China's propensity for large-scale project development, often with disregard for local communities and the environment, it remains to be seen how increased maritime and offshore activity in the Arctic will play out.

A lot will depend on the goodwill of indigenous communities and national regulators, who face a clear challenge in the face of a changing Arctic. Beijing's shaky track record for overseas projects will only make this more complicated.

Waiting for the thaw – the evolution of Singapore's Arctic strategy

It has been over four years since five Asian countries were granted observer status on the Arctic Council — China, Singapore, South Korea, Japan and India.

These four years offer great insight into two distinct strategies employed by China and Singapore respectively for engaging in the Arctic.

While China's moves are centred on leveraging its economic muscle through trade and investment, most recently by including it under the Belt and Road plan, Singapore's strategy has revolved around providing expertise in formulating maritime regulation, hosting dialogue among countries and funding Arctic research.

Singapore's future Prime Minister in 100 years' time might have to conduct cabinet meetings in a scuba suit, as Singapore would be completely submerged underwater by then if nothing was done about climate change, a minister once said at an Arctic forum.

On a lighter note, one of Singapore's main capabilities as a prominent shipping hub is to contribute to global maritime organisations from an academic and regulatory perspective, to formulate policies on issues ranging from maritime law to oil spill control.

This rarely makes headlines, but the amount of academic research and dialogues that goes into maritime policy formulations is extensive and gruelling.

Singapore calls it the STEM framework comprising science, technology, education and management.

The second motivation for Singapore's participation has been as a genuine casualty of global warming as one of the world's low-lying islands.

Singapore plays a role in the Arctic ecosystem as a stopover site for Arctic migratory birds in winter, with over 100 species stopping over along the East Asian-Australasian flyway every year to rest and feed in Singapore's wetlands.

The final motivation for Singapore's Arctic efforts is economic, as Keppel and Sembcorp are two of the world's largest rig builders and have a business interest in the opening of the Arctic's energy reserves for exploitation.

Related Content

> **Maritime chokepoints pose risks to grains trade**

- **IMO thinking about Arctic fuel oil use**
- **A Polar Code for autonomous ships?**

28 Jun 2017 | **News** | **Tankers and Gas** | **Regulation** | **Japan**

Japan competition watchdog rules against LNG destination restrictions

by Eric Yep

@ericyep | eric.yep@informa.com

Ruling by Japanese regulator will hit LNG tonne-mile demand, change LNG trade patterns and trigger disputes

In the longer term, the move will help liberate the LNG trade and open up the market for non-traditional participants.

IN a much-anticipated decision, Japan's competition watchdog has ruled against the inclusion of destination restriction clauses in liquefied natural gas contracts, setting the stage for changes in trade patterns in LNG.

LNG producers and sellers traditionally insert a destination restriction clause in sales contracts, preventing buyers from reselling LNG cargoes on the open market. This allows them to corner their market and restricts shipping routes to a fixed voyage from loading port to discharge port.

The elimination of this clause will have a significant impact on LNG shipping.

In the short-term it is likely to cause a decline in LNG tonne-mile demand, as buyers like Japan's Jera will divert Atlantic Basin LNG cargoes to nearer markets such as Europe or the Middle East, and import nearer cargoes from Australia.

In the longer term, however, this move will help to liberate the LNG trade and open up the market for non-traditional participants. As the market grows, demand for LNG shipping should also grow.

Meanwhile, since Japan is still the world's largest importer of LNG, there could be some disruption in the market as cargoes on the water get diverted or if the ruling results in contract disputes and renegotiations.

In practical terms, changes in trade flows will see Qatar's LNG cargoes becoming more freely traded, given that they had some of the biggest long-term LNG contracts in the market.

Experts have also warned that since many LNG ships are designed to load and discharge at specific terminals, impromptu diversion of LNG cargoes at sea may result in technical mismatches and increase the risk of accidents.

When LNG sellers conclude a new contract or revise one after expiration, they should not provide competition-restraining clauses nor take business practices which lead to resale restrictions, according to a Japan Fair Trade Commission report published on Wednesday afternoon.

"Also, as for the existing contracts before the expiration, LNG sellers, at least, should review competition restraining business practices which lead to restrictions of resale and so on," the commission said, adding that it would "keep monitoring the LNG market and take strict actions against any violations of the Antimonopoly Act".

While this was not a legally binding decision, it effectively meant that destination clauses were on the path to extinction in Asia, following a similar path to that which Europe took a decade ago, Sanford C Bernstein senior analyst Neil Beveridge said.

"We would expect China and Korea to follow this recommendation," he said, adding that in Japan, all long-term LNG contracts delivered ex-ship contained destination clauses while most FOB contracts also contain destination restrictions.

"In addition, destination clauses reduce liquidity in the market and the removal of destination clauses will help in the development of gas pricing hubs," Mr Beveridge added.

Related Content

- **Will US LNG make a splash in China?**
- **LNG freight rates unruffled by Qatar crisis**
- **Up to 60 new LNG carriers needed to meet US export demand**
- **What to watch: LNG shipping**
- **Time of reckoning for LNG shipping**

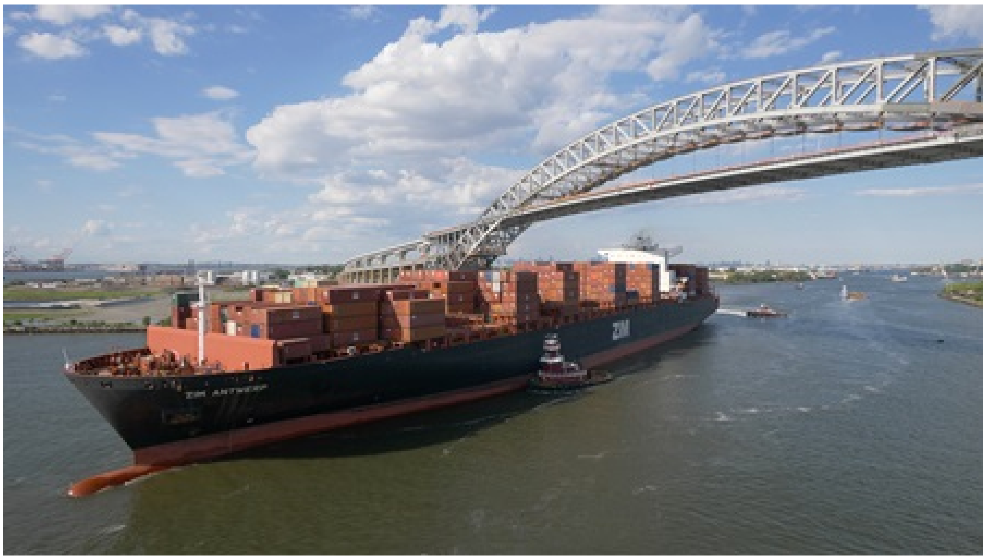
27 Jun 2017 | **News** | **North America** | **Middle East and ...** | **Israel**

New York welcomes bigger containerships

by Lambros Papaeconomou

@lpapaeconomou | lambros.papaeconomou@informa.com

In pictures: *ZIM Antwerp* easily sailed under the revamped Bayonne Bridge, ushering in a new era for the Port of New York and New Jersey



Bayonne Bridge links New Jersey to Staten Island

ZIM Antwerp has become the first 10,000 teu containership to berth at Maher Terminal in Port Elizabeth, New Jersey, having sailed under the raised Bayonne Bridge on Monday, exactly one year after the official opening of the new Panama Canal locks. The ship, operated by Israeli line Zim, followed the earlier transit of *Maersk Shanghai* and *Maersk Shenzhen*. The three sailings ushered in a new era for the Port of New York and New Jersey, with vessels of up to 14,000 teu ultimately expected to call at its terminals.

Capt Paniec Piotr Zbigniew, the ship's master, told Lloyd's List that the vessel easily sailed under the revamped bridge with a clearance of 8.2 metres, without any water depth or air draft limitations.

Until now, terminals beyond the bridge could only handle ships of up to about 8,000 teu, putting the port at a competitive disadvantage to US west coast gateways, where ships of up to 14,000 teu are now regular visitors.

But the Asia-US trades are behind the Asia-Europe trades where ships of 18,000 teu or more are in service.

Zim Antwerp commenced its voyage in China and South Korea, loading at Qingdao, Ningbo, Yangshan, and Busan before crossing the Pacific.

After transiting through the new Panama Canal locks, it called at Kingston, Jamaica and Savannah, Charleston, and Norfolk, before arriving at Port Elizabeth in New Jersey.

The vessel is scheduled to call next at Halifax, Nova Scotia, and Kingston, before heading back to China.

Representatives from Zim, the NY/NJ port authority, and Maher Terminal, attended a ceremony to commemorate the ship's arrival at Maher Terminal on June 27, 2017.

George Goldman, president of Zim USA, said the line was "one of the leading carriers serving the Asia-US east coast trade, which is expected to continue to grow following the expansion of the Panama Canal".

Mr Goldman told Lloyd's List that port infrastructure projects all along the eastern seaboard were extremely important, given the demographic trends in the US southeast, and the strategic location of New York.

Kevin McGee, manager of strategic analysis and industry relations at the Port Authority of New York and New Jersey, spoke about the importance of raising the Bayonne Bridge, and the concurrent dredging of Newark Bay, to enable terminals to handle much larger ships for the first time.

He also welcomed the fact that the historic bridge was saved and not replaced by a new one.

Bayonne Bridge was built in 1931 as the longest steel arch bridge in the world, a record it kept for 45 years. It connects Bayonne, New Jersey with the north shore of Staten Island.

It is a “sister” bridge to the iconic Sydney Harbour Bridge, which was completed only a few months after Bayonne Bridge.

If there was one reason to spoil the ceremony, it was the lack of export cargo from the US to the Asia.

Capt Zbigniew disclosed to Lloyd’s List that most containers loaded for the return voyage were empty.

Related Content

- New York/New Jersey fights for Midwest market with raising of Bayonne Bridge
- FMC allows New York/New Jersey and OCEMA agreement to come into force on Sunday
- Zim posts marginal first-quarter loss
- Zim posts $164m loss for 2016
- Zim finalises network restructuring
- Zim restructures mainline services

28 Jun 2017 | **News** | Dry Bulk | Ports and Logis ... | Ship operations

Dry bulk terminals lag in automation

by Nidaa Bakhsh

@LloydsListNidaa | nidaa.bakhsh@informa.com

Bulk terminals need to explore ways to increase efficiencies, say experts at TOC in Amsterdam

Bulk terminal operators face hurdles such as location and labour count in adopting automation.

DRY bulk terminals are lagging behind container terminals in terms of automation and they need to develop ways to increase efficiency to remain competitive, said speakers at the TOC Bulk event in Amsterdam on Tuesday.

Automation can lower costs, increase productivity, while raising safety standards, said Vale's performance improvement specialist Giselle Dazzi.

It has been successfully implemented in container terminals because cargoes are standardised, whereas bulk terminals handle many different types of products that require customised handling.

The bulk industry is not open to automation, said TBA's project manager Mi-Rong Wu. "With the technology we have now, there is better planning," she told an audience during a session.

But many terminal operators face a multitude of challenges, not least in terms of location and labour count, Ms Dazzi said.

For example, in countries such as China and Brazil, where labour is cheap, employment can be a social and political necessity. That means they are unlikely to adopt automated systems.

It is also much easier to include automation in greenfield terminals, rather than disrupting operations in existing sites, Ms Dazzi added.

Further down the line, it is not just terminals that will benefit from the technology. Even autonomous ships could lower costs by some 20%, she said.

Peel Ports has embraced semi-automated technology at its Liverpool Steel and Metals Terminal in northwest England which has made operations more safe and efficient.

The payback from the £9m ($11.5m) equipment and infrastructure spend could come in three to four years, said solution development manager Andrew Grindley. So much so it hopes to take the technology over to other terminals in the UK, such as Sheerness on the eastern coast, he added. The Liverpool terminal currently handles 80,000 tonnes of steel coil a year.

Related Content

- **Peel paves the way for UK expansion**
- **Brexit could hit UK's grains trade with Europe**
- **The future is automated shipbuilding and modular unmanned ships, says Rolls-Royce's Levander**
- **Can old shipping embrace new technologies?**
- **UK dry bulk ports under pressure**

28 Jun 2017 | **News** | Containers | Finance | Europe

Hapag Lloyd retains credit rating after UASC merger

by James Baker

@JamesBakerCI | james.baker@informa.com

Empty orderbook will allow carrier to pay down debt

Hapag-Lloyd's credit rating remains at B+

RATING agency Standard & Poor's has given a partial blessing to Hapag-Lloyd's $8.3bn debt burden, after maintaining its B+ rating.

Hapag-Lloyd acquired United Arab Shipping Co at the end of last month, and in doing so took on UASC's debt, nearly doubling its existing debt from $4.4bn to $8.3bn.

It also took on UASC's fleet of modern large tonnage, meaning it will not need to invest in any vessels for the next few years, freeing up cash flow for debt repayment.

"The company should be able to maintain credit ratios we consider commensurate with the current rating in 2017-2018," Standard & Poor's wrote.

S&P also acknowledged the competitive advantages of the merger with UASC, such as Hapag-Lloyd's larger size and capacity, and enhanced network diversity.

"Hapag-Lloyd has demonstrated its ability to integrate acquired businesses and extract synergies, for example, after the 2014 takeover of the container liner shipping activities of Chile-based Compañía Sud Americana de Vapores, which underpins our rating action."

Hapag-Lloyd plans to achieve savings of $435m from 2019 from the merger but a new report from SeaIntel questions whether these will be realised.

"With the Hapag-Lloyd merger with UASC going ahead, the German carrier is already announcing staff reductions in order to retain efficiencies," SeaIntel said. "However, data shows that the CSAV merger caused 11% efficiency loss, which has not been regained."

Hapag-Lloyd is understood to be reducing its staffing levels by 12% as a consequence of the merger with UASC in order to maintain efficiencies.

SeaIntel said Hapag-Lloyd had shown a consistent pattern since 2010 of being able to make gradual efficiency improvements, but more than two years after the merger with CSAV, Hapag-Lloyd had not been able to revert to the efficiency trajectory it had prior to the merger.

"This raises the question as to how quickly they will be able to regain their efficiency levels following the UASC merger — but also whether we will see another downwards level shift," SeaIntel said.

Related Content

- Hapag-Lloyd's marriage of convenience
- Qatar crisis threatens Hapag-Lloyd rights issue

28 Jun 2017 | **News** | Offshore | Tankers and Gas | Charter rates

Statoil awards seven long-term offshore vessel contracts amid market improvements

by Hal Brown

@hal_lloydslist | hal.brown@informa.com

Charters worth $368m are for five and three years

Solstad Farstad-owned Far Searcher is one of the vessels awarded five-year contracts.

NORWEGIAN oil and gas company Statoil has awarded long-term charter contracts to seven offshore supply vessels worth NKr3.1bn ($368m).

The owners and vessels awarded five-year contracts, including one-year extension options, were: Solstad Farstad-owned *Far Searcher*; DOF-owned *Skandi Mongstad* and *Slamdo Flora*; and Skansi Offshore-owned *Sjoborg*.

The owners and vessels awarded three-year contracts, including one-year extension options, were: Ugland-owned *Juanita*; and Havila-owned *Havila Foresight* and *Havila Charisma.*

“We look forward to a long-term co-operation with the chosen shipowners,” said Statoil’s senior vice-president for joint operations support, Philippe Mathieu.

He said the bidding process attracted high attention, with Statoil receiving bids for around 50 vessels from competent and highly qualified shipowners.

He added: “The contracts will bring predictability to both the shipowners and Statoil, and will allow us to focus on optimising our operations to continuously improve operation, safety and energy efficiency.”

The seven supply vessels will operate from the supply bases at Mongstad, Dusavik, Florø and Kristiansund.

Including these contracts, Statoil has 16 supply vessels on long-term contract with 10 different shipowners.

The oil and gas company said it would still need the spot market after these awards, but the need for spot vessels would vary from day to day.

None of the vessels awarded contracts currently have a system for battery operation or shore power, but the equipment will be installed, enabling savings in fuel consumption. The NOx fund "is a key support player" and contributor to the shipowners in their effort to install batteries, said Statoil.

The offshore vessel contracts come amid improvements in the market.

The steady climb in average monthly spot rates since the latter part of 2016 is perhaps an indication that the worst may now be behind us, according to Braemar in a recent North Sea offshore report.

With an average monthly spot rate of £3,957 ($5,074) in September 2016, compared with an average of £8,043 in March 2017, it is clear that many owners' efforts to strip out oversupply have had the intended effect on day rates, Braemar noted.

"Steady activity within the term market is also aiding owners' confidence with fresh term tenders," added Braemar.

Related Content

- **Creditors thwart Farstad Shipping's restructuring plan**
- **Marco Polo Marine gives SGX clarification on auditor's report**
- **Keppel offloads undelivered rig**

28 Jun 2017 | **News** | **Ports and Logis ...** | **Technology and ...** | **Belgium**

Antwerp to use blockchain technology in container handling operations

by Wei Zhe Tan

@ShipShape2003 | WeiZhe.Tan@informa.com

Move is part of port authorities' initiative to make Antwerp a digitally connected port

A digital platform will help eliminate physical paperwork from the container supply chain.

AUTHORITIES at the Port of Antwerp have 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.

The first stage of the planned project is to get a number of companies in the supply chain to participate in a short-term pilot programme, according to Antwerp port authority chief executive Jacques Vandermeiren.

"That's just one example," he said. "The smart management of goods flows will be accompanied by innovations in the management of infrastructure, logistics and mobility flows."

He noted that the maritime and shipping industry was in a period of major transition, with the introduction of new technology, particularly in the realm of digitalisation, artificial intelligence and robotics, which have been brought together by the advent of the internet, allowing big data to be processed quickly.

The port authority, city of Antwerp, the University of Antwerp and information technology firm imec are all collaborating to realise the goal of developing Internet of Things applications to help the city develop e-health solutions, improved port logistics and IT-driven industries, with a sustainable economy.

Specifically on the port and logistics side, port authorities will focus on IoT start-ups developing innovations in the maritime logistics and industrial space.

"The port authority wants all major assets in the port in real time and connected end-to-end integration in an open ecosystem with the private port companies," it said.

"The port also wants to attract new business, driven by technological developments such as a circular economy, biochemistry and renewable energy."

These developments come on the heels of the Port of Rotterdam's announcement that port authorities are working with four start-ups from the PortXL programme to develop a number of projects.

There were 10 start-up firms selected during the three-month programme, with up to nine of them clinching development contracts with companies such as Van Oord, Vopak, Boskalis, Alliander and Stena Line.

Chris Collins, chief strategy and corporate development officer of Containerchain, told Lloyd's List in an interview that the advent of the internet, combined with a prolonged downturn, have created ideal conditions for a digital sea change in the shipping industry.

Related Content

- **The time is right for digitalisation to change the shipping industry**
- **Maersk suffers massive cyber attack**
- **Digital disruption inevitable, but beware of hype**
- **Tech outfit adds 'medical wearables' to tracking seafarers' health**

- **Evergreen launches Alibaba service**
- **The data path to safer, cleaner and leaner shipping**

Nō te rere moana Aotearoa
MARITIME
NEW ZEALAND

Maritime Officer (Port State Control)

- **Are you trained in Port State Control under the Tokyo or Paris MOU?**
- **Maritime NZ have positions available in Whangarei, Tauranga, Nelson and Christchurch**
- **Great opportunity to bring your maritime expertise to the NZ maritime sector**

Maritime New Zealand is seeking to recruit Maritime Officers that are Port State Control qualified/experienced. These positions are located in New Zealand in our Whangarei, Tauranga, Nelson and Christchurch offices.

We are looking for evidence of qualifications and experience that must include:

- Port State Control Officer (PSCO) within the Paris or Tokyo MoU; or
- Surveyor employed by an IACS member; or
- Flag state inspector or surveyor; **and**
- STCW certificate of competency at the management or operational level in Navigation or Engineering, or equivalent documented seagoing experience.

The focus of the Maritime Officer role (alongside PSC) is to educate and support New Zealand's maritime sector – this includes monitoring compliance through effective inspections, audits, and enforcement under the Maritime Transport Act (MTA), the Health and Safety at Work Act (HSWA), the Tokyo MoU and relevant IMO instruments.

Successful applicants can expect to prioritise their PSC work alongside the Generalist Maritime Officer duties. This includes carrying out domestic commercial regulatory (MOSS) oversight, recreational boating safety engagement, investigations and other non-PSC activity.

Expectations for these positions are high. You will need to lead, support and train your colleagues in a challenging and dynamic environment while working collaboratively as part of your regional compliance team. You are also expected to engage across the Compliance Group, the wider Maritime New Zealand organisation, and with other New Zealand government agencies and abroad. Maritime NZ is a great place to work, offering diversity and a rewarding career opportunity. Our people are dedicated and driven to work towards our Vision and our Values.

Please note you will need to be available to travel and work across NZ at sometimes short notice and you also must hold a current full and clean driver's license.

If you believe you have the skills and experience we're looking for, please refer to the Maritime NZ Careers Page to review the position description and apply online.

As part of your application process you are required to complete our online employment application form, and submit your CV and cover letter (please note in your cover letter if you have a preference for location).

Note: Maritime NZ is an accredited employer with Immigration NZ. To be eligible for a Talent Visa you need to meet certain criteria.
To find out more click here

Applications Close: 17 July 2017

For general enquiries please email Rochelle.Wengrzik@maritimenz.govt.nz

The Eggborough CCGT (Generating Station) Order
The Planning Act 2008 - Section 56
The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 - Regulation 9
The Infrastructure Planning (Environmental Impact Assessment) Regulations 2009 - Regulation 13

NOTICE OF ACCEPTANCE OF AN APPLICATION FOR A DEVELOPMENT CONSENT ORDER (DCO) FOR THE EGGBOROUGH CCGT PROJECT

Planning Inspectorate Reference Number: EN010081

1. Notice is hereby given that the Secretary of State for Business, Energy and Industrial Strategy has accepted an application (the 'Application') for a Development Consent Order (a 'DCO') made by Eggborough Power Limited ('the Applicant') of Eggborough Power Station, near Selby, North Yorkshire, DN14 0BS under Section 37 of The Planning Act 2008 (the 'PA 2008'). The Application was received by The Planning Inspectorate on Tuesday 30 May 2017 and accepted for examination on 27 June 2017. The reference number for the Application is EN010081.

Summary of the Project

2. The Application seeks a DCO to authorise the construction, operation and maintenance of a new gas-fired generating station with a gross output capacity of up to 2,500 megawatts ('MW'), including electrical, water and gas supply connections and other associated development (together 'the Project').

3. The site for the Project ('the Project Site') covers an area of approximately 102 hectares and comprises land within the operational area of the existing Eggborough Power Station site (the 'existing coal-fired power station') for the gas-fired generating station and electrical and groundwater supply connections; corridors of land to the north of the existing coal-fired power station for cooling water and gas supply connections; an area of land to the south-east of the main coal stockyard of the existing coal-fired power station for surface water discharge connections; and corridors of land to the west and south of the operational area of the existing coal-fired power station for ground and towns water supply connections and access.

4. The main components of the Project are:
   - 4.1 An electricity generating station with a gross output capacity of up to 2,500 MW located on the main coal stockyard area of the existing coal-fired power station, comprising:
   - 4.1.1 a combined cycle gas turbine ('CCGT') plant, comprising up to three CCGT units, including turbine hall and heat recovery steam generator buildings, emissions stacks and administration/control buildings;
   - 4.1.2 a peaking plant and black start plant fuelled by natural gas with a combined gross output capacity of up to 299 MW, comprising a peaking plant consisting of up to two open cycle gas turbine units or up to ten reciprocating engines and a black start plant consisting of one open cycle gas turbine unit or up to three reciprocating gas engines, including turbine buildings, diesel generators and storage tanks for black start start-up prior to gas-firing and emissions stacks;
   - 4.1.3 combined cycle gas turbine plant cooling infrastructure, comprising up to three banks of cooling towers, cooling water pump house buildings and cooling water dosing plant buildings; and
   - 4.1.4 ancillary buildings, enclosures, plant, equipment and infrastructure connections and works.
   - 4.2 electrical connection works, comprising up to 400 kilovolt ('kV') underground electrical cables to and from the existing National Grid ('NG') 400 kV substation and works within the NG substation, including underground and over electrical cables, connection to busbars and upgraded or replacement equipment.
   - 4.3 Cooling water connection works, comprising works to the existing cooling water supply and discharge pipelines and intake and outfall structures within the River Aire, including, as necessary, upgraded or replacement pipelines, buildings, enclosures and structures, and underground electrical supply cables, transformers and control systems cables.
   - 4.4 Ground and towns water supply connection works, comprising works to the existing groundwater boreholes and pipelines, existing towns water pipelines, replacement and new pipelines, plant, buildings, enclosures and structures, and underground electrical supply cables, transformers and control systems cables.
   - 4.5 Rail infrastructure and access works, comprising alterations to or replacement of the existing private rail line serving the existing coal-fired power station site, including new rail lines, installation of replacement crossover points and ancillary equipment and vehicular and pedestrian access and facilities.
   - 4.6 Surface water drainage connection works to Hensall Dyke to the south-east of the main coal stockyard, comprising works to install or upgrade drainage pipes and works to Hensall Dyke.
   - 4.7 Gas supply pipeline connection works for the transport of natural gas to the gas-fired generating station, comprising an underground high pressure steel pipeline of up to 1,000 millimetres (nominal bore) in diameter and approximately 4.6 kilometres in length, including cathodic protection posts, marker posts and underground electrical supply cables, transformers and control systems cables, running from the gas-fired generating station under the River Aire to a connection point with the National Transmission System ('NTS') for gas No. 29 Feeder pipeline west of Burn Village.
   - 4.8 An Above Ground Installation west of Burn Village, connecting the gas supply pipeline to the NTS No. 29 Feeder pipeline, comprising a compound for National Grid's apparatus and a compound for the Applicant's apparatus.
   - 4.9 An area for temporary construction and laydown during the construction phase, including contractor compounds and facilities.
   - 4.10 An area to be reserved for carbon capture plant should such technology become viable in the future.
   - 4.11 Retained landscaping, encompassing the existing mature tree and shrub planting to the boundaries of the existing coal-fired power station

5. The Applicant is also seeking through the DCO powers of compulsory acquisition in interests and rights in land within the Project Site; the temporary stopping up of public footpaths during construction works; permanent and temporary changes to the highway network for and in the vicinity of the Project site; and a deemed marine licence for those parts of the Project within or affecting the tidal section of the River Aire, amongst other matters.

Environmental Impact Assessment

6. The Project is Environmental Impact Assessment ('EIA') development under 'The Infrastructure Planning (Environmental Impact Assessment) Regulations 2009'. The Application therefore includes an Environmental Statement (an 'ES') documenting the findings of the EIA undertaken.

Copies of the Application Documents

7. A copy of the Application, including all the documents, drawings, plans and maps (including the draft DCO and the ES) are available for inspection free of charge until **9 August 2017** at the venues and times set out below:

Locations	Opening Times
Snaith Library, 27 Market Place, Snaith, Goole, DN14 9HE	Tues - 2pm - 7pm; Thurs - 10am - 5pm; Sat - 10am - 12noon
Knottingley Library, Knottingley Sports Centre, Hill Top, Pontefract Road, Knottingley, WF11 8EE	Mon & Fri - 1pm - 5pm; Tue - 9.30am - 6pm; Wed - 9.30am - 5pm; Thurs & Sat - 9.30am - 1pm
Selby Library and Information Centre, 52 Micklegate, Selby, YO8 4EQ	Mon - 9.30am - 7.30pm; Tues, Wed & Fri - 9.30am - 5.30pm; Thurs & Sat - 9.30am - 12.30pm
Askern Library, Station Road, Askern, Doncaster, DN6 0JA	Mon, Wed, Fri & Sat - 10am - 1pm; Tue & Thurs - 10am - 6pm
Sherburn-in-Elmet library, Finkle Hill, Sherburn-in-Elmet, Leeds, LS25 6EA	Mon & Tues - 9.30am - 5pm; Thurs - 9.30am - 6pm; Fri - 9.30am - 1pm; Sat - 9.30am - 12.30pm
Eggborough Power Station Sports and Social Club, Eggborough, Goole, North Humberside, DN14 0OZ	Weds - 5pm - 9pm; Thurs 11am - 2pm & 5pm - 11pm; Fri - 11am - 9pm; Sat - 11am - 9pm; Sun - 11am - 5pm
North Yorkshire County Council, County Hall, Northallerton, North Yorkshire, DL7 8AD	Mon to Thurs - 8am - 5pm; Fri - 8am - 4.30pm
Selby Council (Contact Centre), Market Cross Shopping Centre, Selby, YO8 4JS	Mon, Tues, Thurs & Fri - 9.30am - 4pm; Wed - 10am - 4pm

8. The Application documents are also available to view online on The Planning Inspectorate's website: https://infrastructure.planninginspectorate.gov.uk/projects/yorkshire-and-the-humber/eggborough-ccgt/?ipcsection=docs&stage=app

9. Hard copies of the Application documents can be provided on request for a maximum copying charge of £150.00. Hard copies of individual documents are also available on request. A CD of the Application documents is available on request for a maximum charge of £15.00. The documents (or a CD) can be obtained by writing to: **Eggborough CCGT Consultation, c/o Dalton Warner Davis LLP, 21 Garlick Hill, London, EC4V 2AU.**

Commenting on the Application

10. Any representation (giving notice of any interest in or objection to the Application) must be made on The Planning Inspectorate's Registration and Relevant Representation Form which is available online at: https://infrastructure.planninginspectorate.gov.uk/projects/yorkshire-and-the-humber/eggborough-ccgt/

11. If you would like to request a hard copy of The Planning Inspectorate's Registration and Relevant Representation Form please telephone 0303 444 5000. Completed forms should be returned to: **The Planning Inspectorate, National Infrastructure Directorate, Temple Quay House, Temple Quay, Bristol, BS1 6PN.** The Planning Inspectorate reference number for the Application (EN010081) should be quoted in any correspondence.

12. The Planning Inspectorate's Advice Note 8.2: How to register to participate in an examination (Version 2, December 2016) provides guidance on how to register and make a relevant representation and is available online at: https://infrastructure.planninginspectorate.gov.uk/wp-content/uploads/2013/04/Advice-note-8-2v3.pdf

13. Please note that representations must be received by The Planning Inspectorate no later than the end of **9 August 2017.** Representations will be made public.

14. Further information on the Application can be obtain by visiting the Project website: www.eggboroughccgt.co.uk

Eggborough Power Limited - 29 June 2017