Global Maritime Weekly Digest

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The ***Global Maritime Weekly Digest****, based at* ***Southampton SOLENT University****, provides a regular flow of maritime news and analysis, of significance in a global context.*
Topics covered include shipping fleets and management, seaborne trade, ports, shipbuilding, ship recycling, maritime policy and regulations, and seafarers' labour.

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Editorial comments

- Changes in the availability of ***finance for shipping*** activities have been prominent in recent years, with a decline in bank lending one of the most noticeable trends (item 2).
- An analysis by a consultancy firm notes that several ***alternative sources of funds*** have expanded to fill the gap, including leasing companies and equity funds, although banks in some countries are now showing signs of increasing their involvement.
- A significant regulatory amendment was the decision just taken at the IMO to delay implementing the ***ballast water management convention*** by two years for existing ships, until September 2019 (items 3 and 4). If it had been implemented this year, the major cost entailed in meeting requirements may have boosted the attractiveness of recycling, in markets where revenue is low.
- It is well known that many ships rarely visit ports in the country where the vessel is owned. This feature of global seaborne trade patterns is confirmed by an ***analysis of port calls*** (item 1) which confirms that, in the bulk carrier and tanker sectors, Greece, Norway, Italy and Denmark are the classic 'cross-traders'. Ships of these nationalities are not often seen in domestic ports.
- The large-scale ***containership operator takeover*** of Hong Kong's OOCL by China's COSCO has elicited much comment. This combination is still subject to regulatory approval. One consultancy assessment (item 5) suggests that the biggest impact will be seen in intra-Asian trades. The combined company will be the world's third largest in the sector, with an 11% global market share based on a fleet with 2.2m teu (twenty foot equivalent unit) capacity.

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(1) Clarksons Research, 10 July 2017

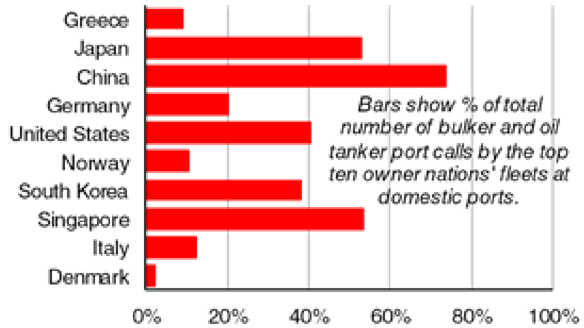
Homeward Bound?

“Going where the work is” has been a familiar mantra for many generations across the world, and the shipping industry is no different. Indeed, much of the world’s oil tanker and bulker fleet will be familiar with the sentiments of Simon and Garfunkel, wishing they were “homeward bound” but rarely getting “home where the music’s playing” as “every stop is neatly planned”!

Graph of the Week

Shipowners, At Home And Away...

The graph shows the share of bulkcarrier and oil tanker port calls by the top ten owner nation fleets that were at domestic ports in 2016. Methodology for calculating port calls varies; this analysis utilises a broad definition based on vessel movements into and out of port locations. Nationality of ownership is defined as the “real nationality”, reflecting the home country of the primary reference company connected to each ship. Owner rank is based on the size of the owner nation’s fleet (100+ GT) in GT terms as of start June 2017. GDP data is sourced from the IMF. Seaborne trade rank basis estimated seaborne oil and dry bulk imports and exports in tonnes in 2016.



Owner Rank	Owner Nation	World Fleet (m GT)	*of which oil tankers & bulkers (m GT)*	GDP Rank (2016)	Seaborne Importer Rank (2016)	Seaborne Exporter Rank (2016)	Seaborne Trade Rank (2016)
1	Greece	210.1	*171.3*	50	29	50	47
2	Japan	164.2	*109.9*	3	2	29	5
3	China	146.1	*102.5*	2	1	8	1
4	Germany	89.8	*25.6*	4	11	40	24
5	US	64.9	*30.3*	1	5	6	3
6	Norway	56.6	*28.3*	31	52	25	35
7	S Korea	53.4	*35.2*	11	4	20	7
8	S'pore	42.0	*22.7*	37	8	24	12
9	Italy	41.3	*16.2*	8	10	37	18
10	Denmark	30.6	*8.5*	35	49	68	61

Source : World Fleet Register, Clarksons SeaNet

Far And Wide…
Our analysis this week looks at the top shipowning nations and the trading patterns of their fleets, using data from our World Fleet Register and our vessel tracking system, Clarksons SeaNet. This analysis is based on the port calls and movements of the oil tanker and bulkcarrier fleet only (the “bulk fleet”); we will be taking a closer look at containership deployment in a future edition of Shipping Intelligence Weekly.

“Cross-Traders”…
Of the top ten owning nations, Greece, Norway, Italy and Denmark come out as the classic “cross-traders”. Ships owned by Europeans call at their “domestic” ports less than 15% of the time and rely heavily on trade routes involving Asia-Pacific countries. For nations like Greece (9% domestic port calls) this is a long-standing feature, achieving its number one shipowning status despite a global GDP ranking of 50 and a bulk seaborne trade rank of 47. The countries which Greek owned ships call at most often are China (14% by tonnage, 11% by number) and then the US (12%). Indeed for European owners generally, maintaining their share of global tonnage at an impressive 42% for the bulk fleet (45% for all ships) has come despite Atlantic trade stagnating at 3bn tonnes in the past fifteen years, while Pacific trade has more than doubled (to 8bn tonnes), a dramatic relative increase in trading outside Europe.

Sticking Close To Home…
At the other extreme, the Chinese and Japanese fleets come out with over 50% of calls at domestic ports, while the South Korean fleet sits at 38% (note the analysis includes some bunkering calls, notably at Singapore, but also elsewhere). Although China continues to be well serviced by international owners, its position as the world’s largest importer (25% of “bulk” cargo), second largest economy and number one seaborne trading nation means that 74% of Chinese fleet port calls are at domestic ports. In fact, 46% of

total bulk Chinese port calls by tonnage (55% in numbers) are by domestic owned vessels, 24% by European owned ships and 24% by other Asian owned units. The growth of the Chinese bulk fleet (70% since the financial crisis) has begun to catch up with bulk trade growth (81%) but still lags significantly over a fifteen-year horizon (104% compared to 399% growth). Meanwhile, the US fleet comes in with 41% domestic port calls; this includes a large proportion of Great Lakes calls and Jones Act vessels.

500 Miles, 500 More…

So shipping is truly an industry that must go far and wide to find work. For European owners this is often a lot further than the “500 miles, 500 more” that Scottish brothers The Proclaimers sing, while for Asian owners their ships are more likely to be “Homeward Bound”. Have a nice day and safe travels home.

Source: Clarksons

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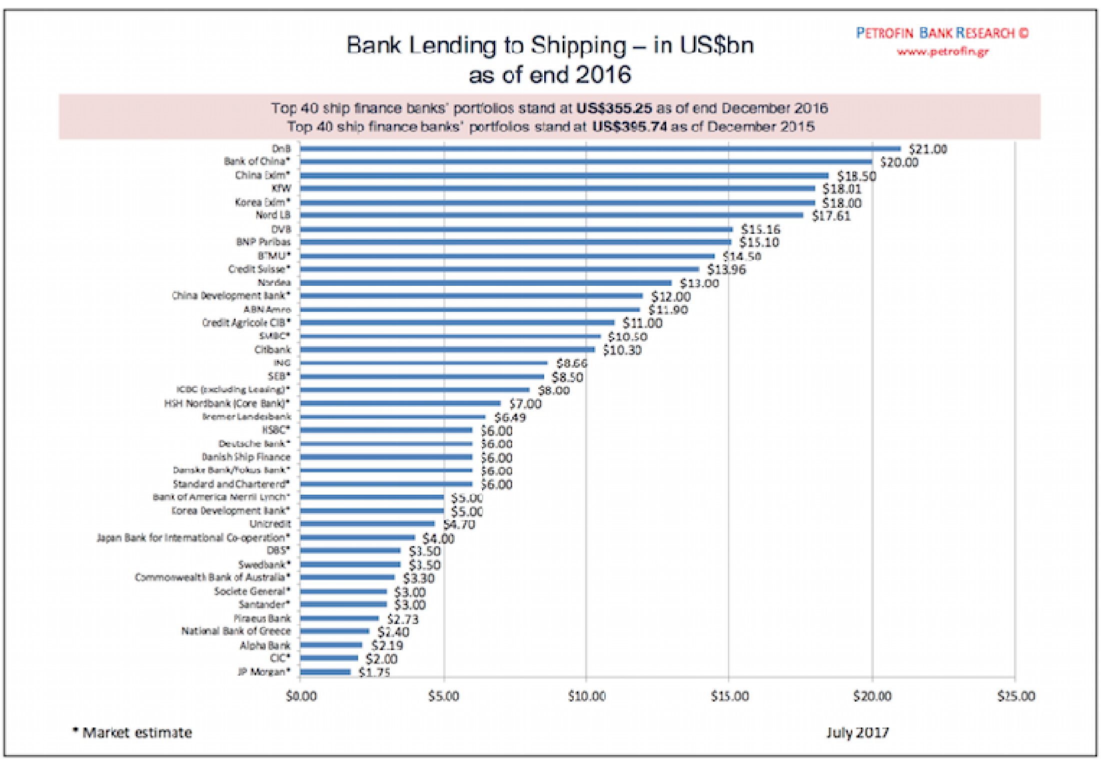
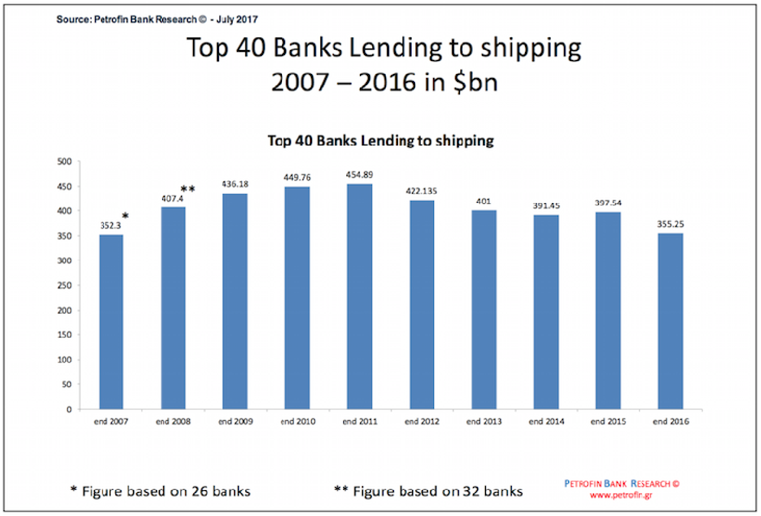
(2) Hellenic Shipping News, 10 July 2017/ Petrofin Research

Ship Financing Drops by $42.5 billion as Traditional Bankers Exit the Market

2016 marked a substantial drop in bank ship lending. The fall by US$42.5bn is mainly attributed to the removal of Commerzbank and Royal Bank of Scotland, the lower bank portfolios by many banks, as well as a stabilization of exposure by Chinese banks, as a result of the sharp increase of Chinese Leasing. Global bank finance now stands at the 2007 levels. Bank sentiment is still affected by loan losses and high provisions, sales of portfolios to financial institutional funds, international and European restrictions and the still not so bright outlook of shipping, which makes shipping banks quite cautious and seeking safety through known and large clients, higher margins and low finance percentages, as well as stringent terms.

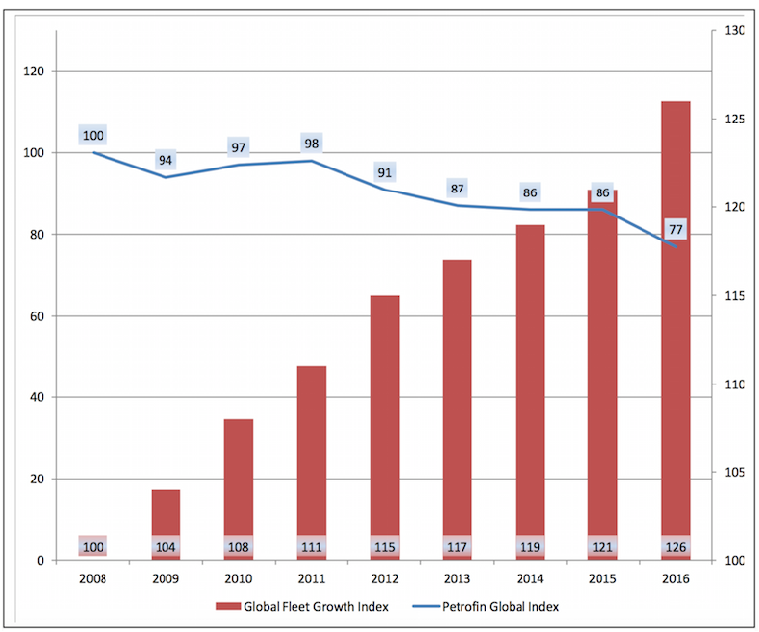




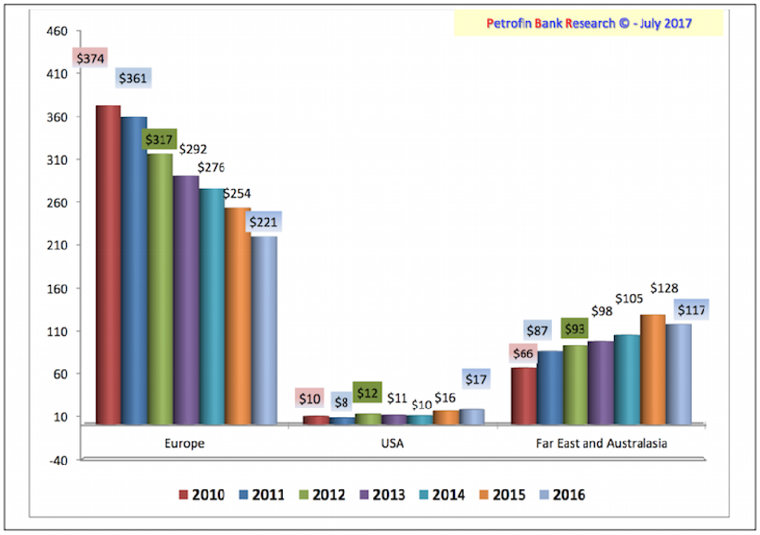
We note that although bank finance is coming down, the global fleet is expanding. This implies a) lower average bank finance per vessel, and b) new vessels are being financed by a combination of equity, leasing, funds and private individuals' equity. The fall is mostly attributed to the decline of interest and ability by Western banks to maintain their loan portfolios.

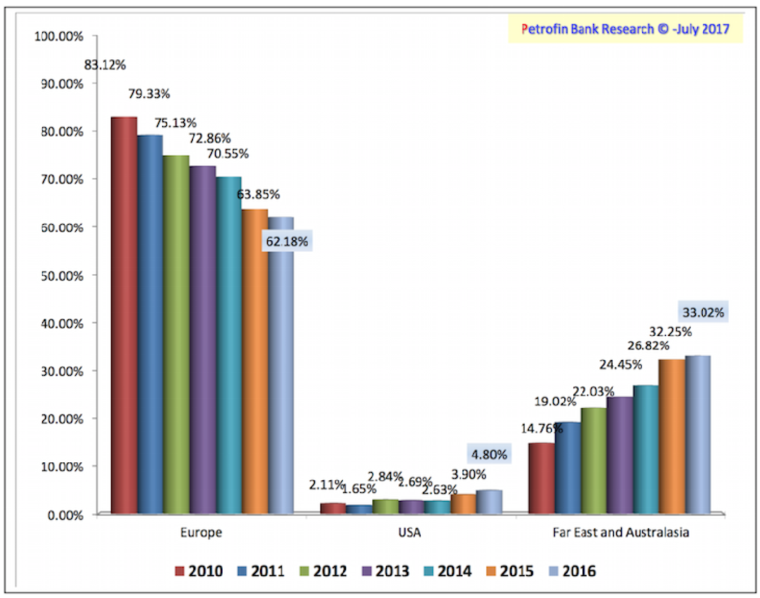
The outlook for 2018 and beyond

Shipping markets are maintaining their cyclicality. The dry bulk market did recover from its lows in the early part of 2017, but since then has retraced a large part of its gains. Nevertheless, the rise in vessel values and earnings has provided some comfort to both owners and the banks, as well as a glimmer of hope. The dirty and clean tanker markets are looking especially weak with very little in the way of immediate recovery prospects. The same and more applies to the offshore and LPG sectors and, to some extent, to the chemical markets. There was a brief rise in the container market, but it was short lived.

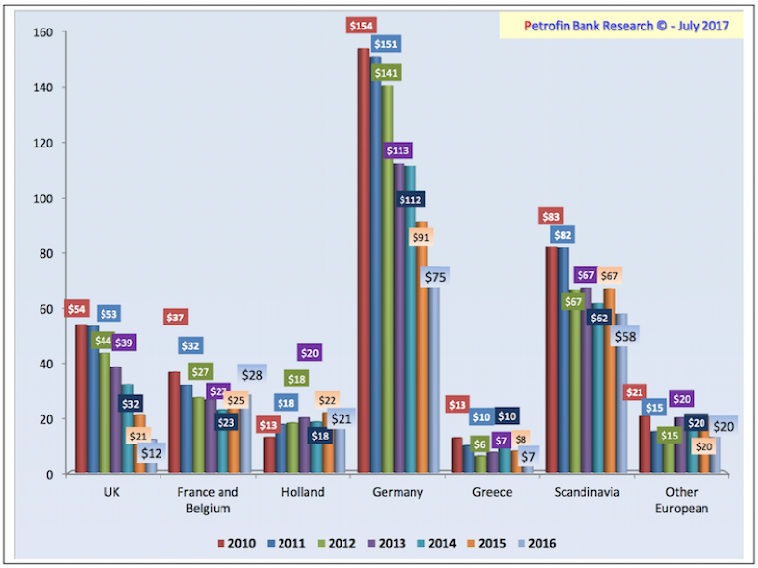


In general, therefore, shipping markets across the board are not supportive to fresh bank lending. Loan portfolios of banks have slimmed as a result of vessel sales, write offs, loan sales and normal reductions via repayments. This has been useful for Western banks seeking to contract their lending as a result of capital constraints. The one ray of hope is the US banks who are coming out of the difficult years in a more robust way and whose capital ratios are stronger and which have room to expand. As outlined in the global ship finance survey, the Far East is showing a slowdown with shipfinance down and being taken up by leasing and export finance. In addition, Japanese banks have recently restarted lending to their domestic clients especially in the dry sector. However, it is obvious, that these options are not open to medium / small owners.





Chinese Leasing companies heavily rely on the size of the owner's company in order to discuss any transaction. As traditional bank finance has decreased substantially, this has left the medium to small owners relying on own funds and private equity. Nevertheless, some banks are preparing to join ship finance, which seem to cater for the medium to smaller owners. As these banks appear to have started committing funds during 2015-2016, we are bound to see them featuring in our research, in due course. Some examples are Warburg Bank and Maritime and Merchant Bank. As a general conclusion, we anticipate that over the next couple of years, global shipfinance may form a base. The departure of the previous big lenders, RBS and Commerzbank and the reduction of HSH Nordbank, plus a lot of retrenchment by others, is expected to complete soon. On the other hand, successful banks with a bigger appetite for shipping, such as Credit Suisse, ING, BNP Paribas, ABN Amro and DVB should assist in the above base being formed.



Quality large Greek owners have begun to receive direct interest from Japanese and Chinese lenders in support of local newbuildings. Those owners with a good record in dealing with Far Eastern yards have an advantage. Finally, for the banking sector as a whole, a recovery may only be anticipated when public market conditions shall be able to support fresh capital increases via public markets. Such capital for banks would allow them to grow again and it is expected that their interest in shipfinance shall return especially as the available margins are attractive and the clients and loans involved, of a very high level. We shall continue to monitor global shipfinance via regular reports and the publication of our annual global index.
Source: Petrofin Research
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(3) Hellenic Shipping News, 13 July 2017/ IBIA

IBIA: MEPC 71 – summary of key outcomes

IBIA has been fighting the corner for our members at the International Maritime Organization this week as its Marine Environment Protection Committee met for its 71st session. As the meeting draws to a close this Friday, here is a quick summary of some of the outcomes we expect is of most interest to our members.
2020 sulphur limit: MEPC 71 agreed to the draft justification and scope prepared by its Sub-Committee on Pollution Prevention and Response (PPR) to add a new item to the working agenda of the Committee with regards to effective implementation of the 0.50% sulphur limit in 2020. It did not accept a proposal to add a new item to the scope suggesting to collect data on the supply situation closer to 2020. It will, however, include a specific request from the Maritime Safety Committee (MSC) to add to the scope a consideration of the safety implications relating to 0.50% sulphur fuel blended. The work on this new agenda item will start at PPR 5 in February 2018.
Bunker delivery note (BDN): The text approved at MEPC 70 was formally adopted, despite issues pointed out by IBIA. There was, however, some support for IBIA's views and proposals and we sought clarifications on how the issues raised can be addressed in practice. We will advise our members accordingly.
Greenhouse gas (GHG): After considerable debate, which centred on the key principles of how the needs of developing countries can be taken into account while also respecting that IMO regulations must apply equally to ships of all flags, we now have an outline for the structure of the draft initial IMO Strategy on reduction of GHG emissions from ships. In brief, it means the IMO will strive to define a vision and

what level of ambition it should signal with regards to limiting emissions it should agree to in 2018, what can be done to achieve reductions, and periodically review the Strategy to adjust various elements.
Fuel oil quality: The co-coordinator of the Correspondence Group (CG) on fuel oil quality, which IBIA participates in, presented the draft guidance best practice for fuel oil purchasers/users and for Member States/coastal States. The draft for Member States/coastal States was not yet fully developed and needs to go back to the CG, but it was hoped the draft guidance for fuel oil purchaser/users could be completed at this session. Further work was done on the draft but the resulting document still needs refinement. Proposals have been invited to MEPC 72 to improve the draft guidelines then.
HFO in the Arctic: MEPC 71 agreed to add a new agenda item to the Committee's work on development of measures to reduce risks of use and carriage of heavy fuel oil as fuel by ships in Arctic waters. The next MEPC meeting will define the nature of the work to be done.
Ballast water management (BWM): The Committee approved draft amendments to the regulation which sets the dates by which ships must install BWM treatment systems. In essence, it is a two-year delay to the previous requirement for when existing ships will have to install such systems after the BWM Convention enters into force on 8 September 2017. For most existing ships, this means they have to install BWM systems by 8 September 2019, but depending on when they did their latest renewal survey for the ship associated with the International Oil Pollution Prevention Certificate, it may be sooner, or it may only be required by the second renewal survey which could be later, but no later than 8 September 2024.
Source: IBIA
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(4) Lloyd's List, 11 July 2017

Has ballast water been kicked into the long grass?

- *OPINION*

Time will tell whether the IMO's 'common sense' move works out for the best

AFTER all the huffing and puffing over the unloved ballast water management convention, the International Maritime Organization did the decent thing last week and incorporated language that defers the implementation schedule for existing ships for two years.
In the words of Alfonso Castillero, chief commercial officer of the Liberian International Ship & Corporate Registry, the proposed implementation schedule was "unworkable within the predicted time-frame" and given the availability of ballast water treatment systems. In the words of Simon Bennett, policy director at the International Chamber of Shipping, it's a "victory for common sense".
However, as the delegates heading home, the outgoing chairman of the Marine Environment Protection Committee, Arsenio Dominguez, and his replacement, Hideaki Saito, should reflect that there are critical lessons to be learned from the way this has been handled ever since the convention was adopted in February 2004.
While it's easy for flag states, shipowners, port authorities and the many other stakeholders to commit to protecting the marine environment, it's just as easy to dig the heels in when it comes to spending money to achieve this goal.
The result has been a battle between the IMO's leaders, who wanted to be seen driving rapid progress towards a greener agenda, and those at the coalface, who desired a more leisurely pace. In essence, the latter won the day; if the timeframe was unworkable, as Castillero claims, it was also inevitable.
But was it?
If a range of type-approved treatment systems had been available three years ago, at a time when market expectations were positive, shipowners might have invested. But with every passing month, and especially after ratification by Finland pushed past the 35% of the total gross tonnage on September 8, 2016, there was a dogged determination not to play ball. Among several "practical and technical considerations" identified by Castillero in the LISCR briefing note, was the shortage of shiprepair capacity to install thousands of treatment systems in a matter of weeks.

The key question now is: will the next two years be characterised by the same stubborn determination not to invest? Ballast water treatment is one of many environmental initiatives to be taken on board, literally, by shipowners by the end of the decade.

Others include the 2020 global limit on sulphur in fuel oil, and a greenhouse gas strategy to be adopted at MEPC 72 in early 2018. For many in shipping, the need to invest in cyber security initiatives should come even before these.

So, it is to be wondered whether a decision to push ballast water out to 2019 marks the maritime equivalent of the long grass. That would not be a victory for common sense. Expect a year of very little on this front, then another year of argument. This isn't over yet.

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(5) Hellenic Shipping News, 11 July 2017/ Drewry

Takeover of 'perfect bride' OOCL takes container industry one step closer to liner paradise

On Sunday a joint statement was issued by Hong Kong-based Orient Overseas International Ltd. (OOIL) and Chinese state-owned Cosco Shipping Holdings Ltd. (Cosco) and Shanghai International Port Group Co. (SIPG) for the latter pair to acquire all of OOIL shares at an offer price of HKD 78.67 (USD 10.07) per share.

The price represents a 31% premium on Friday's closing price of HKD 60 and values OOIL at around HKD 49.2billion (USD 6.3bn).

On the completion of the deal, Cosco will hold 90.1% while SIPG will hold the remaining 9.9% stake in OOIL. The joint buyers said they will keep the OOIL branding, retain its listed status and maintain the companies' global headquarters in Hong Kong along with all management. Employees will retain the existing compensation and benefits, nor will any lose jobs as a result of the transaction for at least 24 months after the offer close.

Drewry's view on the proposed takeover

What are Cosco and SIPG buying?

OIL and its container unit OOCL have a good track record for above-average profits in a challenging market and a reputation for being a very well-run company, earning the moniker "The Perfect Bride" by Drewry Maritime Financial Research. Retaining the management team, processes and systems is a wise move and could be of enormous value to Cosco, in our opinion.

From a hardware perspective, OOCL has an owned-fleet of 66 containerships aggregating approximately 440,000 teu. It is a young and modern fleet with an average age of 7.1 years and average nominal capacity of 6,600 teu. It is introducing its first 21,000 teu vessel with five more to deliver and options for another six which it could easily exercise.

Based on existing fleet and orderbooks the combined Cosco-OOCL entity would become the world's third largest container carrier, overtaking its partner in the Ocean Alliance, CMA CGM (see table).

Cosco itself has a large orderbook, including newbuilds inherited from last year's merger with China Shipping Container Lines. As such, it will have little requirement to order any more new ships in an already over-supplied market.

OOIL/OOCL has interests in four terminals: 100% owned facilities in Long Beach in the US and Kaohsiung, Taiwan, and minority stakes (20%) in two Chinese terminals (Tianjin and Ningbo).

What are the synergies like?

Operationally, fitting OOCL into the bigger company should not be too difficult as both OOCL and Cosco already belong to the Ocean Alliance (alongside CMA CGM and Evergreen) that operates mainly in the East-West container trades. OOCL is not a major player in the North-South tradelanes that fall outside of the scope of the carrier group.

The biggest impact will be felt in Intra-Asia, where both carriers already have a large presence, while the footprint in the Asia to Middle East trade will also rise significantly.

From a marketing perspective the acquisition of OOCL will enable Cosco to broaden its customer base, having previously being perceived, rightly or wrongly, as China-centric. OOCL's reputation and history with global shippers will provide Cosco with an inroad to a wider selection of big Western shippers with volume.

As far as terminal ownership is concerned, in Ningbo, Cosco is also a shareholder in the same terminal as OOCL so this is a simple consolidation. In Tianjin, Cosco already has stakes in two terminals, neither of which are the same as the terminal in which OOCL has a stake, and so some ownership consolidation may take place here. This may involve Cosco taking an interest at the port authority level of ownership, as it has done in, for example, Qingdao.

OOCL's Long Beach operation is undergoing a very large re-development that will see the existing one-berth Long Beach Container Terminal at Pier F closed and the three-berth Middle Harbor Redevelopment Project (MHRP) replace it. Phase I of MHRP went live in April 2016 and has since been in full operation; Phase II is expected to be operational at the end of 2017.

Cosco already has two terminals in LA/LB so this will be a third and by 2020 these three terminals will account for nearly 30% of the capacity of LA/LB. So while the capacity in LA/LB remains physically fragmented, the ownership is at least consolidating.

In Kaohsiung, Cosco has a stake in one terminal (along with China Merchants, Yang Ming, NYK and Ports America). The OOCL terminal is a different one.

Cosco Shipping Ports (CSP) is reportedly acquiring a 15% stake in SIPG from Shanghai Tongsheng Investment and this would make CSP the third largest shareholder in SIPG. This is further evidence of the agglomeration of the Chinese state-owned enterprises involved in the port sector. SIPG's involvement in the OOCL deal is therefore not a left-field move but very much further evidence of the consolidation and intertwining of Chinese-owned port sector activity.

Is the deal good value?

Earlier reports suggested the valuation of the deal would be closer to USD 4 billion, which would be similar to what CMA CGM paid for NOL/APL. That always seemed undervalued considering OOIL's better financial performance and reputation, plus the improving market outlook. However, at USD 6.3bn the price does seem a bit steep. According to Drewry Maritime Financial Research, OOIL's book value stood at USD 4.5bn based on FY16 numbers, meaning OOIL was able to extract a sizeable premium.

Regulatory: any likely obstacles?

The simple answer is that we don't know, but recent container M&A such as Maersk Line's recent takeover of Hamburg Süd and the proposed ONE merger of Japanese carriers have all encountered minor issues so the possibility of some conditions being applied by non-Chinese authorities cannot be entirely discounted.

Impact on customers?

Shippers are getting used to consolidation in the container industry. That doesn't mean they have to like it. Even though OOIL/OOCL will remain as a separate brand it is questionable just how independent they will be from one another. Effectively, shippers will be losing yet another carrier from the pool that increasingly resembles more of a puddle.

After all of the latest M&A deals have been concluded and the existing newbuilding have been delivered by 2021 the top seven ocean carriers will control approximately three-quarters of the world's containership fleet. Back in 2005 the same bracket of carriers held a share of around 37%.

Drewry research shows that the number of vessel operators on the two biggest deep-sea trades, Transpacific and Asia-North Europe has reduced significantly over the past two years. As of June 2017 there were only nine different carriers (eight if you discount OOCL) deploying ships in Asia-North Europe, compared to 16 in January 2015. In the Transpacific the number has reduced from 21 to 16 (15 without OOCL) over the same period.

The accelerating trend towards oligopolisation in container shipping will reduce shippers' options and raise freight rates. It is the unfortunate price to be paid for years of non-compensatory freight rates that have driven carriers to seek safety in numbers, either through bigger alliances and/or M&A.

Who's next?

The sale of OOIL/OOCL means there aren't many other takeover candidates left on the shelf. Such is the scale of the carriers within the top 7 that any merger within that group would find it difficult to pass regulatory approval. There could still be some minor regional acquisitions but the big wave of container M&A looks to have been concluded with this deal.

Impact on industry: one step nearer to Liner Paradise

Where there are losers, there are winners. Notwithstanding any potential roadblocks to future M&A, the consolidation that has already occurred, plus much brighter market prospects and the moratorium on new ships, offers carriers a golden opportunity for far greater profitability in the near future. With fewer carriers, that in time will become financially stronger; the pendulum is swinging back towards those that have grown to survive.

Carriers with >1% share of containership capacity, 000 teu, June 2017

Carrier group	Active ships	Share (%)	Orderbook	Share (%)	Total	Share (%)
Maersk Line	3,828	19.2%	410	13.6%	4,238	18.4%
MSC	2,916	14.6%	187	6.2%	3,104	13.5%
Cosco-OOCL	2,185	10.9%	698	23.2%	2,883	12.5%
CMA CGM	2,168	10.9%	225	7.5%	2,393	10.4%
Ocean Network Express (ONE)	1,378	6.9%	340	11.3%	1,719	7.5%
Hapag-Lloyd	1,533	7.7%	40	1.3%	1,573	6.8%
Evergreen	984	4.9%	324	10.8%	1,308	5.7%
Yang Ming	596	3.0%	112	3.7%	708	3.1%
PIL	358	1.8%	144	4.8%	502	2.2%
HMM	458	2.3%	0	0.0%	458	2.0%
Zim	308	1.5%	11	0.4%	319	1.4%
Wan Hai	235	1.2%	15	0.5%	250	1.1%

Notes: Includes all recent M&A deals, including CMA CGM's impending 4Q17 purchase of Mercosul Line from Maersk Line
Source: Drewry Maritime Research

Source: Drewry
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(5) Hellenic Shipping News, 11 July 2017/ Olaf Merk, ShippingEu

The Geopolitics of Container Shipping Alliances

What is the future of container shipping? Will industry consolidation continue and, if so, who will still exist in 2020? All highly relevant questions constituting a fairly amusing – yet nerdy – game at supply chain conferences. This often comes with the predictable disclaimer: nobody really knows. However, there are three "facts" that make predicting the future of the container shipping industry relatively easy. One wild card remains.

1. More consolidation is "needed"

Almost all businesses in the logistics chain are currently suffering from the effects of consolidation in container shipping: shippers deplore the decline of service frequency, ports the loss of calls and terminals the stress of larger peaks. Yet, within the current business model, consolidation might be needed for the container shipping industry to be profitable: they need size to finance and fill bigger ships. In the coming years an impressive amount of new mega-ships will come into operation. Along with the predictable awe, this will bring even more overcapacity to a sector that has so far only been able to survive this by laying up vessels and scrapping ships that would normally be considering too young to demolish. So predicting more mergers is a pretty safe bet. Since 2014 we have witnessed frantic merger activity resulting in rapid disappearance of smaller carriers. There are still a few left that look vulnerable and might have only one choice: be eaten or to continue as regional niche player. By 2020 there will be no more than six global carriers with comprehensive networks.

2. COSCO will not stop until it is the biggest

It has been a spectacular runner-up: ranked sixth largest just two years ago, it is now the fourth largest global container carrier – and would enter the top 3 if the merger with OOCL goes ahead. Its ascendance will likely not stop there. As a state-owned company, COSCO has a logic that is not only commercial, but also geopolitical, maybe even predominantly so. China wants to secure its supply chains and strengthen its naval presence: dominating in container shipping can help achieve this. This has underpinned the merger of COSCO and China Shipping, their recent attempts to acquire other medium-sized carriers and the Chinese terminal shopping spree all over the world.

3. For the EU, "champions" trump competition
Which means: consolidation is fine especially as it has benefited European carriers. This has not been admitted as such, but can be deducted from its behaviour with respect to the proposed P3-alliance and the recent merger of Maersk and Hamburg Sud. P3 would have forged an alliance of the three largest global container carriers: Maersk, MSC and CMA CGM- all European – in a way that would have transformed the classical vessel sharing agreement into a more strategic form of cooperation. The European Commission signalled it would accept this, but the Chinese authorities did not give regulatory approval, officially because it would distort competition and quite likely also for geopolitical reasons: namely to avoid the emergence of a European champion. More recently, the European Commission also accepted the merger of market leader Maersk and Hamburg Sud, under certain conditions. These precedents will limit the possibilities of the Commission to stop mergers that it likes much less, e.g. COSCO taking over a European carrier. This means – paradoxically – that the EU will have difficulties to effectively play the card of competition policy against China: it will have to allow the same degree of concentration for Chinese carriers that it apparently finds reasonable for European carriers.
How will the game unfold?
The few smaller global carriers that remain are from Hong Kong (OOCL) and Taiwan (Evergreen and Yang Ming). COSCO has the best cards to buy all three. Maybe the most important reason is geopolitical. The Chinese will simply not accept that a European competitor would dare to buy up a shipping firm from their "backyard". So this is very unlikely to happen. Moreover, COSCO is already cooperating with OOCL and Evergreen in the Ocean Alliance.
The crucial question seems to me what is going to happen to CMA CGM. It entered the Ocean Alliance as the dominant player, but might become junior partner if COSCO manages to take over OOCL and Evergreen. Moreover, COSCO apparently has shown interest in buying shares of CMA CGM. Provided that the acquisitions of OOCL and Evergreen work out, buying only part of CMA CGM (say 24%) would help pushing COSCO beyond the reach of Maersk and make it world's largest carrier. Additional advantage for the Chinese state: via the minority position in CMA CGM they would acquire a de facto majority in Terminal Link, the terminal operator owned for 51% by CMA CGM and for 49% by China Merchants Holding, another Chinese state-owned company. And who can exclude the possibility that COSCO Ports and China Merchants port terminals will merge one day?
Wild card
Over the coming months the Chinese will no doubt test the resolve of the French to block sales of CMA CGM shares to China. The French state might even consider to buy shares in CMA CGM to pre-empt the Chinese from doing so, which might be a logical consequence of the French discussion this year on what constitutes a strategic merchant fleet. However, one could wonder if this is a sustainable long-term solution. Given the recent re-emergence of the French-German axis and the growing assertiveness in Europe vis-à-vis China, another solution might make political sense. A joint French-German carrier, partly state-owned, with potential network complementarities would not only be a powerful expression of that new political reality, but also suddenly become world's largest carrier. For this to happen, the French president would – for a start – need to go to Hamburg…
Source: Olaf Merk, ShippingEu
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(6) Hellenic Shipping News, 14 July 2017/ Blue Communications

What's in a (ship) name?

When spending millions of dollars on a new vessel, it's understandable that most shipping companies will opt for a sober, sensible name. Something that exudes their brand values and heritage, the class of the ship, its home port or the voyages that lie ahead. All perfectly respectable, but not always the most exciting.
Of course, it's tough to argue that Pioneering Spirit isn't a good name for one of the world's largest ships, designed to lift and move entire oil platforms, or for Royal Caribbean's cruise ship Allure of the Seas. Both do exactly what it says on the tin. And Auto Eco and Auto Energy are apt names for the world's first dual-fuel car/truck carriers.

If you look hard enough, there are some more gems to be found. Favourites include the infamous Titan Uranus, an Australian-flagged tug named Tom Tough, and HMS Spanker, a name bestowed on four Royal Navy ships, first in 1794 and most recently in 1943. Last year it was great to see then-US Navy Secretary Ray Mabus push the envelope with naming conventions, despite some criticism, with the likes of USNS Harvey Milk, USNS Cesar Chavez and USS Gabrielle Giffords.
Beyond this, we need to turn to the world of fiction for more originality. For the master of the art, look no further than the late, great Scottish author Iain Banks. If you will forgive the fact that his ships were space ships rather than the ocean-going variety, he sets the gold standard.
Among the dozens of ships featured in his science-fiction novels were such classic names as Just Read The Instructions, Helpless In The Face Of Your Beauty, Unwitting Accomplice, It's Character Forming and many more. Not to mention a few names that seem perfectly apt for today's shipping markets, such as A Momentary Lapse Of Sanity (what over-ordering crisis?), Profit Margin (missing, presumed lost), Congenital Optimist (surely freight rates will recover this year?) and Messenger Of Truth (hello to our friends in the maritime media).
Perhaps none of this matters. After all, a rose by any other name… But wouldn't it be good to see a little more originality and irreverence, even if just to help capture the imagination? Whilst the UK Government didn't see the funny side when Boaty McBoatface topped an online poll asking for names for a new ocean research vessel (eventually named Sir David Attenborough), they did at least bestow Boaty upon one of the ship's AUVs. At a time when shipping is fighting for recognition among the wider public, this was an occasion when at least one vessel had the nation talking.
Source: Simon Phillips, Senior Consultant at Blue Communications
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(7) Hellenic Shipping News, 10 July 2017/ gbtimes

China, Russia to build 'Ice Silk Road' along Northern Sea Route

China and Russia have reportedly agreed to jointly build an 'Ice Silk Road' along the Northern Sea Route in the Arctic.
Chinese President Xi Jinping met with Russian Prime Minister Dmitry Medvedev in Moscow to discuss further bilateral cooperation, according to Xinhua.
Xi said Russia is an important partner in the construction of the Belt and Road initiative – referring to Beijing's new Silk Road project – and urged the two countries to "carry out the Northern Sea Route cooperation so as to realise an 'Ice Silk Road', and to implement various connectivity projects".
The Xinhua report did not give further details about the cooperation along the Northern Sea Route, which is a shipping lane running between the Pacific Ocean and the Atlantic Ocean along Russia's northern coast.
The announcement however comes shortly after China formally included the Arctic Sea to its Belt and Road initiative, which seeks to boost trade through massive investments in railroads, ports and other infrastructure linking Asia to Europe and Africa.
China's National Development and Research Commission and State Oceanic Administration said in a document published on June 20 that a "blue economic passage" is "envisioned leading up to Europe via the Arctic Ocean".
The other two passages run through the South China Sea and the Indian Ocean to the Mediterranean and through the South China Sea to the Pacific.
The document said China hopes to work with all parties to conduct research of navigational routes as well as climatic and environmental changes in the Arctic, and to explore the region's potential resources.
It also encouraged Chinese companies to take part in the commercial use of the Arctic route and stated that China will actively participate in the events organised by Arctic-related international organisations.
China-Russia cooperation in the Arctic
Xi's visit to Russia follows Beijing's increased diplomacy in recent months with Arctic countries, including Norway, Finland, Denmark and Iceland.

Although China is not a littoral Arctic state, it has shown interest in exploring and developing the region, which is estimated to hold 13 percent of the worlds undiscovered oil resources and a third of its undiscovered natural gas resources.
As ice melts due to global warming, these resources as well as shipping routes in the Arctic are expected to become easier to exploit and use.
In 2013, China secured a permanent observer status in the Arctic Council, where Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden and the United States discuss and decide on sustainable development and environmental protection in the region.
Professor Wang Yiwei from Renmin University in Beijing told gbtimes in a recent interview that China may need to cooperate more with Russia in order to have its say in the formulation of rules and standards in the Arctic.
For its part, Russia has promoted the Northern Sea Route as an alternative route that would help cut shipping times from Shanghai to Rotterdam by about a week compared to sailing through the Strait of Malacca and the Suez Canal.
Chinese state-owned shipping company Cosco was the first in the world to send a container ship through the Northern Sea Route in 2013. It sent a record five ships through the route in 2016, contributing to a total of 19 vessels that made the full route that year.
China and Russia are also cooperating in a liquefied gas project in the Yamal Peninsula, which lies along the Northern Sea Route and has boosted cargo traffic on the shipping lane.
The US$27bn project has received US$12bn in loans from China’s Export-Import Bank and China Development Bank while the Silk Road Fund, set up by Beijing to fund projects under the Belt and Road initiative, has a 9.9 percent share in the project.
However, the legal status of the Northern Sea Route – which Russia’s maintains is part of its internal waters – as well as Russia’s cautiousness about China’s increased role in the Arctic may hinder further cooperation between the countries.
Source: gbtimes
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