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CMA CGM in fresh talks over 20,000 teu orders

French carrier actively seeking up to six units to fulfil alliance commitments

CMA CGM is looking to add to the three 20,000-plus teu vessels it has on order.

CMA CGM has been talking to shipyards about ordering more 20,000 teu ships, industry sources have confirmed, *writes Linton Nightingale*.

Negotiations have taken place over the possibility of ordering at least six ships in this class, plus options, said a South Korean yard official in the talks, adding that delivery dates have yet to be discussed.

Broking sources have since verified claims talks have taken place between the yards and the French carrier. However, they stated that these talks revolved around orders for just three 20,000 teu units.

One broker told Lloyd's List that CMA CGM is actively seeking larger tonnage to meet its Ocean Alliance commitments, although it is more likely it will acquire them from one of its alliance partners. Cosco Shipping Lines would be the most likely candidate, with CMA CGM taking ships on a long-term charter basis rather than risk destabilising an already fragile market.

Although carriers have managed to close the supply and demand gap in 2017, having restricted the roll-out of new vessels into the market on the back of higher than expected demand, this fragile market can expect to come under even more pressure given the sheer number of newbuildings in the pipeline.

In response to reports that it is considering adding more 20,000 teu units to its fleet, CMA CGM did not deny the claims. It was able to confirm that it is "having continuously technical contacts with major shipyards, as part of our usual intelligence watch on technologies, designs and other aspects of the industry".

Although CMA CGM does not have any ships above a capacity of 20,000 teu in its active fleet it does have units on order.

The carrier has an agreement with South Korea's Hanjin Heavy Industries Subic Bay, Philippines shipyard for the building of three 20,600 containerships.

CMA CGM placed the order in 2015, with the first vessel originally slated for delivery in the final quarter of this year. This has since been pushed back to next year, CMA CGM confirmed.

Polaris buys secondhand tonnage but denies newbuilding reports

Korean owner due to take delivery of VLOC at end of this month

Polaris has embarked on a fleet structural survey programme for all converted VLOCs it owns after the *Stellar Daisy* casualty.

POLARIS Shipping, which has grabbed headlines over the past few months due to the sinking of its vessel *Stellar Daisy*, has swiftly jumped into the secondhand market with the purchase of two supramax vessels, *writes Inderpreet Walia*.

With the market price for secondhand deals hovering marginally above all-time low levels, the South Korea-based bulker owner said today that it has bought two 57,000 dwt vessels — one Chinese-built and the other Japanese-built — at an undisclosed price.

A company spokesperson said that one of the supras was already in the water and was under a charter, while the other was expected to be delivered in mid-June this year.

However, he declined to immediately identify the vessel or the seller.

Alongside this, the company said that it expected to take delivery of the last of the three very large ore carriers ordered in 2014 and denied widespread media reports that those were newbuilding orders placed recently.

The three-ship series was contracted from Hyundai Heavy Industries at about $80m each, with the first two vessels delivered in 2015 and 2016, VesselsValue data shows.

The company is slated to take delivery of the 300,000 dwt *Stellar Crown* by the end of this month.

The vessel is understood to be engaged on a long-term contract with Vale.

The deals, which mark an active period of fleet rebuilding for Polaris, will increase the company's fleet to 36 bulkers.

Polaris has embarked on a fleet structural survey programme for all converted VLOCs it owns after the *Stellar Daisy* casualty, with the Korea Register and Lloyd's Register as independent consultants. According to market participants, Polaris will most likely replace its older converted vessels with new ones.

Lifting of Malaysia cabotage policy creates relocation fears

Clyde & Co says Malaysian shipping companies are anticipating bigger losses as a result

Foreign vessels, while allowed to discharge at any port in Malaysia, were not allowed to move cargo within the country earlier.

THE Malaysian shipping industry is not adapting well to the lifting of the cabotage policy, Clyde & Co has said, *writes Abdul Hadhi*.

The east Malaysian states of Sabah, Sarawak and Labuan in the island of Borneo were exempted from cabotage laws for the carriage of cargo between west Malaysia and east Malaysia from June 1. Malaysia had earlier permitted only Malaysian vessels to

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engage in domestic cabotage. Foreign vessels, while allowed to discharge at any port in the country, were not allowed to move cargo within the country.

Shipping companies are anticipating bigger losses with the lifting of the ban. They are worried they will not be able to compete with foreign vessel operators, Clyde & Co said.

Noting that the Malaysian Shipowners' Association has warned that increased external competition will adversely affect Malaysian vessels operating in previously cabotaged routes, the legal firm said domestic shipping companies are likely to close shop or relocate their businesses elsewhere.

The lifting of the cabotage policy was attributed to prolonged periods of transit, which resulted in increased port charges and risk of cargo theft as well as delays in the arrival of goods.

Liberalisation moves started in 2009, when the carriage of containerised transhipment cargo between certain ports in west Malaysia and east Malaysia was allowed. This was followed in 2012 when passenger cruise ships were exempted from cabotage laws.

Exceptions were also made through the issuance of temporary licenses to allow foreign vessels to engage in domestic shipping when the number of available Malaysian ships were insufficient.

However, foreign vessels required an endorsement from the Malaysian Shipowners' Association, which often left foreign vessels at the mercy of domestic shipowners.

Stolt-Nielsen keeps its cards close to its chest on UACC

Chemical tanker giant will expand its fleet but will not reveal who is a target

Oslo-listed Stolt-Nielsen has made no secret of its desire to expand.

STOLT-Nielsen, which runs one of the world's largest publicly listed chemical tanker fleets, is reluctant to reveal progress on its consolidation ambitions — but the chemical tanker industry can be sure that the giant will strike soon, *writes Hal Brown*.

In light of a report by Reuters that Middle Eastern bidders are said to have emerged as potential buyers of United Arab Chemical Carriers, Lloyd's List asked Stolt-Nielsen if it would be interested in making the acquisition.

A Stolt-Nielsen spokesman replied with a "no comment", on both the UACC question and on general progress about its fleet expansion plans.

Oslo-listed Stolt-Nielsen's name naturally enters the fray when a potential chemical tanker fleet sale pops up. This is because Stolt has made no secret of its expansion plans.

Eight weeks ago it announced it was separating out its tanker fleet from the rest of the Stolt-Nielsen group in order to seek tanker targets with which to consolidate.

"It gives us the opportunity to look for further consolidation opportunities in the chemical tanker segment," said Stolt-Nielsen chief executive Niels Stolt-Nielsen.

The move might also involve an initial public offering for the tanker operation.

Any acquisition would build on Stolt's previous deal. In November 2016, it completed the $575m deal to buy Jo Tankers, consisting of 13 chemical tankers and a 50% share in a joint venture with eight chemical tanker newbuildings.

As for the potential sale of UACC, Reuters reported that United Arab Shipping Company holds a 45% stake in UACC and its sale is a condition of UASC's merger between Hapag Lloyd.

Saudi Arabia's Bahri is said to be among the suitors, together with Qatari shipping group Milaha and an unidentified United Arab Emirates-based bidder, according to Reuters.

UACC has a fleet of 24 chemical and product tankers. This is dwarfed by Stolt's total fleet of 162 tankers — a true giant of the industry capable of absorbing smaller players up for sale.

Marshall Islands court rejects Frontline's complaint against DHT

John Fredriksen's tanker giant suffers another legal setback

John Fredriksen's Frontline made its unsolicited bid to acquire DHT in an all-share deal in end-January.

FRONTLINE has suffered yet another setback in its pursuit of rival tanker company DHT Holdings, with the Marshall Islands High Court denying its request for a preliminary injunction to block DHT's purchase of BW's very large crude carrier fleet, *writes Max Tingyao Lin*.

The court ruled that the acquisition of the BW fleet "fell within the sound discretion of the DHT board of directors' business judgement" and on Wednesday issued an order to reject Frontline's request, DHT (news, data) said in a company statement.

In late April, Frontline also asked the court to require DHT to set aside its poison pill and other "improper takeover defences" that DHT has "erected to entrench itself" and its management against offers by Frontline and other third-party bidders, aside from BW Group.

That effort was thwarted as well with the court ruling that Frontline "has no likelihood of success" on such challenges, the DHT statement said, without elaborating.

Frontline made its unsolicited bid to acquire DHT in an all-share deal in end-January, having purchased nearly 16% of the target's outstanding shares. DHT rejected the bid and erected some anti-takeover measures, the so-called poison pill.

In March, DHT announced it would purchase BW's entire VLCC fleet of 11 vessels, including two newbuildings, in a deal that will make BW the largest shareholder in DHT.

In response, Frontline filed a complaint with the Supreme Court of the State of New York to block the BW-DHT deal, saying the DHT board and management did not act in the best interest of the shareholders. The case was dismissed.

Justice Barry Ostrager questioned the timing of Frontline's lawsuit, which came just two days before the first VLCC in the BW-DHT deal was due for delivery. He also doubted that this should fall under his jurisdiction.

The suit in the Marshall Islands, where DHT was incorporated, came after Frontline's failure in New York and was of similar nature.

Lloyd's List has sought comment from Frontline.

Moody's warns of tough times ahead for German shipping lenders

Top five lenders see aggregate increase in non-performing loan share

HSH Nordbank and Germany's other top shipping lenders must steel themselves against toxic loans.

IN spite of an aggressive offloading campaign and amid an increasing share of non-performing loan, Germany's top shipping lenders will need to bolster their resilience against prospective shipping loan losses, a new Moody's report says, *writes Anastassios Adamopoulos*.

Germany's top five shipping lenders — HSH Nordbank, Nord/LB, DVB Bank, KfW Ipex

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and Commerzbank — had a total of €59bn ($66.5bn) in outstanding shipping loans by the end of 2016, marking a €25bn reduction from 2012's levels, with Commerzbank and HSH offloading around 75% and 41% of their exposure respectively, Moody's reported.

However, the average problem loan ratio rose from 28% at the end of 2015 to 37% at the end of last year, with these toxic holdings accounting for over 50% of Nord/LB's loans and less than 5% of KfW Ipex's loans. Overall, the five banks lost €6bn through provisions in 2016, or 37% of their total pre-provision profits. Moody's attributed 80% of these losses to shipping loans.

The credit rating agency further warned that HSH, which is engaged in a privatisation effort, DVB and Nord/LB will see their profits hit the hardest as they are most intimately linked to shipping loan credit costs, which Moody's contended would rise due to the adverse prevailing conditions in the industry.

"We consider that overcapacity, persistently low freight rates and low usage levels will continue to challenge shipping companies' operating cash flows and debt-servicing capacity, and also contest related ship collateral values. This will put pressure on exposed banks' profitability and — in an adverse scenario — capital in 2017 and potentially beyond," Moody's said, despite certain segments possibly having reached the bottom of the barrel.

Germany's financial institutions have also raised their aggregate problem loan coverage ratio, which indicates the extent to which they can absorb their non-performing loans, from 45% in 2015 to 51% last year.

Despite the increase, the ratio is not enough to safeguard against possible shipping loan losses, and each bank should aim to have a minimum 60% coverage ratio, Moody's warned. The current 51% average ratio is calculated from a wide range across the banks, with DVB having 23%, Nord/LB 48%, HSH and KfW Ipex both with 60% and Commerzbank 64%.

Yang Ming establishes Central and South American centre to expand market share

The move comes as The Alliance deploys larger ships to transit the new Panama Canal and adds more ports of call to the Caribbean Sea

Yang Ming operates seven loops each week in Central and South America via joint deployment, with calls at 20 major ports.

YANG Ming Marine Transport has established a wholly-owned subsidiary in Panama to serve as its Central and South American regional centre, with expansion of the city's canal expected to boost ship size and traffic in the region, *writes Cichen Shen*.

The subsidiary, Yang Ming (Latin America) Corp, started service on June 8, 2017. Wen-Jin Lee is the company's first president.

Mr Lee is also the president of Yang Ming (America) Corp.

"Viewing the moderate growth of South America, The Alliance deploys larger ships to transit the new Panama Canal and adding more ports of call to Caribbean Sea, the potential of South American and Caribbean Sea markets helps Yang Ming to set up its own company to perform as the regional centre," said the Taiwanese carrier.

In addition to Yang Ming, other members of The Alliance include Hapag-Lloyd, Kawasaki Kisen Kaisha, Mitsui OSK Lines, and Nippon Yusen Kabushiki Kaisha.

The regional centre aims to centralise the local service network, including pricing, operations, equipment control, slot and feeder arrangement, Yang Ming added.

"Yang Ming expects to gradually expand the market share and the business scale in this region and to reduce the operation costs significantly."

Yang Ming operates seven loops each week in Central and South America via joint deployment, with calls at 20 major ports.

Earlier this month, The Panama Canal Authority said it was seeking industry feedback on the proposed changes to its current toll structure, which is aimed at increasing traffic following the canal's expansion last year.

The 30-day formal consultation period for the proposed changes to tolls ends on July 3.

Trafigura reports stronger coal and metals markets

Asian demand for crude oil and refined products robust, says trading giant

TRADING giant and major charterer Trafigura saw healthier and more profitable markets for coal and iron ore during the six months to end-March 2017, which have supported freight rates in the dry bulk market, *writes Abdul Hadhi*.

Weir: Chinese supply curbs stimulated new import flows in coal and the iron ore market showed new signs of life.

In coal, Chinese supply curbs stimulated new import flows, for example from Indonesia, Australia and South Africa, while the iron ore market also showed signs of new life, the Swiss company's chief executive Jeremy Weir said.

Amid optimism about economic growth and potential infrastructure investment, the commodities trader said signs of supply tightness surfaced in zinc and copper concentrates.

Refined metals saw sharp expansions in demand, with aluminium being a particularly strong performer.

Reflecting the trade growth, gross profit from Trafigura's metals and minerals segment rose 52% year on year to $586m.

However, the chronic oversupply in the oil market and low levels of realised volatility reduced profitable opportunities for trading in that segment. The trader's gross profit from oil and petroleum products fell 17% to $652m.

Nonetheless, demand for crude oil and refined products remained robust, especially in Asia, allowing Trafigura to export from the shale fields of the US and build incremental sales to China and India.

The trader expects its daily average trading volume for the full 2017 fiscal year to exceed 5m barrels per day compared with 4.3m barrels per day in fiscal 2016.

It recently agreed to charter up to 32 new oil and products tankers from BoComm Financial Leasing, which will be delivered in 2018 and 2019.

Overall, Trafigura reported a 12% year-on-year increase in earnings before interest, tax, depreciation and amortisation of $921m for the fiscal first half, from $821m previously.

Record US fuel production supports clean MR tanker rates

Atlantic MR rates stay near five-week high as vessel supply tightens

STRONG US fuel production volumes and healthy demand in Latin America and across the Atlantic are keeping medium range clean tanker rates in the Atlantic trades at about their five-week high, with a seasonal uptick in summer auto fuel consumption expected to continue supporting shipping requirement in the future, *writes Eric Yep*.

The benchmark TC2 rate for gasoline shipments from northwest Europe to the US Atlantic coast closed at Worldscale146.94 on Wednesday, or $9,081 per day, according to the Baltic Exchange. The TC14 for

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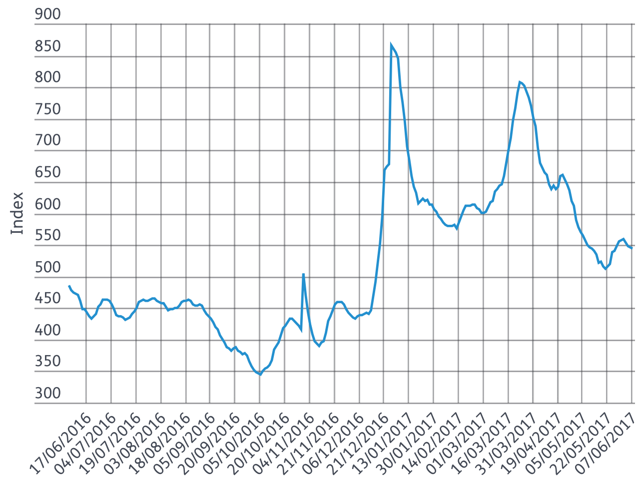
Baltic Exchange assessments

Type	Route	June 07 (W, TCE)	May 31 (W, TCE)	Gain/Loss (TCE)	Pct change
MR	Atlantic basket	$12,919/day	$12,025/day	$894	7.4%
LR2	TC1	W89.25, $6,315/day	W88.81, $5,947/day	$368	6.2%
LR1	TC5	W110, $7,204/day	W106.11, $6,401/day	$803	12.5%

Atlantic basket: contributing routes are TC2_37 and TC14; TC2_37: northwest Europe-US Atlantic coast; TC14: US Gulf-northwest Europe. TC1, TC5: Middle East-Japan.

BCTI
Baltic Exchange Clean Tanker Index
June 7, 2017



Highest: 867 3/1/17 Lowest: 346 5/10/16 Latest: 545

Source: Baltic Exchange

diesel shipments from US Gulf to northwest Europe rose to W111.88, or $4,522 per day, helped by falling inventories in Europe.

US refineries processed 17.5m barrels per day of oil in the week ending on May 26, according to the US Energy Information Administration, roughly 1.2m bpd higher than 2016 and 2.2m bpd above the 10-year seasonal average.

This pushed up product supply and kept prices low, facilitating significant export volumes despite strong domestic demand. The US exported 640,000 bpd of gasoline in the week ending on May 26, and 1.25m bpd of distillate fuel oil, which was near record levels, the EIA said.

Its short-term energy outlook said weekly data for April 2017 showed gasoline consumption plus exports touching a new five-year high for the month. US gasoline exports originate mainly from the Gulf Coast region and head towards Latin America, Central America and the Caribbean.

Shipbrokers said gasoline shipments on MR tankers from the UK to the US often include optionality for deliveries in Venezuela, where fuel shortages have been reported in recent months. Enquiries have been strong because owners were keen to position vessels in the US market to benefit from strong charter rates.

MJLF senior analyst Court Smith said the reverse leg of the transatlantic MR trade was also supported by low distillate inventory levels in Europe.

"A substantial amount of diesel gasoil now flows to Latin America, but the incremental demand to Europe remains critical to the strength of rates. Rates for US Gulf exports remain well above their five-year average and have been trending upwards since the start of May," Smith said.

He also noted that clean tanker rates on the US to Europe leg have been softer this year when compared with 2016 but are now rising despite gasoil demand being lower in the summer, and that MR volatility continues to surprise this year.

"We started the week with a relatively tight position list through 14 days, which is a positive sign for rates, assuming cargo activity continues this week," Mr Smith added.

Estimates by MJLF showed the number of ships available for the seven days from Monday was 23, below the average of nearly 26 to start the week last year. However, low Russian diesel production is starting to recover and could replace US volumes and pressure MR tanker rates again, especially if demand does not hold up.

Industry-led logistics forum launched

OECD brings groups together to improve the performance of the maritime supply chain

REPRESENTATIVES of the maritime logistics chain have launched the Global Maritime and Logistics Forum, a new industry-led forum supported by the International Transport Forum of the Organisation for Economic Co-operation and Development, *writes James Baker*.

The forum is designed to bring together shippers, including port and terminal interests, to discuss supply chain issues across the industry, according to Global Shippers' Forum secretary-general Chris Welsh

"Shippers realise that mega ships are here to stay for the

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Welsh: The maritime logistics supply chain is fragmented and therefore not fully aligned to deliver a truly integrated service.

foreseeable future," Mr Welsh said. "We have a joint interest in making the mega ships and alliance model work, and in working together to iron out problems and identifying measures that would help in optimising the overall performance of the maritime logistics supply chain."

The forum came out of a roundtable at the Summit of the International Transport Forum of the OECD to discuss the governance of the maritime logistics chain. The roundtable discussion included representatives from the Global Shippers Forum, International Chamber of Shipping, Feport, FIATA, port and terminal representatives, Unctad, the Global Institute for Logistics and the International Transport Forum of the OECD.

Stakeholders, including carrier interests, met in open and closed sessions to discuss how they could work together to improve the performance of the maritime supply chain.

The groups represented agreed that stronger collaboration between stakeholders had the potential to dramatically improve the performance of maritime logistics chains. In order to enhance this co-operation, the stakeholders decided to form a global maritime logistics forum that would meet regularly.

"We have been working with organisations such as Feport, the association of independent terminal operators, ITF/OECD, freight forwarders, port interests and others to establish such a forum," Mr Welsh said.

"I believe such a forum is long overdue. The maritime logistics supply chain is fragmented and therefore not fully aligned to deliver a truly integrated service for all those involved in the chain, and especially for its customers."

The forum presented a "real opportunity" for stakeholders in the maritime container industry to engage in a non-confrontational debate about how, by working together, they could enhance and optimise performance throughout the whole supply chain, Mr Welsh added.

"This is the best possible kind alliance to truly move our industry forward."

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