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The Week Ahead

Market stays flat going into fourth quarter

Dry

Capesize →

CHINA'S Golden Week holiday will keep a lid on the strong capesize market owners have enjoyed for several weeks.

The benchmark rate on Australia to China iron ore fell below \$11 per tonne last Friday, but brokers believe this could simply be the result of rushed deals by Chinese owners before the holiday break.

One shipowner told Lloyd's List intense congestion in both Chinese and Australian ports would support rates in the short term.

Rates for cargos between Brazil and China will stay around \$27 per tonne, slightly lower than September levels, but brokers still report demand for November stems to be strong.

Looking further out, depletion in Chinese coal stockpiles suggests demand for coal shipments for both capesize and panamax into China should continue well into fourth quarter.

Panamax ↑

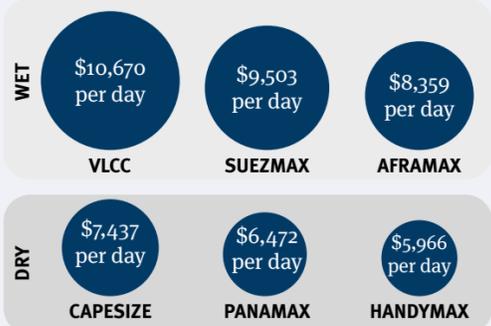
THE panamax market has seen heightened activity ahead of the Chinese holidays as well, but the effect was to push rates up to \$24,000 per day for trips from the Atlantic to the Far East to almost \$13,000 per day for Pacific round voyages.

While the holidays will temper further rises in the Pacific, tight tonnage conditions in the Atlantic will contribute to rises in that basin. North transatlantic round voyages will continue to fetch around \$15,000 per day, possibly more.

Supramax →

AN INCREASE of fixtures ahead of the Chinese holiday ensured both North Pacific and southeast Asia to China saw a strengthening in rates at the end of last week, but the momentum will taper off this week.

WET VS DRY: OPERATING COSTS



Source: Moore Stephens

Costs of Wet vs Dry

TANKER owners are struggling with an oversupplied market offering little in the way of decent returns – and on top of that, their vessels are more expensive to run than dry bulk carriers.

The latest report providing benchmark running costs for vessels in all segments by Moore Stephens shows it costs \$10,670 per day to run a modern very large crude carrier, well above the Baltic Exchange's time charter equivalent earnings for a VLCC on the benchmark Saudi Arabia to Japan route of around minus \$5,000 per day.

By comparison, capesize operating costs are quoted by Moore Stephens at the lower level of \$7,437 per day. But at present a capesize pulls in

\$29,936 per day for a transatlantic round voyage, healthily above those operating costs. Likewise, suezmaxes and aframax cost more to run than the biggest dry bulk carriers.

While these types of comparisons could be accused of comparing apples with oranges, one thing is certain: being a very large gas carrier owner trumps all other segments in terms of the best returns over operating costs.

With operating costs of just over \$7,000 per day and daily earnings hitting as high as \$47,000 for VLGCs on the benchmark Saudi Arabia to Japan route, it really is clear the buoyancy in the gas sector is not just hot air. ■

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Wet

VLCC →

SLOW steaming appears to be the only hope for owners to boost earnings that are well below operating costs, but given the relentless overcapacity in the

Middle East Gulf, it is not going to happen this week.

Putting the oversupply into focus, broker reports show there are 111 ships available for a possible 76 cargoes left to come out in October. With such hefty vessel supply dragging down rates, the action unsurprisingly shifted to the West Africa to Asia market, where owners tried to push up rates, which they managed to do successfully for a few days, before they dipped back again.

West Africa to China could still prove a more attractive option this week for owners.

Aframax →

LIBYA'S resumption of its oil exports is the talk of the markets, but as yet no chartering deals have been confirmed, according to brokers. The latest information is that Italy's Eni will start exporting Libyan barrels at the start of October, which one broker commented in a report was a "silver lining" for owners.

The excitement over Libya's return could inject urgency into the Mediterranean and Black Sea market this week, with rate rises a possibility. North Sea aframax rates should stay flat on little activity and not much is expected from the Caribbean market.

Product tankers →

AFTER rates rose significantly on the transatlantic TC2 gasoline trade early last week, they now appear to have stalled, with brokers saying charterers are successfully staging resistance to further rises.

Forecasts for this week are owners will be unlikely to gain the upper hand and flatness should set in. Backhaul diesel business from the US to Europe is seeing continued healthy levels of activity, with rates expected to improve.

The Caribbean market should improve on rises in chartering activity as owners look for business away from a stalled TC2. ■

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The Last Word...

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SRI enjoys intern success

SEAFARERS' Rights International, launched on World Maritime Day 2010, is celebrating its first year of existence by highlighting the efforts of four postgraduate law students who have successfully completed its summer vacation internship scheme.

The four, currently at the University of Southampton and the University of Westminster, are Julia Constantino Chagas Lessa from Brazil; Nigerian-born Elijah Christopher Briggs; Belfast-born Christine Davey; and Serhan Handani from Southampton.

With the support of SRI's team of lawyers and other specialists, they worked on live research projects, including the criminalisation and abandonment of seafarers.

Applications for the 2012 scheme are being invited from all around the world. Full details of the application process are outlined on SRI's website.

During the past 12 months, SRI has recruited a number of researchers from around the world to conduct three major research projects. It has also appointed figures from intergovernmental agencies, the legal fraternity and the broad maritime industry to its advisory board, and launched a website aimed at seafarers and those interested in the rights of seafarers.

"It has been an exciting time," says Deirdre Fitzpatrick, SRI executive director. "Since we launched SRI, we have worked hard to establish and develop its reputation as a unique research centre committed to helping seafarers and ultimately, to make shipping a better and safer industry for them."

"SRI is the first pan-industry initiative of its kind that brings together expertise in the shipping industry and the legal world to advance the rights and legal protection of seafarers."

Male bastion under siege

IRENE Rosberg, programme director for the Executive MBA in Shipping and Logistics at Copenhagen Business School, went on the offensive at the inevitably male-dominated Ship Management Business Conference in the Danish capital, speaking about the role of women in shipping and shipmanagement.



SRI director Deirdre Fitzpatrick, centre, with the four interns

She said giving such a presentation should not have been necessary in 2011 and she hoped this would be the last time. "But there is still a need to challenge the status quo in shipping," she added, where the proportion of women in senior positions in shipping companies is even lower than in other business sectors.

Ms Rosberg suggested the increasing requirement for high levels of academic education for senior corporate roles might tend to favour more women rising to the top in shipping firms.

The delegates nodded approval, while some whispered running a shipmanagement company also requires experience of commanding a multinational crew of questionable abilities and temperament in the worst imaginable weather.

Ms Rosberg might well be back at the conference again next year.

Lord Mayor's message

THE Informa Maritime Events Ship Management Business Conference was officially opened by the Lord Mayor of Copenhagen Frank Jensen.

This Lord Mayor has none of the grandeur and pomp of the City of London equivalent and, in typical Scandinavian style, the ceremonial aspects are far more low key. In fact, Copenhagen's Lord Mayor is an elected political position – more akin to London's 'other' mayor, currently Boris Johnson.

There is another crucial difference. Mr Jensen is from the Danish Social Democratic Party and is a former Minister of Justice. But they have common roles in promoting the benefits of doing business in their capital cities.

Mr Jensen said the Danish capital needs to get better at promoting business and investment. It seems to be doing very nicely already in terms of maritime businesses in relation to the size of the country's economy.

But then London's two mayors probably bring in more tourists. ■

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Companies featured

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