

LEAD STORY:

Hanjin's collapse has cost the Korean economy \$2.6bn

NEWS:

Lack of innovation is threatening container shipping

Shipping firms have no excuse for being vulnerable to cyber attacks

Blockchain reaches marine insurance

Chairman Ørbeck-Nilssen rings the changes at IACS

COMMENT:

Different venue, same refrain on digitalisation

MARKETS:

Global box demand is continuing a promising upward trend

Demand for post-panamax tonnage lifts charter market

IN BRIEF:

Berenberg has bought another \$460m from the RBS shipping book

Merger accounting loss cripples CSAV bottom line

British Ports Association welcomes Labour shift on Brexit

Triyards shares suspended from trading as restructuring sought

NYK seals deal for up to four VLCCs from two Japanese yards

China to develop iron ore mine in Brazil with ERG

Zim Korea appoints new chairman

Container shipping cryptocurrency initiative unaffected by China ban

Seafarer charities form collective fundraising push

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Hanjin's collapse has cost the Korean economy \$2.6bn



The collapse of Hanjin Shipping last year cost South Korea's shipping industry as well as the country's economy about Won3trn (\$2.64bn). That's the conclusion of a new report from a government-backed think tank which has also urged Seoul to consolidate Korea's shipping industry.

Globally, creditors of the failed line are owed about \$10.5bn, court papers filed with a US bankruptcy court showed recently. But the new report from the Korea Maritime Institute reveals how Hanjin's demise has taken a particular toll on small and mid-sized businesses in South Korea.

Cargo previously carried by Hanjin Shipping, which ranked number seven in the world at the time of its bankruptcy, switched to global competitors, effectively eliminating one of the core export channels for small and mid-sized businesses in South Korea.

A poll conducted in February by Korea International Trade Association found that 65% of shippers faced higher freight rates, while 57% of respondents were struggling with a lack of tonnage. Some foreign lines gave priority to cargo from other countries, with many Korean shippers consequently losing their competitive positions, said KMI.

About 1,000 jobs were lost in South Korea as a result of Hanjin's bankruptcy.

KMI has issued recommendations that other South Korean shipping lines should now boost their containership capacity in order to survive in the global marketplace, where large carriers have become increasingly dominant.

The institute also said the government should help to support the country's shipping industry.

NEWS

Most global carriers are now in the black

Container shipping lines have recorded a marked improvement in profitability in the second quarter, with most of the top 12 global carriers making money.

Only two of the top 12 container lines, HMM and MOL, recorded losses in the second quarter to 30 June.

Analysing the latest financials from the dozen leading container lines, SeaIntel said the results revealed a considerably "more positive picture than the horrendous second quarter of 2016".

Ten carriers posted profits in the April-June quarter, with only two – Hyundai Merchant Marine and MOL

– recording losses. HMM made a loss of \$81.8m in the quarter, having posted losses in six of the previous eight second quarters, while MOL reported a loss of \$55.1m in the period and has now recorded losses in the past seven second quarters.

"On the other hand, despite the revenue and volume loss from the cyber-security incident, we see an outstanding financial result from Maersk Line in 2017 second quarter, recording earnings before interest and tax of \$376m, more than three times the segment profit of second-best-performing Cosco at \$122m," said a note from SeaIntel shipping analyst Imaad Asad. "The remaining eight carriers all had 2017-Q2 operating profits of less than \$100m."

COMMENT

Different venue, same refrain on digitalisation

AMID all the calls for shipping to embrace the digital age, there is something uncomfortably familiar about the discussions playing out in Singapore at the Global Liner Shipping gathering.

The venue might be different, but the thoughts and opinions bandied about by participants in the various panel discussions seemed to return to the issue of how to capitalise on digitalisation and the resultant technological advancements to make logistical operations more efficient.

What is more, there seemed to be a general consensus that there was not a huge amount of transformational change happening in the container shipping industry operations-wise, with participants still fixated on the

notion that building scale was the answer to all their woes.

There was the obligatory mention of how shipping ought to look and learn from other industries that had been disrupted and at the companies that played the role of disruptor, such as Amazon or Tesla, for what they are worth.

But in many ways, industry participants were still at a loss to find a way to circumvent the 'silo effect', whereby whatever digital innovations or findings arise tend to be proprietary information.

This had been the case when shipbuilders attempted to put smart shipping technologies into effect, with

owners generally reluctant to share vessel operational data.

Perhaps what shipping needs, as futurist K D Adamson bluntly put it, is a “big, hairy audacious goal” to drive the digital push and, in spite of the dismal state of the industry, to be able to look beyond the profit motive.

And that shipping needs to stop being a zero sum game, leading to a digital divide between the haves and

the have nots, and instead become a ‘hero-sum game’, with gains for all in the industry.

The world had benefited tremendously from the internet, which was eventually made free for public use and development by the US federal government.

Perhaps shipping too could take a page from this and come up with its own ‘internet moment’.

Lack of innovation is threatening container shipping

Container shipping lines risk being left behind if they fail to innovate and provide the service their customers require. According to Damco Asia chief executive Thomas Knudsen, a “fundamental change” is going to be forced on container shipping over the next five years, because customers are not happy.

“Disruption has been coming to the industry from a variety of sources for a number of years,” he said. “But so far, this disruption has not been customer-centric enough.”

He added: “We have customers who are willing to pay \$5,000 per 40 ft box for a 14- 18-day transit from China to Europe. Why isn’t anyone offering a similar high-speed option via sea?”

Shippers want fast lead times, agile supply chains, better visibility and proactive disruption management, he told the Global Liner Shipping conference in Singapore.

If carriers fail to provide this, they should be concerned about disruptors finding a way into the business.

“It won’t be Amazon buying ships that they need to worry about, but it will be someone like Amazon changing the entire business model that will make a difference.”

Shipping firms have no excuse for being vulnerable to cyber attacks

Cyber attacks are now the “number one” risk for shipping companies, which have no excuse for not being prepared and could find themselves liable should an attack result in a data breach.

“If you are not prepared, you will be held to account,” Holman Fenwick Willan’s Toby Stephens warned

shipping line executives attending the Global Liner Shipping conference.

While shipping is generally good at dealing with operational risk, such as casualties or the loss of containers, there is still a worrying blind spot when it comes to cyber risk and the direct threat it poses to companies’ bottom lines, warned the lawyer.

Blockchain reaches marine insurance

The first blockchain platform for the marine insurance sector is to be launched following a successful trial involving broker Willis Towers Watson and insurers MS Amlin and XL Catlin.

The initiative has been hailed as “ground-breaking”, with participants saying it had the potential to dramatically improve the efficiency of insurance transactions.

The platform, which is set to be rolled out in 2018, marks another move towards blockchain becoming

a practical tool that can revolutionise traditional insurance industry processes.

Marine insurance is seen as an ideal beneficiary of blockchain technology given the class’s complex international ecosystem involving multiple parties, long paper chains and duplication, as well as high transaction volumes and significant levels of reconciliation. A recent PwC report suggested blockchain technology had the potential to reduce and reduce the sector’s expenses by up to \$10bn.

IACS chairman Ørbeck-Nilssen rings the changes

THE International Association of Classification Societies is revamping its membership criteria while keeping the door open to new members as it reinforces its leading safety role. Speaking in London, chairman Knut Ørbeck-Nilssen said the rules would be simple: any society that can meet the new membership criteria will be welcome; any society that can’t, won’t be welcome.

Mr Ørbeck-Nilssen, who is the chief executive of DNV GL’s marine division, took on the role as IACS chairman on July 1 for one year. He stressed that none of the existing 12 IACS members faces the threat of

expulsion under the new rules. Details of the revised qualifications will be disclosed later this month, and will come into force on January 1, 2018.

Members will also potentially be subject to changes to the quality system and quality benchmarking that IACS uses to evaluate their performance, a change that he deems to be a key parameter in helping them improve.

Although no external classification societies have applied for membership, IACS is in talks with Turk Loydu about how it could potentially apply.

MARKETS

CONTAINERS: GLOBAL

Global box demand is continuing a promising upward trend

Global container volumes have continued to climb at a healthy rate in the early stages of the second half of the year, as the major deepsea trades continued to drive up numbers.

The latest data published by Container Trades Statistics shows that total seaborne traffic on the world’s liner trades was recorded at 13.5m teu in July, up 4.7% on the 12.9m teu recorded in the corresponding month last year.

For the first seven months of 2017, global

CONTAINERS: POST-PANAMAX

Supramax bulker earning hit four and half month high

Buoyant global box volumes reenergised the charter market’s traditionally slack summer season, with sustained demand for larger tonnage stimulating rates all the way down to the smaller spot pools.

In the most active summer in years, time charter equivalent rates have not only held firm across most segments, but also are also being pushed upwards with ready available tonnage at a premium.

CONTAINERS: GLOBAL CONTINUED

containerised cargo movements were up 4.7% year on year from 88.5m teu to 92.7m teu, according to CTS.

So far this year it has been the major liner routes that have reported the most generous increases in traffic, with both the Asia-Europe and transpacific routes reporting buoyant box numbers on the strength of the US and key European economies. However, as yet this has failed to have any significant impact on freight rates. While remaining at levels above last year, spot rates have stayed relatively flat as capacity has risen steadily to more than cope with cargo increases. could be stretched out for weeks and the extended waiting time will keep the large number of vessels off the market, supporting spot rates.

The outages have a dual impact on crude shipping as refineries that rely on imported crude have pent-up demand for incoming tankers, and crude that is meant for exports gets accumulated, leading to pent-up demand for outgoing tankers.

CONTAINERS: POST-PANAMAX CONTINUED

With carriers filling their alliance quotas at the start of the summer, owners feared that they could be in for a quiet few months. However, unprecedented volume growth on the main liner trades, including on north-south routes, has ensured brisk business.

IN BRIEF

Berenberg has bought another \$460m from the RBS shipping book

Berenberg investment bank and an unnamed Japanese concern widely believed to be Orix have picked up a further \$460m-worth of the Royal Bank of Scotland's shipping book. They are also openly sniffing around for more.

The move comes after the German investment bank revealed last year it was taking \$300m of shipping debt from UK taxpayer-owned RBS, which axed its shipping department last December.

The latest move takes the overall volume of industry debt acquired by Berenberg over the past 12 months to more than \$1bn.

Merger accounting loss cripples CSAV bottom line

Chile-based shipping line CSAV has seen its bottom line plummet in the second quarter, largely affected by a dilution accounting loss of \$167.2m as a result of the merger between Hapag-Lloyd and UASC.

Including the one-off deficit, net loss in the quarter stood at \$179.3m, compared with last year's level of \$32.6m.

British Ports Association welcomes Labour shift on Brexit

The British Ports Association has welcomed a policy shift from the UK's Labour Party, with the opposition party now committed to seeing Britain remain in the single market and customs union after Brexit, at least on a transitional basis.

In particular, staying in the customs union would provide ports and traders with a welcome degree of certainty and continuity as the UK undergoes the inevitably protracted process of withdrawing from the EU, said chief executive Richard Ballantyne.

The group has previously warned that the so-called 'hard Brexit' option of sudden departure from all arrangements associated with the world's most successful trading bloc would significantly disrupt its members' work.

Triyards shares suspended from trading as restructuring sought

SINGAPORE-listed Triyards Holdings has called for its shares to be suspended from trading as it looks to restructure its debt amid the prolonged industry slump.

The shipbuilder had previously noted that it was encountering challenges in obtaining fresh liquidity, with the situation worsening since then.

It is now reassessing whether it is able to continue or finish up existing projects with whatever financial resources it has left and has also met the relevant stakeholders to ensure projects being worked on can be delivered to its clients.

Triyards said it was not able to deliver a number of vessels to clients within the agreed contract dates as the owners had yet to serve cancellation notices. It is holding talks with these clients to come up with new delivery schedules while simultaneously working with its lenders to see if financing for the projects could be increased.

NYK seals deal for up to four VLCCs from two Japanese yards

NYK Line has sealed a deal with two of its compatriot Japanese shipyards for up to four very large crude carrier newbuildings.

Japan Marine United and Namura Shipbuilding have been contracted to construct three tankers plus an option for one additional vessel of the same type.

Two of the newbuildings are expected to be delivered in 2019 and the other two are scheduled for 2020. According to the official, NYK has been trying to grow its very large crude carrier fleet to sign more medium- to long-term charter deals with Japanese oil companies.

It currently has a fleet of 29 VLCCs.

China to develop iron ore mine in Brazil with ERG

Eurasia Resources Group has signed a Memorandum of Understanding with a Chinese consortium and the Brazilian state of Bahia to develop a \$2.4bn mining and logistics project.

The Pedra de Ferro mine is expected to produce 20m tonnes per year of high-quality iron ore once it is operational.

The project includes the construction of the Fiol railway, and the deepwater port of Porto Sul, which will be able to handle capesizes, for exporting the iron ore as well as shipments of agricultural products.

Zim Korea appoints new chairman

Zim Korea has appointed Lee Jae-hoon as its Seoul-based chairman, effective from September 1.

Mr Lee replaces Lee Goo-rak, who continues to work for the company as a standing adviser, the new chairman confirmed to Lloyd's List. The appointment became effective as of September 1. to handle capesizes, for exporting the iron ore as well as shipments of agricultural products.

Container shipping cryptocurrency initiative to bypass China ban

China's ban on initial coin offerings, or ICOs, will not affect 300cubits' cryptocurrency initiative for the container shipping sector, according to the firm's founder Johnson Leung said.

"We are not raising money in China. We do the ICO in Hong Kong," Mr Leung said on the sidelines of the Shipping2030 conference. Saying that the ban in China was only in ICOs and not all tokens, he added: "I expect the ICO market [in China] to come back."

China's central bank said ICOs were illegal and asked all related fundraising activity to be halted earlier this week.

ICOs are a cross between crowdfunding and an initial public offer involving the sale of virtual coins. Unlike an IPO, where the investor gets shares, an investor in an ICO gets virtual tokens that grow in value and become more liquid if the startup issuing the ICO proves viable and attracts more buyer interest.

Mr Leung's 300cubits is a Hong Kong-based startup that aims to solve the problem of no-shows and rolled cargo in container shipping with a cryptocurrency called TEU and integrating the booking process with Ethereum — a blockchain platform that features smart contracts.

Seafarer charities form collective fundraising push

Four leading seafarer charities have come together in a collective fundraising effort for London International Shipping Week 2017.

The bid to raise funds for work supporting seafarers is being made by The Mission to Seafarers, Seafarers UK, Apostleship of the Sea and the Sailors' Society. The charities have launched a new initiative in which donations can be made via text message; the proceeds will be divided between them.

A £5 donation can be made in the UK by texting LISW17 £5 to 70070.

A £10 donation can be made in the UK by texting LISW17 £10 to 70070

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