DAILY SHIPPING NEWSLETTER 2004 – 132

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The UNION BEAVER in the port of Zeebrugge
Photo : Piet Sinke ©

Cruise Rotterdam: Westerdam, HAL

31 juli 2004

Aankomst rond **05.30 uur** in Hoek van Holland

Van **08.00** tot en met **17.00 uur** aan de Wilhelminakade (Holland Amerika kade, Cruise Terminal), Havennummer 1243

EVENTS, INCIDENTS & OPERATIONS

The **BETELGEUZE** of the Sea Cadet Corps Rotterdam received a fresh coat of paint
Photo : Jan Simons ©

LUCKY ESCAPES IN PIRATE ATTACKS

TWO attacks in the Malacca Strait were among seven piracy/robbery incidents worldwide reported to the ICC International Maritime Bureau in the week to July 26.
In an incident in Indonesian waters a seafarer was lucky to survive unscathed when five robbers in armed with automatic rifles boarded an LPG tanker at Anyer anchorage, South Sumatra. They fired several shots at the duty A/B who was unhurt. The robbers got away with ship's equipment. The crew of a bulk carrier drifting in the Malacca Straits while carrying out engine repairs were also lucky not to be injured when armed pirates used a fishing boat to board the vessel. They opened fire causing damage to bridge windows.

Pirates attempting another attack in the Malacca Strait were thwarted by effective crew action. Seven small crafts approached a tanker underway. The crew mustered and activated fire hoses and crafts moved away. Later, persons in another group of crafts attempted to board but master took evasive manoeuvres and boarding was again averted.

Among the other incidents reported, a multi-purpose dry cargo ship berthed at Conakry port, Guinea was the subject of two attempted armed robberies. Two robbers armed with long knives boarded from the shore. The duty officer raised alarm and crew mustered. The robbers jumped into water and escaped. Earlier two robbers armed with long knives boarded and threatened duty officer. The alarm was raised and crew mustered. These men also jumped into water and escaped.

Reality of freight futures

SHIPPING is risky business. Apart from the physical dangers in carrying people and goods across the oceans, the shipping market is volatile and subject to cyclical booms and slumps.
Owners, at least those in the bulk trades, have always had to worry about either being locked into comparatively unprofitable use of their vessels or being unable to find charters for their vessels when demand is weak.

Traditionally the way to reduce risk is to split fleets between the spot market and time charters. This ensures predictable income for part of the fleet but it can also mean missing out on potential gains when the market is high.
Freight futures or swaps, offer the another way of managing risk, or hedging. They have been around for some time. It was possible once to fix futures on the floor of the Baltic Exchange, just like physical charters, but very little business was actually done.

Then in the early 1990s, the Baltic International Freight Futures Exchange (Biffex) was established as a cleared market working through the London Clearing House. The Baltic Freight Index, a basket of spot freight rates designed to reflect the daily movement in rates across a wide selection of dry bulk spot voyage and time charter rates, was used as the standard for settling contracts.
The London Clearing House was absorbed into the bigger market, the London International Financial Futures and Options Exchange (Liffe), which continued with freight futures for a while but volumes decreased and Biffex was discontinued in 2001.
While Biffex did not meet the expectations of its originators, trading in Forward Freight Agreements (FFAs), direct deals between principals, usually arranged through brokers, had by that time started to take off.
Ironically, just as Biffex was being wound up, a Norwegian cleared market for futures, Imarex, was established.
The past four years, and especially the past 12 months have seen a massive increase in futures trading, both FFAs and freight futures through Imarex.
Imarex's managing director, Tom Mortensen, says that volatility in freight rates drives the need for financial tools for risk management, and attracts speculation on the future price movements of freight.
The market is regulated by Norway's Ministry of Finance and offers online and voice-assisted trading of freight futures contracts based on the physical freight routes in the market.
Imarex offers optional clearing of customer trades with Norwegian Futures and Options Clearing House acting as central counterpart to all cleared transactions. It now claims to be 'the central marketplace in a growing market for maritime freight derivatives'.
Estimates of the size of the freight derivatives market vary. Mr Mortensen puts the value of shipping derivatives at about 30 per cent of physical transactions but does say that it depends on how you measure it.

Andy Lucey of UK freight derivatives broker, Freight Investor Services, is also chairman of the Forward Freight Agreement Brokers' Association (FFABA). He believes the derivatives market is now bigger than

its physical counterpart, pointing out that this is normal for mature derivatives markets, such as for bonds or commodities like grain and crude oil.
FFABA's membership consists of brokers who are members of the Baltic Exchange. They use the Baltic Exchange's market information while the exchange provides the administration for the association.
Mr Lucey says the experience of more mature derivatives markets suggests that the majority of futures deals will continue to be principal-to-principal rather than through cleared markets. He believes that a cleared market, or markets, is vital to the development of shipping derivatives but that such trading will plateau at about 20 to 25 per cent of the total futures market.
Mr Mortensen is, not surprisingly, more bullish about the extent to which cleared exchanges will expand into the sector. He also expects other exchanges to develop and sees competition as healthy. He expects brokers to continue to keep a significant share of the total market but feels smaller brokers could be squeezed.

While there are different views on how the shipping derivatives market is developing, both Mr Mortensen and Mr Lucey agree that futures have become an inescapable fact of life for shipowners, whether or not they actually trade in them.
But there are some voices of caution. In Feb 2004, major international accountancy firm Moore Stephens warned that the freight futures market remained immature and illiquid, and that shipowners should enter it with care.
Moore Stephen's shipping group partner David Anstis said that a lot of owners and charterers were seeing big physical gains and losses in the freight markets magnified by paper trading. 'Some brokers are reporting that freight futures have recently been turning over as much in a month as they used to in a year, and a number of well-known owners and charterers are thought to have massive losses in futures.'

Mr Anstis warned that shipowners and charterers were not used to the multiplying effects of the derivatives market. 'In a large mature futures market,' he said, 'it is almost always possible to trade out positions which are moving away from the underlying risk which the hedge is supposed to protect, because there are large numbers of active speculators in the market. But, the freight derivatives market is very illiquid and when the real market moves suddenly and quickly, parties holding paper can find themselves locked into either major gains or major losses. Often, fast-moving traders gain, while shipping interests lose.' That opinion caused quite a stir and Mr Lucey actually wrote a reply refuting the notion that a lack of liquidity was still a major problem in the shipping derivatives market.
In any case, assuming that the current trend of an increasing spot market and fewer time charters continues, owners wishing to manage risk may have little choice but to use derivatives.
The message from the brokers and Imarex appears to be much the same. Owners need to educate themselves on how the derivatives market operates and also be very clear whether they are entering it to hedge their risks or to speculate. Large financial institutions interested in trading and speculating, are moving into the market which will add to liquidity but the ways they and the owners use the market are quite different.

Like it or loathe it, the shipping futures market is here to stay and owners and charterers in Singapore and Hong Kong will soon have the opportunity to find out more. The Baltic Exchange and FFABA will be running freight derivatives forums in Singapore on Sept 23 (on tanker futures) and Hong Kong on Sept 27 (on dry bulk futures). The forums will include a series of practical workshops enabling participants to gain an understanding of the practicalities involved with freight derivatives trading.

Nigeria: Piracy Report Says Nigerian Waters the Most Deadly

Nigerian waters were the most deadly during the first half of 2004 according to a new piracy report, and analysts are blaming the proliferation of weapons in the coastal oil-rich Niger Delta region where armed gangs trade stolen crude.

The International Maritime Bureau (IMB) said on Monday that half of the 30 deaths recorded in pirate attacks around the world between 1 January and 30 June occurred in Nigerian territorial waters.

In terms of the number of attacks, Nigeria ranked third with 13 attacks, behind Indonesia (50) and the Malacca Straits (20).

"Both the increased number of attacks in this area and the degree of violence being used is of grave concern and we will be putting pressure on the Nigerians to step up anti-piracy measures," IMB director Pottengal Mukundan said in a statement. Industry watchers, like Gbenga Olumide of oil research firm Rigs Concerns, say Nigeria's growing prominence for piracy can be traced back to its economic lifeblood and the illicit ciphoning of crude oil to sell to vessels offshore.

"The trade has in turn funded further arms procurement and been behind the spawning of a wide range of criminal activities, including sea piracy," Olumide told IRIN on Tuesday.

Gangs, armed with automatic rifles and increasingly with rocket-propelled grenades, cruise along in speedboats and barges, finding cover in the maze of creeks and rivers intertwined with mangrove swamps that make up the delta where the River Niger empties into the Atlantic Ocean.

According to Olumide, their activities have drawn illegal oil buyers and arms traders to the Gulf of Guinea coast off Nigeria, making the region, which has always had high volumes of shipping traffic including oil tankers and general goods vessels, more dangerous. Self-styled rebel leader, Asari Dokubo of the Niger Delta People's Volunteer Force, is one of the militants who wants to end the federal government's stranglehold on the 2.5 million barrels of oil produced each day in the region.

In an interview with IRIN this month he admitted to availing himself of crude from the pipelines of oil multinationals to fund his struggle. And he confirmed the presence of illegal arms dealers along the coast, saying he had enough weapons at his command -- AK47s, general purpose machine guns and rocket-propelled grenades -- to equip 2,000 men.

"We are very close to the international waters and it's very easy to get weapons," Dokubo said.

Industry analysts say that decades of corruption and mismanagement by successive Nigerian regimes has left the oil-rich Niger Delta one of the most impoverished regions across the country. Massive unemployment is just one of the manifestations with a myriad of knock-on effects.

"The consequences of unemployment are numerous," said a recent report commissioned by oil giant Royal Dutch/Shell and written by WAC Global Services. "Youths become involved in criminal activities (e.g. illegal oil bunkering, thuggery, kidnapping, piracy, etc.) and recruited into crime cartels and armed militias."

The report estimates that the 10 percent of Nigeria's daily output or 100,000 barrels stolen every day is worth about US$1.5 million and would buy enough weapons to sustain a force of 1,500 youths for two months.

Captains complaining

Emeka Okoroanyanwu, editor of Lagos-based Maritime Quarterly, told IRIN that waters within and just outside Nigeria's territory posed problems.

"Many of the attacks occur on the high seas as ships approach Nigerian waters," he explained. "An equally large number of attacks occur within Nigerian waters as well and ship captains are complaining."

Okoroanyanwu said one almost certain consequence would be higher shipping costs for Nigerian and other Gulf of Guinea destinations as shippers begin to factor higher insurance premiums into their pricing.

The IMB said it had issued a warning to ships in the vicinity of Nigeria and advised seafarers to be on their guard.

The maritime group also noted that security problems on land were diverting the resources of the Nigerian authorities from security at sea.

"The IMB believes the increased ferocity and number of attacks is linked to law and order problems ashore that criminal gangs of pirates are using to their advantage, knowing that the authorities are under pressure and so unable to respond adequately to attacks at sea," it said.

But Nigerian security forces say that without their crackdown on militia groups and other armed gangs in the Niger Delta over the past year, the tally of piracy deaths would have been considerably higher.

Security officials told IRIN that navy troops patrolling the coastal wars in four ships donated by the U.S. Defence Department had impounded more than 20 ships in the past year and arrested 90 people, including 37 foreigners, accused of dealing in stolen crude oil.

A military spokesman, who did not want to be named, said that troops had been successful in destroying several criminal gangs operating in the Niger Delta following an incident in April in which gunmen attacked a boat belonging to ChevronTexaco, killing seven people, including two American oil workers.

"Troops have killed at least 30 pirates in gun-battles in the past two months and dismantled their infrastructure, including sophisticated communication equipment," he said but declined to provide further details.

'JOOLA' FERRY TRAGEDY: GOVERNMENT COMPENSATES VICTIMS

Senegal's Minister of Justice, Serigne Diop, presided a ceremony in Ziguinchor, capital of Casamance, for the consigning of compensation cheques for the victims of the **'Joola'**, the ferry that sunk nearly two years ago killing 1,863 passengers. Over 650 families will receive compensation: 450 of them a sum of nearly 7,500 Euro (the second part of the around 15,000 Euro indemnification established by the government), while another 200 families will receive the entire sum. The **Joola**, on route from the port of Ziguinchor to that of the capital, sunk during the night between 26 and 27 September 2002 due to a storm. Maritime authorities were accused of authorising the embarking of an excessive number of passengers, 4 times above its capacity of 500. In the days following the tragedy Senegalese President Abdoulaye Wade took severe measures, removing two ministers, seven top military officers and soldiers.

SHIPYARD NEWS

Just what the doctor ordered

Spanish shipyard Astillero Gijon, owned by state-run Izar, has won a EUR 16.75m ($20.9m) order to build a hospital ship.

The company beat rival shipbuilder Astilleros Gondan to the contract, according to the labolsa.com news website. The order is a welcome boost for the troubled Izar group, which is being made to pay back EUR 308m ($381.5m) in European subsidies.

The vessel is being built for the state run Instituto Social de la Marina and will be delivered in 21 months.

The 75-metre-long ship will have an emergency room equipped to carry out surgical operations and a total crew of 28, medical specialists included.

It will operate in the Bay of Biscay and the Atlantic, where 1,500 fishing vessels with a total crew of 19,000 work.

ROUTE, PORTS & SERVICES

Shipping giants lift oil fleet capacity

China's shipping firms are expanding their crude oil tanker fleet transportation capacity to help safeguard the nation's vulnerable oil supplies. This is under a government-backed plan to increase domestic companies' share in the delivery of Chinese oil imports.

China Ocean Shipping Group (Cosco) President Wei Jiafu said that the firm, the nation's largest shipping company, plans to build 15 very large crude carriers (VLCCs) by 2010, to become China's largest crude shipping fleet.

Cosco currently has a total of seven VLCCs in its fleet. The total value of the fleet will reach US$1.2 billion.
Cosco is expected to expand its crude oil fleet to nearly 4 million deadweight tons by 2007, from the current 1.94 million deadweight tons.

China Shipping Group, the nation's second-largest shipping firm, is also building up its fleet. The company's first VLCC was delivered in Dalian, Northeast China on Friday. It has a capacity of 300,000 deadweight tons.
A similar VLCC will be completed next year. According to financial news agency Bloomberg, Chinese shipowners bought at least 10 tankers this year, with a capacity to ship a total of over 2 million tons of crude. China's crude oil tanker capacity was 5.2 million tons last year.
China's crude tanker fleet transportation will increase to 10 million tons by 2005, said Zhang Guofa, deputy director of the water transport department at the Ministry of Communications.
Domestic shipping firms have been urged by both government and experts to increase their share in the delivery of crude imports to China.
About 90 per cent of China's crude imports are currently transported by foreign ships.
Just 10 per cent of imports are carried by the domestic fleet, largely due to domestic firms' insufficient shipping capacity.

The government is concerned that China's oil supplies may be disrupted in the event of emergencies and conflicts, given the nation's heavy reliance on foreign tankers.
Oil imports currently account for one-third of the country's consumption needs, with the proportion likely to rise to half of the nation's consumption needs by next year.
"More than 90 per cent of Chinese oil imports are delivered by sea," said Zhou Hongchun, a researcher at the Development and Research Centre under the State Council. "When this is controlled by foreigners, it poses huge risks to China."
Experts also said the shipping companies are expanding their fleets to cash in on the rapid increase in Chinese oil imports.

China's crude oil imports rose year-on-year by 39 per cent to 61.02 million tons, about 447 million barrels, in the first six months of this year.
State oil companies and shipping companies have been increasing their co-operation since last year.
Sinopec, which accounts for more than 80 per cent of China's total imports, last year established a strategic partnership with Cosco and fellow shipping giant China Merchants Group.
According to the agreements, Sinopec is allowing more oil imports to be carried by the two shipping companies which, in turn, are offered discounts on freight charges.
China Shipping Group Deputy General Manager Sun Zhitang said Chinese shipping firms would be capable of shipping about 30 per cent of the country's oil imports in five years.
Luo Ping, an expert with the logistics research institute under the National Development and Reform Commission, said it is an opportune moment to expand the domestic crude tanker fleet.
"International fleets are renovating their ships built in the 1970s. This provides opportunities for us to enter the market," said Luo, adding that domestic oil companies can also reduce the risk of foreign currency fluctuations by using Chinese crude tankers.

Another record year on cards for Port of Montreal

THE overall freight traffic handled at the Port of Montreal surged 15.6 per cent in the first six months of 2004.
It totalled 11 million tonnes, a gain of 1.5 million tonnes over the first half of 2003.
The port also saw a throughput of 5.2 million tonnes of containerised general cargo during the first six months of 2004, representing an increase of approximately 380,000 tonnes or 7.9 per cent over the same period in 2003.
A total of 583,834 TEU passed through the port in the first six months of 2004, representing a 10.6 per cent increase over the 527,735 containers handled during the same period last year.
"If the economy shows any strength at all between now and the end of the year - and we really have no reason to believe otherwise - container traffic will certainly enjoy another record year," said Port Authority president and CEO, Dominic Taddeo.
"International trade is presently in the midst of booming growth, and this phenomenon is placing a great deal of pressure on infrastructures and intermodal transportation facilities throughout North America," Mr Taddeo explained.

"At the Port of Montreal, for example, we have not only enjoyed the best six months in our history in the container sector, but June was our best month ever, with 110,256 TEU containers handled on our docks: this number is simply unprecedented," he added.
The only traffic that decreased was non-containerised general cargo which went down nearly 10 per cent to 224,000 tonnes from 248,000 tonnes over the half-year period.

Box lines ready to break newbuilding lull

CONTAINER lines are gearing up for a fresh bout of ordering later in the year, with more super post-panamaxes on their shopping lists. The brief lull in newbuilding activity is not expected to last long, say brokers, with those operators that already have large orderbooks among the frontrunners looking for even more newbuildings.
Panamaxes and post-panamaxes are also wanted as well as more tonnage in excess of 8,000 teu.
Any very large containerships ordered now are likely to cost more than $100m on delivery, given the recent rise in steel prices and the pressure of demand.
Forecasts of yet more containership ordering coincides with new estimates putting the number of super post-panamaxes in service at the start of next year at 50 units of 7,500 teu nominal capacity or larger.

At that stage, there will be three Asia-Europe loops and four transpacific strings tonnaged solely with these biggest ships, according to BRS-Alphaliner.
In the Asia-Europe trades, two will be operated by Maersk Sealand and one by the Grand Alliance.
On the Pacific, Maersk Sealand, China Shipping, and Cosco Container Line will each have one, along with a fourth operated jointly by CMA CGM and Mediterranean Shipping Co.
On current ordering, there will be 190 very large containerships in service by the end of 2007, at which time weekly capacity in the two main east-west trade lanes would be 120,000 teu, or around 6m teu a year.

MSC, the world's second largest liner shipping company with 29 of these huge ships on order, is continuing to expand its fleet at an astonishing rate.
BRS-Alphaliner puts the Geneva line's orderbook at 291,000 teu or 47.5% of its existing fleet that currently stands at 237 ships of 614,000 teu.
Ten more panamaxes were added to the MSC orderbook over the past few weeks, the Paris firm says. These include four 5,060 teu newbuildings the line has just bought from Bertram Rickmers that are under construction at Hanjin Heavy Industries for 2006 delivery.
MSC will be paying around $64m each compared with the price when the order was placed of $48m. This is similar to the profit Mr Rickmers will make from a similar re-sale deal to Wan Hai a few weeks ago.

NOL charters four

A highly competitive rate of $24,300 a day has been agreed by Neptune Orient Lines for four post panamax containerships it is to take on long-term time charter.
The deal with Japan's Mitsui & Co is worth some $35m a year, so over a decade requires the Singapore based liner operator to pay out some $350m. The 5,888-teu vessels, to be deployed by the American President Lines subsidiary, are currently under construction for delivery in 2007 and 2008.

Neptune Orient Lines is adding additional workhorses to the APL fleet.But Neptune Orient chairman, Cheng Wai Keung, said the rate was comparable with those seen five years ago and in today's climate, when charter charges are so high, this was highly competitive.
The chief executive of Neptune Orient, David Lim, said the charter agreements signalled an intention to continue growing the company fleet over the long term to meet demand.
"We will also increase our capacity through our strategic partnerships and alliances. We will continue to work to maintain the responsiveness of our network, making the most of our assets to meet our customers' needs," added Lim.
Lim said that Neptune Orient had no immediate plans to order super-sized container ships.
"It will make sense in the future to have larger ships in some trade lanes such as Asia-Europe and we are likely to place orders down the line. But the size of ships we are chartering today will still be ideal and in use on key trade routes long into the future. This addition to our fleet offers us a lot of flexibility in configuring our network," he said.
The new time charters will take APL's fleet of "workhorse" ships in the 5,000 to 6,000 teu class to 16. Vessels of this size are flexible and efficient offering a good combination of large cargo carrying capacity, speed and port infrastructure compatibility, allowing them to be deployed on both the Asia-Europe and transpacific trades.

NAVY NEWS

Harbor tug **USS Opelika (YTB 798)** gets underway July 19th 2004 to assist in ship movements in the Yokosuka, Japan.

American sailors line the deck of the **USS Curtis Wilbur**, a guided missile destroyer as it arrives in Danang, Vietnam on Wednesday July 28, 2004. The destroyer based in Yokosuka, Japan is the second American vessel to make a port call in Vietnam since the end of the war.

Hoon to announce military shake-up

Defence Secretary Geoff Hoon is unveiling the biggest shake-up of the military for a generation, with a round of cuts designed both to save money and to reshape the armed forces for modern warfare.

Historic Army infantry regiments are expected to be gradually wound down, Challenger II tanks and Royal Navy warships scrapped and the death knell sounded for some RAF airbases.

In last week's Spending Review, Chancellor Gordon Brown gave the Ministry a 1.4% annual real-terms increase in its budget, but demanded A£2.8bn in savings on procurement of equipment and back-room support functions by 2007-08.

Meanwhile, speculation is rife that the Navy will lose **six ships** - thought to be three Type 23 anti-submarine frigates and three ageing Type 42 destroyers. Reports have suggested the number of new Type 45 destroyers it is due to receive may be cut from 12 to eight or fewer.

MOVEMENTS

The **MSC VERONIQUE** visited the port of Santos in Brazil **– photo : Rogerio Cordeiro ©**

The **SAHALIN ISLAND** moored in the Europort **– Photo : Jan Verhoog ©**

The Russian tug **BIZON** departed from the Westerscheldt with a loaded barge, the transport was assisted by the tug **SCHOUWENBANK**
Photo : Niels Heijboer ©

The **VARNEBANK** is sold to Alfons Hakans in Finland and will be renamed in **PALLAS,** at the picture the vessel just left Niehuis & vd Berg shipyard and the **SMIT logo** is allready removed from the funnels
Photo : Nico Ouwehand ©

The **BLACK MARLIN** loaded the **MAERSK GUARDIAN** in the Europort
Photo : Perry Dekker ©

The **AMT CARRIER** discharged Boskalis materials which were loaded in the Waalhaven in Rotterdam
Photo : Mario di Grande - Augustea SpA. ©

OLDIE – FROM THE SHOEBOX

The **LORENZO D'AMICO** was the former **SOESTDIJK**
Photo : Coll. Piet Sinke ©

The **SOESTDIJK** was built in 1948 at the Harland & Wolff yard in Belfast, and was owned by the Holland Amerika Lijn , the **SOESTDIJK** was sold to Panama in September 1967 and renamed in **KAVO PEIRATIS,** in 1970 she was sold again to a company in Palermo and renamed in **LORENZO D'AMICO ,** finally the vessel was scrapped in 1978 in Taiwan

…. PHOTO OF THE DAY …..

Ships from seven different nations steam alongside **USS John C. Stennis (CVN 74)** on July 22nd while conducting a multi-national task force group photo exercise marking the conclusion of Rim of the Pacific (RIMPAC) 2004. The ship and Carrier Air Wing Fourteen (CVW-14) are taking part in RIMPAC 2004. RIMPAC is the largest international maritime exercise in the waters around the Hawaiian Islands. This year's exercise included seven participating nations; Australia, Canada, Chile, Japan, South Korea, United Kingdom and United States. RIMPAC is intended to enhance the tactical proficiency of participating units in a wide array of combined operations at sea, while enhancing stability in the Pacific Rim region

Fuji Photo Film employee Aya Yanai holds Japan's top photographic film producer and leading digital camera maker's latest product **FinePix S3 Pro** during its press unveiling in Tokyo Wednesday, July 28, 2004. Featuring its one-of-a-kind Super CCD SR sensor technology designed specifically for professional photography, the single-lens reflex digital camera with **12.3-megapixel** resolution will be sold at about **US$2,340** early October.