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**Van Wijngaarden's AMSTELSTROOM passing Sliedrecht at the river Merwede**  
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26-09-2013 : "WELLSEVICER " at St. John's Newfoundland on a rainy day

Photo : John Attersley ©

## Ship crosses Northwest Passage, sails into history

Last week the bulk carrier **NORDIC ORION** passed through the Northwest Passage and into Baffin Bay, sailing into history as it went. The ship – a 225-metre, ice-strengthened carrier loaded with B.C. coal bound for Finland – became the first bulk carrier to make the voyage, which has lured explorers for more than a century and has long been eyed as a commercial route.

Until the **NORDIC ORION**, however, the passage was travelled mostly by icebreakers, tugs and small cargo ships hauling supplies to northern communities, as well as adventurers undertaking the journey in rowboats and even Jet Skis.



With a commercial bulk carrier now having passed through the route, discussions about Arctic sovereignty and marine infrastructure have become more than theoretical.

"The Canadian government needs to take a firm stand on shipping via the Northwest passage in order to safeguard the environment and to enforce Canada's

sovereignty," James Given, president of the Seafarers' International Union of Canada, said Wednesday in an e-mail. "There must be a net benefit to Canada, and Canadian stakeholders in the shipping industry, not just an open door to Flag of Convenience Shipping to increase their profit margins by shaving miles off of their shipping routes."

The SIU represents sailors working in Canadian waters and on vessels delivering cargo to the United States, Europe and South America.

By sailing through the Northwest Passage, the Nordic Orion was able to trim about 1,000 nautical miles from the usual route through the Panama Canal. It was also able to carry about 25 per cent more coal, given how shallow the canal is.

Transport Canada, along with the Canadian Coast Guard, monitored the vessel while it was in the Northwest Passage, and the ship was required to provide daily position and ice conditions to Nordreg, a Coast Guard agency.

The **NORDIC ORION** is owned by Nordic Bulk Carriers, a Danish company that has staked its future on Arctic shipping. In 2010, it became the first non-Russian company to use the Northern Sea Route when it shipped iron ore from Norway to China.

This is the first time the company has sent one of its vessels through the Northwest Passage. It left Vancouver on Sept. 6, loaded with metallurgical coal. Port Metro Vancouver says the **NORDIC ORION** loaded at Neptune Terminals, which is partly owned by Vancouver-based Teck Corp., one of the world's biggest producers of metallurgical coal.

Metallurgical coal is used primarily in steel making, while thermal coal is used in electricity plants.

Neither Neptune Terminals nor Teck would comment on the sailing, citing customer confidentiality, and Teck said it does not use the Northwest Passage. But shipping agents say most coal is sold on a "freight on board" basis, which means that the customer takes ownership of the product as soon as it is loaded on the ship, and that Teck would not monitor or even necessarily know which route the coal would take to its final destination.

While shipping agents in Vancouver and around the world are mulling potential implications for shipping commodities, others have voiced concerns about the lack of environmental and safety infrastructure in Canada's North.

In a recent article, Michael Byers, an international law expert at the University of British Columbia, noted that Canada does not have a single port along the Northwest Passage but that Russia, by comparison, has 16 deep water ports along its Arctic coastline. **Source : The Globe and Mail**

## Private Mozambican company ordered vessels from French shipyard

The order for 30 vessels from the **Constructions Mécaniques de Normandie** shipyard in Cherbourg, France, was made by a private Mozambican company and not the Mozambican government, Mozambican Finance Minister Manuel Chang said on Thursday. Chang explained that the order was made by the private company Empresa Moçambicana de



Atum (Ematum), with the Mozambican state as guarantor for international creditors, reports the Mozambican newspaper O País.

The vessels will enable Ematum to fish for tuna and to protect the Mozambican coast, he added.

The government entered the deal as guarantor, considering that the project was important for Mozambique, given that tuna is no longer fished and that maritime protection is conducted by foreign companies, Chang said.

The Lebanese entrepreneur Iskandar Safa, owner of Constructions Mécaniques de Normandie, announced in early September that the Mozambican government had ordered the construction of 30 vessels, for which it would pay 300 million euros.

Safa said the order was part of a contract the Safa group signed with Mozambique, which included 30 more vessels to be built in shipyards in Germany and Abu Dhabi in the United Arab Emirates. **Source : macauhub**

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The **XIN TIAN JIN** in Melbourne - **Photo : Dale E.Crisp ©**

## Harwich lifesavers are busiest on coast



LIFE-SAVING volunteers from Harwich were the busiest across north Essex this summer. The latest figures from the Royal National Lifeboat Institution showed the crew was called to 46 rescues.

Clacton were called to 33 rescues, West Mersea to 21, Burnham to 16 and Frinton and Walton to nine between June and the end of August. The total number of call-outs for volunteer crews

was 125 compared with 121 for the same period last year. Over the summer season Harwich and Clacton were the second and third busiest crews across the whole county with only Southend being launched more times. Source : Harwich & Manningtree Standard

## BOSKALIS TO ACQUIRE CONTROL OF VISSER & SMIT MARINE CONTRACTING

Dutch dredger **Boskalis** and investment company **Reggeborgh** to acquire joint control of subsea power cables supplier **Visser & Smit Marine Contracting B.V.** which is now solely controlled by **Reggeborgh** Source : Reuters

## DAMEN BUILTS PILOT TENDERS FOR SOUTH AFRICA



**Damen Shipyards** Cape Town built, however they are not Damen design the pilot tenders **AVOCAT, PLOVER and RED BISHOP**

They are destined for Cape Town and Saldanha. They are currently at the Elliot basin / Damen to be commissioned and to carry out trials before handing them over to the TNPA.

Photo's : Aad Noorland ©

## 'Boskalis merkt weinig na mogelijke overname'



De mogelijke volledige overname van baggeraar **DEME** door investeringsmaatschappij **Ackermans & Van Haaren (AvH)**, zoals gemeld door Belgische media, zal de structuur van de baggermarkt niet veranderen. De impact op de baggeractiviteiten van **Boskalis** zal dan ook beperkt zijn, aldus Rabobank in een reactie. Rabobank laat zijn hold-advies en koersdoel van 31 euro dan ook staan. Bron : De Financiële telegraaf



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The **SERKEBORG** arriving in Vlissingen -

Photo : Richard Wisse – [www.richard-photography.nl](http://www.richard-photography.nl) (c)

## BIMCO President: LNG bunkering not an option

The **International Maritime Organization (IMO)** Secretary General, Koji Sekimizu, opened the IMO symposium on 26 September 2013 by stressing the key role shipping has in a global sustainable development for trade and growth. BIMCO President John Denholm followed up with a speech which included the following main points: shipping is the servant of world trade, it has enabled globalisation and in so doing, contributed massively to world growth in the past. A cost-effective shipping industry is a prerequisite for world growth in the future. The astonishing thing is that the important role of shipping and the shipping industry to economic growth is rarely recognised as it should be.

The shipping industry is a truly global industry with a multitude of users as well as owners of ships interacting with each other. The barriers to entry are low and regional restrictions are limited - in short it is close to a perfect market.

Much of the credit for keeping the barriers to entry low and avoiding regional restrictions lies here with the IMO and it is important that IMO does not let up on this work as it is "being close to a perfect market" that ensures the industry adjusts to the changing demands of world trade.

In the late 1990's, world trade became a very demanding master as the Asian economies and in particular China began to grow rapidly and western economies outsourced more and more manufacturing to Asia.

There were not enough ships to meet these new requirements and so freight rates rose. Ship owners reacted to the increased freight rates by building more ships and as a consequence, shipyard capacity became in short supply and

the price of new ships rose rapidly. The shipbuilding nations responded to the opportunity by increasing their yard capacity. It was an extraordinary time:

- The owner of a Capesize bulk carrier – the type of ship that typically carries iron ore and coal – once said to me that when he came into the business, he was pleased to get a charter rate of USD 12,000 a day and he was now looking for USD 12,000 an hour.
- The cost of building a Capesize ship rose over three-fold from around USD 40 million to USD 120 million.

Great fortunes were made.

Then, five years ago, came the collapse of Lehman Brothers, which marked the beginning of a loss of confidence and the global recession hit hard.

- It was soon obvious there were too many ships for the available cargoes and charter rates fell sharply – in many cases to less than the cost of operating the ship.
- Market values also collapsed, so that a newly-built ship was worth what it had been before the market took off.

Great fortunes were lost.

Today, it is estimated that across the bulk carrier and tanker fleets, there is about 20% more tonnage than is required. This a huge surplus and while part of it is due to the slowdown in world trade, it is at least partly due to ship owners building more ships than were necessary.

Much of this surplus is being dissipated by slow steaming and a little tonnage is laid up, but the surplus is there.

As a consequence of the period of rapid growth the world fleet is probably younger than it has ever been in my lifetime, but there are more ships than necessary to carry the available cargoes and as a consequence, as you would expect in a “near perfect market”, charter rates and ship values are low.

As expected, this has led to an increase in the amount of scrapping, but contrary to what you would expect, there is still a big flow of newbuilding orders.

To understand why this is the case you have to look at the state of the ship owners rather than the market.

To understand the state of the ship owners, imagine the aftermath of a party.

- It had been a big party in which the alcohol had flowed freely and it is now 7.00 in the morning when you survey the scene.
- The room is chaos, with bodies all over the place, some slumped forward in their chairs other lying on the floor then in the corner of the room is a group of people having breakfast
- The first thing that strikes you is that amongst the bodies are a number of waiters who quite clearly had joined in the party – this is what happened with a number of banks
- The second thing that strikes you is that there is little sign of life among the bodies and those that are showing life are clearly distressed – these are the owners who threw caution to the winds and enjoyed the boom to the full
- Finally, you engage with the people in the corner who seem unaffected. This is because they were the people who paced themselves or left the party early – the ship owners who sold out as the markets improved and people who were not at the party – new investors in shipping.

The people who are ordering the new ships are this latter group who, unaffected by the collapse in ship values, see the opportunity to exploit the new demand for world trade to reduce costs by ordering fuel-efficient ships. They are not affected by the lack of waiters, as the breakfast is a buffet!

So how does all this affect the sustainability agenda which sets a number of actions such as:

- Becoming a more responsible partner in the communities in which shipping operates;
- Providing a safe, healthy secure and rewarding work environment;
- Diversifying the industry's energy mix;
- Ensuring greater resource efficiency to make a dramatic reduction in the greenhouse gases;
- Ensuring responsible governance of the oceans.

Well, I have to be honest and say for many ship owners (the bodies lying around the room) the only sustainability agenda they are interested in is creating a sustainable future for themselves by surviving.

Putting these cases aside and focusing on the group of people having breakfast, in the course of the great party a great change in the market place took place in that the price of a barrel of oil moved from USD 20 to USD 100. This is a staggering change and means that in today's market the cost of supplying a ship with fuel is way in excess of the amount the ship can earn on the market.

Our friends having breakfast have realised this and see an opportunity to capitalise on the situation by ordering new some of the new generation of ships in order to improve their energy efficiency.

Indeed, market forces are now strong enough to make the industry as energy-efficient as is realistic without the need to impose any market-based mechanism to achieve this aim. BIMCO also believes that in looking at energy efficiency, it is important that the world looks at the consumption of each ship and not the industry as a whole, as if they look at

the industry as whole, they will inevitably restrict the industry from being able to respond to the demands of world trade. As regards other aspects of the sustainability agenda, let us first consider the environment.

The shipping industry has no difficulty in supporting the aim of becoming a more responsible partner in the communities in which it operates, provided this is implemented on well thought through and a globally agreed framework that is established through IMO.

I, like most other ship owners, have no desire to pollute the waters of one part of the world with “bugs” picked up in ballast water from another part of the world or to see the tell-tale signs of acid rain caused by sulphur emissions. But, and it is a big but, in both these areas we have in place legislation that, while well-intentioned, is ill-advised.

The Ballast Water Convention, for instance, was put in place before the technology to meet its requirements existed and without regard to the practicalities and cost of retro-fitting equipment in the world fleet. BIMCO is, of course, pleased that IMO has recognised the need for a smoother implementation process than had been originally intended, but does not feel that the proposals go far enough, as even in the slower implementation process there is likely to be a problem due to the availability of equipment and yard capacity, and in the current market, it simply will not make sense to retrofit an old ship with a ballast water treatment plant and so ships will be scrapped earlier than necessary.

Another example is sulphur emissions, where the global limit of 0.5% on the high seas by 2020 is, in the absence of stunning developments in scrubber technology, going to require ships to burn low sulphur content fuel. For the vast majority of ships just now the only low sulphur fuel they can turn to is marine diesel, as LNG is not an option, firstly because of the lack of an LNG distribution network and secondly because it is not economical to retrofit a ship to burn LNG. This means that for most ship owners, low sulphur fuel means marine diesel.

If the industry switches wholesale to marine diesel, two big questions need to be answered:

- Will marine diesel be available in sufficient volume to satisfy the appetite of the shipping industry?
- What are the refineries going to do with the high sulphur content fuel that comes off the bottom of the tower if they cannot sell it to the shipping industry?

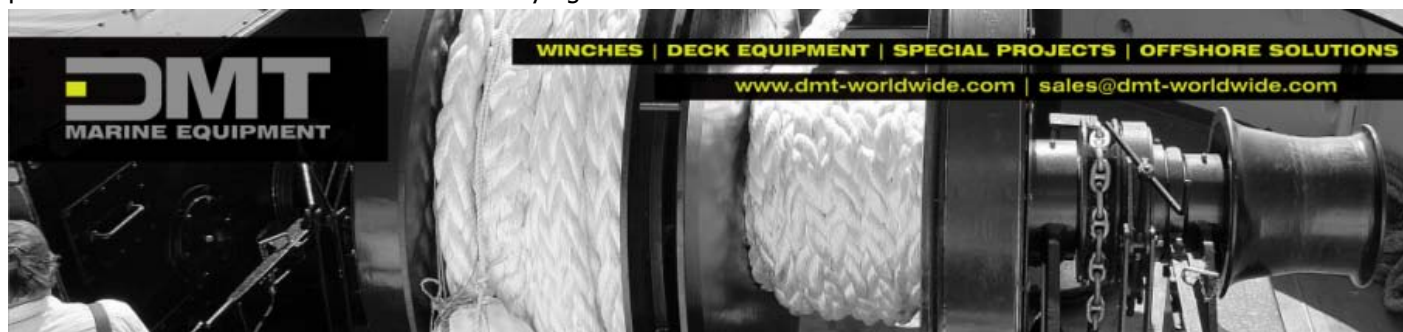
Of course the industry is reassured that IMO is going to carry out an availability study before 2020 and we think it is a good idea to start work on this now and suggest that it is something that should have been done before the legislation was passed.

BIMCO is firmly convinced that impact assessments should be carried out before any legislation is introduced and is pleased that the IMO has signalled that it will not bring in any legislation to control Greenhouse Gases without undertaking a full impact assessment first.

I am, of course, digressing from the subject of the state of the shipping industry, so let me wrap up by saying that while the world fleet is younger and more modern than it has been in recent memory and is in good shape, there are too many ships on the seas and because of this, the earnings of ship owners have fallen to levels that are unsustainable.

The glut of newbuilding orders, driven by the desire of the owners who have emerged from the financial crisis with strong balance sheets to capitalise on the new fuel efficient designs, is undoubtedly going to mean that earnings are going to remain depressed for some time yet.

Therefore, while the ship owner has no difficulty in supporting the concept of sustainability, few owners are in a position to bear the costs of the sustainability agenda. **Source: BIMCO**



## **Piracy warning to shipping as monsoon season subsides**

The International Maritime Bureau (IMB) has issued a warning to shipping about the potential for a rise in piracy off the eastern coast of Africa as the monsoon season subsides. The IMB, part of the International Chamber of Commerce



Commercial Crime Services, said conditions would “become conducive to the operation of small pirate skiffs” and masters of ships should remain vigilant and follow anti-piracy protocols.

The warning comes as figures show a drop in the number of piracy incidents, with 138 taking place worldwide in the first half of the year compared with 177 in the same period of 2012. Covering the same periods there was a reduction in hijackings from 20 to seven, while the number of sailors taken hostage fell from 334 to 127.

The IMB attributes the drop to the actions of naval vessels and on-board security teams, and the presence of a stable government in Mogadishu, Somalia.

Pottengal Mukundan, director of the IMB, said: “Naval forces continue to play a key role in the response against piracy in this area from the collection of intelligence to the identification and disarming of suspected pirate vessels before they pose a threat to ships. It is vital they remain until the situation improves ashore so that piracy is no longer a viable option for the criminals.

“Although the attacks off Somalia have fallen we should not forget the desperate plight of the 64 crew currently held in Somalia, 38 of whom have been there for over two years.”

But there has been a rise in piracy and armed robbery in the Gulf of Guinea, with 31 incidents taking place in the first half of 2013, including four hijackings and one killing. Attacks off Nigeria accounted for 22 of the incidents.

“There has been a worrying trend in the kidnapping of crew from vessels well outside the territorial limits of coastal states in the Gulf of Guinea,” said Mukundan. In June the heads of West and Central African countries signed the Code of Conduct Concerning the Repression of Piracy, Armed Robbery Against Ships, and Illicit Maritime Activity in West and Central Africa. **Source : supplymanagement**



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## **Demolition is the only to ease up tanker pain**

Lower than expected demolition activity has plagued the crude tanker industry so far, leading rates to lower ground. In its latest weekly report, London-based shipbroker Gibson noted that we may have expected the level of demolition in the crude tanker segment to rise significantly as a result of poor earnings, but this hasn't been the case so far. According to Gibson, “although there have been a few more double hull VLCCs removed over the past 2 months, the mantra of “high earnings equals low demolition and low earnings equals high demolition” does not appear to have kicked-in”, it said. According to Gibson, “demolition is certainly the easiest way to rebalance the market; slow steaming is only a temporary means of absorbing the surplus and lay-up is not really a viable option with current earnings at least positive and the need too keep approvals.

Despite recycling being the "quick fix", there has not been a rush of owners choosing to remove tonnage. This is not surprising given the industry is made up of numerous companies, who cannot be expected to shut-up shop and demolish their vessels for the greater good of others. The current relatively young age profile of the crude tanker fleet would also suggest limited recycling. If we ignore the few remaining single hulls, there are only 2 double hull VLCCs more than 20 years old, and these are only 21! So, on the structure of ownership, age grounds and that companies are getting by financially at the moment, there is little incentive to dispose of a large number of VLCCs", the shipbroker noted.

It added that "in terms of the demolition price, this has fallen by around 10% so far this year. Currently, a VLCC sold to the Indian subcontinent will fetch around \$16 million.

Although this is a lot more than 10-12 years ago when the price was close to \$5-7 million, it doesn't compare with the equivalent of \$20-24 million just a few years ago. So here again, there may be little real incentive for owners to take the demolition price and run.

Given this fundamental backdrop, it seems there is unlikely to be a rush of crude tanker tonnage going for demolition in the near term, even though the market prospects for the bigger ships looks even worse next year. In our own analysis we forecast an average of 20--25 VLCCs being removed each year over the next 3 years.

With 60 VLCCs currently on order, this is not enough recycling to rebalance the market.

On this basis we will have to wait until crude tanker demand increases by enough to take up the slack, and if this is the case we could be kept waiting for a while", Gibson concluded.

Meanwhile, in the crude tanker markets this week, in the Middle East, "charterers got through the 1st decade VLCC Middle East programme relatively unscathed as the ample supply of tonnage gave owners no opportunity to build on premiums achieved on date sensitive positions. We can expect next week to be quiet as Chinese holidays will disrupt and could give Owners further headaches. Present levels to the East are 265,000mt x ws35 and 280,000mt x ws24 West via Cape/Cape. The Suezmaxes have had a subdued week in the AG with only a smattering of enquiry.

In turn, this has not caused too much excitement and this has been reflected in the rates which have only moved sideways at 130,000 x w55 East and 135,000 x w32.5 West with no outlook of further improvement. Aframax in the AG and Red Sea have not been as active as the far East market, but ultimately, both areas have the same problem, which is a heavy oversupply of tonnage. Owners have tried to push rates up but it's been a losing battle as Charterers have enough ammunition to keep this market under control with 80,000 x w82.5 the rate going East", Gibson noted.

In the North Sea, "it was a disappointing week for Aframax Owners in the Baltic. The bottleneck for the end September loading dates was passed and tonnage list for October looked considerably fatter. And with most of the fuel oil barrels being taken out on larger vessels, Aframax were left competing for programmed Urals cargoes. As the result, rates went through a continuous decay, closing to the lowest part of the scale by the end of the week. Currently, they are soft at 100,000 by WS60 and might dip a few points lower. North Sea is showing a flat line at its comfortable bottom level of 80,000 by WS82.5. Limited VLCC interest ensured some Owners looked at ballasting away to find enquiry which has left the tonnage remaining in a far advantageous position. Will need to see enquiry though to prove the imbalance although last done levels to the East are still around US\$3.2mill for Singapore", the shipbroker noted.

Finally, in the Mediterranean "Med Aframax Owners were expecting an Indian summer for rates as Zawia and Mellitah terminals came back on line in earnest. However those with a keener eye noticed that Libya is only pumping at about half capacity and so rates really

had no chance to go anywhere - and so it proved. There are still many prompt vessels to fix so rates were maintained in the ws65/70 levels for Black Sea and cross Med, voyage dependant. Whilst longer term there might be hope of a recovery, at the moment there is no need for Charterers to panic. It has taken the whole week for Black Sea Suezmax rates to fall 2 points against thin enquiry. With less scheduled liftings - in fact no 1.0 mio bbl cargoes between 12-20 Oct prospects look bleak. One bright spot in the gloom is that Mellitah Terminal is back on line and loading again. Cross Med we saw 135,000 Ceyhan/Med at Ws48.75 which is marginal to say the least", Gibson concluded.

Source : Nikos Roussanoglou, Hellenic Shipping News Worldwide

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SAL's m/v **PAULA** seen operating in Slovaigh-Norway – Photo : Bert de Ruiter ©

## Costamare buys first five container ships in York joint venture

Costamare Inc., the Greek owner of about 60 container ships, is using its new joint venture with investor York Capital Management to acquire five container vessels at a total price of more than \$190 million.

The purchases include two new vessels built in Asia with a capacity of 9,000 20-foot containers, or TEUs, costing \$81 million apiece and due for delivery in 2015, Gregory Zikos, Athens-based Costamare's chief financial officer, said in an interview. The other three ships are smaller and second-hand.

"We have close to half-a-billion dollars of equity to invest within two years, which is substantial capital for container shipping," Zikos said by phone Wednesday. That "doesn't mean that we will rush into transactions."

Costamare's joint venture with York Capital is part of a wider trend of ship owners joining with private-equity companies to invest in vessels. As the industry has entered its sixth year of crisis amid overcapacity and low freight and charter rates, many European banks such as Commerzbank AG and HSH Nordbank AG are exiting or cutting down ship finance. This has made it harder for small and medium-sized operators in particular to refinance debt or raise funds for fleet renewals and investment.

Rickmers Group, a Hamburg-based shipping company, on Monday announced a venture with funds of New-York-based Apollo Global Management LLC to buy container craft, initially focusing on second-hand ships, with a total investment of as much as \$500 million. There are also partnerships between ship owners. Quayside Maritime Partners is a joint venture announced in August between Hamburg-based E.R. Capital Holding and Schulte Group to buy vessels at the current low rates with the aim of selling later at a profit.



Costamare, which has been listed on the New York Stock Exchange since 2010, charters ships to container lines such as Hapag-Lloyd AG, AP Moeller-Maersk A/S and CMA CGM.

"What's unique about our venture is that we invest up to 49 percent of equity and that's what we did at the latest transactions," said Zikos. "From what I have seen in the industry, ship owners usually invest 5 to 10 percent of the equity, while private equity firms provide the rest." Costamare's minimum investment in purchases through the joint venture with York Capital will be 25 percent under the terms of their deal.

Costamare will partly finance the transactions by taking on debt, said Zikos. "We definitely enjoy access to lending and commercial banks, so we did not enter the agreement with York to replace debt," said the executive, who in a previous role as a banker managed leveraged and acquisition debt financing transactions at Citigroup Inc. in London between 2000 and 2004.

The order book in the container industry is 21 percent of the total container fleet in the water today and mainly consists of larger vessels starting at a capacity of 8,000 TEU, said Zikos. "As these big ships get delivered, liner companies around the world may adjust their capacity with regard to medium and smaller-sized vessels, bearing in mind their trade lanes and business models," said Zikos.

The delivery of big ships such as the 18,000 TEU vessels delivered to Maersk Line is causing container carriers to dispose of smaller ones to rein in supply and avoid further increasing capacity in the market.

"Regarding the joint venture we don't have a pre-defined growth target," Zikos said. "This a cyclical industry, so there may be deals that we will pass on, or there may be some where we are quite aggressive."

Three of Costamare's and York's purchases were for used ships of a size between 1,162 TEU to 5,576 TEU. The biggest vessel, called Ensenada Express, cost \$22.1 million and was subsequently chartered to Hamburg-based Hapag-Lloyd, for about two years at a rate of \$19,000 a day.

"Time-charter durations are on the low side, but we still see transactions of one to two years or even longer, bearing in mind differences between smaller, bigger or newly built vessels," Zikos said. He declined to give a forecast for the business. **Source: Bloomberg**



The **STANISLAV YUDIN** operating at the Douglas Platform in the Irish Sea where the **Seaway heavy Lifting** crane vessel installed a 270 ton in weight module (20 x 7 x 14 meter) on the outside of the existing Douglas Platform

**Photo : Hans van der Linden.....[www.aerolin.nl](http://www.aerolin.nl).....@AerolinPhoto BV ©**



The **GRANDE SPAGNA** arrived at Southampton on 27th September from Salerno.

Photo : Chris Brooks - [www.ShipFoto.co.uk](http://www.ShipFoto.co.uk) ©

## Vessel prices fell in July and August, but may not be negative

For the first half of 2013, vessels prices for all three major classes of dry bulk ships, Panamax, Supramax, and Capesize, have been rising. Prices for 15-year-old Panamax vessels rose from \$8 to \$10 million, while equivalent Supramax vessels rose from \$7 to \$10 million, and Capesize from \$13 to \$14.5 million. But over the past two months (July and August), we've seen Capesize prices fall from \$14.5 million to \$14 million. Supramax and Panamax had both pulled back from \$10 million to \$9 million.

### *The significance of shipping vessel prices*

The price of a 15-year-old vessel is an important indicator that reflects the health of the shipping industry. When shipping rates are expected to rise, the price of vessels also rises. Buyers who are expecting higher rates are willing to pay more, and sellers who expect rates to rise will only sell prices at a higher price. Of course, if rates are expected to fall, then the future profits that the ship can generate will also fall. This can have a negative impact on the value (price) of ships.

### *Vessel prices generally trend with shipping rates*

Because 15-year-old ships sell in the secondary market, price movements in these ships reflect more of a short-to-medium-term outlook (see the chart below). When supply growth began to outpace demand growth in mid-2010, driven by deliveries of a record number of ship orders placed before the financial crisis and lower year-over-year growth in the dry bulk trade, ship rates began to fall. The prices of 15-year-old ships followed suit.

### *Wait-and-see mode*

The recent decline in vessel prices is something to look out for, because it could say something negative about the short-to-medium-term outlook for shipping rates. Nonetheless, this could just be a short-term pull-back. As long as the uptrend remains intact, the indicator reflects a positive outlook for shipping companies like DryShips Inc. (DRYS), Diana Shipping Inc. (DSX), Navios Maritime Holdings Inc. (NM), Navios Maritime Partners LP (NMM), and Safe Bulkers Inc. (SB). With other indicators showing positive signs, perhaps it's best to apply a wait-and-see approach to this indicator. Besides, prices for new builds are showing encouraging signs. **Source: Market Realist**



## BBC AMETHYST LOADED 2 PUSHERTUGS IN AMSTERDAM



In Amsterdam-Westhaven the **BBC AMETHYST** loaded two pushertugs named **IMPALA ZAMBRANO** and the **IMPALA** as seen during the loading at the photo's , after seafastening the **BBC AMETHYST** departed for Colombia, both pushertugs are built at the **De Kaap Shipyard** in Meppel.

Photo's : Willem Koper ©





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The **VENTURE-G** arriving in Willemstad (Curaco) bound for the Curacao Drydock Company  
Photo : Kees Bustraan – <http://community.webshots.com/user/cornelis224> (c)

## Mooi weer, harde wind, de Kustwacht was er druk mee.

Het weekeinde kenmerkte zich door mooi najaarsweer en dat lokte veel recreatievaarders het water op. Vooral op zondag stond er een harde oostenwind kracht 6 tot 7. Het resulteerde in 36 hulpaanvragen bij het Kustwachtcentrum Den Helder. Voornamelijk ging het om motorproblemen (12x), aan de grond gelopen (8x), problemen met mast, roer of schroef (6x) en surfers in problemen (3x). Totaal werden 38 reddingboten van de **Koninklijke Nederlandse Redding Maatschappij** en 5 boten van diverse reddingbrigades ingezet. 14 keer kwam een bergingsvaartuig in actie en één maal werd een helikopter ingezet voor een zinkend jacht, dat echter veilig naar Hoorn kon worden gesleept.  
Bron : Kustwachtcentrum



The **E.R. RIGA** inbound for Rotterdam – Photo : Paul Gerdes ©

## NAVY NEWS

# Turkish authority cancels Koç Holding's national warship contract

Turkey's top defense procurement body has announced it canceled a contract which was won by Koç Holding earlier to build a number of corvettes as part of the national warship project, or MİLGEM in its Turkish acronym, for around \$1.5 billion, in a written statement.



The Defense Industry Executive Committee, led by Turkish Prime Minister Recep Tayyip Erdoğan, decided by late Sept. 26 to re-launch the tender after an in-depth re-examination of files by inspectors after some complaints were raised by companies who were excluded from the tender.

The statement said that the contract to produce six corvette ships by Koç Holding had been cancelled and a contract to build two ships would be awarded to the Turkish naval shipyard. The construction of four remaining ships will be put out to tender later, the statement read.

The MİLGEM project covers the construction of eight corvettes and four frigates for the Turkish army.

Construction of the first MİLGEM corvettes, the Heybeliada, was completed in 2008, while the second ship, the Büyükada, was

submitted the Turkish navy Sept 27 by the Turkish naval shipyard. Corvettes are the smallest warships in the inventory of the Turkish Navy, as the country has no ocean coasts.

Divan Hotel in Taksim, which belongs to the Koç Group, had opened its doors to the Gezi protesters who were exposed to tear gas. For that reason Koç Holding was criticized by some groups for supporting the Gezi protests.

After the Gezi protests, the group's flagship company, TÜPRAŞ, faced a number of tax and quality controls. And a government committee cancelled the contract for the national warship project (MİLGEM), which had been awarded to Koç Holding's RMK Marine.

'No relation with Gezi'

Finally, some statements reported that the Kalamış Marina tender would be renewed, taking away Koç's right of operation there.

"It is quite natural to make effective tax controls in various sectors, especially when some notices are the case. It is not right to relate the latest [tax and quality] controls on some business groups with the Gezi protests," said Economy Minister Zafer Çağlayan Sept. 27 during a meeting with a number of economy press members. "Furthermore, the Defense Industry Executive Committee just canceled some contracts, while deciding the re-launch of some tenders during its latest meeting. We do wrong if we believe all these decisions were related to the Gezi protests or other things," he noted. Source : hurriyet daily news

## MiG-29K Carrier Trials Complete

Flight trials of the MiG-29K on the **INS Vikramaditya** (formerly **Admiral Gorshkov**) in the Barents Sea have been completed. Deliveries of the naval version of the fighter to India continue, with the carrier to follow on November 15, and the Russian Navy will soon receive its first MiG-29K. The Russian defense ministry confirmed this month that its only remaining carrier, **Admiral Kuznetsov**, will be modernized to accept MiG-29Ks as well as the Sukhoi Su-25UTG light attack and Su-33 combat aircraft.

The latest series of flights, conducted in August and September, used two factory aircraft (a MiG-29KUB two-seater, side number 204, and a single-seat MiG-29K, side number 941). The dozen flights demonstrated takeoffs and landings at night, and with a maximum practical combat load specified by the Indian customer. These trials followed a previous series of 42 customer-specified missions from the same carrier between June and August last year.

RAC MiG director general Sergei Korotkov commented, "The completion of the flight trials from the carrier's deck marks a milestone in the life-cycle of the ship Project 11430 as well as the MiG-29K/29KUB program." RAC MiG's next step will be to train Indian navy pilots in the techniques of ship-borne operations.

The MiG-29K/KUB are attributed to the "4++" generation of Russian combat aircraft. They are intended for air defense of a carrier task group: establishing air superiority over the theater of sea-land operations, destroying land and seagoing targets with precision-guidance munitions in all weathers, day and night. The customized Indian navy MiG-29KUB first flew in January 2007, followed in March 2008 by the first flight of a deliverable aircraft.

In 2011 RAC MiG delivered the last airframe in the initial batch of 16 aircraft to the Indian navy under the contract signed in 2004. Last year the manufacturer delivered the first four of 29 more naval MiGs to India. The Russian Navy has ordered 24 MiG-29Ks.

The **Admiral Kuznetsov** will be modernized within the next five years by the Sevmash shipyard. Conversion of the **INS Vikramaditya** has been controversial, with the cost to India having risen from some \$600 million to more than \$2 billion.

## SHIPYARD NEWS

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## Ingalls Shipbuilding delivers hangar for DDG 1001

Ingalls Shipbuilding announced that it has delivered the composite hangar that will be used on the U.S. Navy's second Zumwalt-class guided missile destroyer, **Michael Monsoor (DDG 1001)**.

"Our shipbuilders' performance on this hangar composite construction has allowed us to deliver it nine days ahead of the commitment made last year," said Ingalls' DDG 1000 Program Manager Steve Sloan.



"This construction time is a significant improvement from the first set of class products to the second set," he said. "It is a testament to the hard work and excellent logistics and manufacturing processes put in place on this program. A considerable amount of outfitting transpired earlier in the process allowing for the early delivery time."

The 220-ton structure will be translated to a shipping barge and sent to Maine in early October. Ingalls is building the hangar, peripheral vertical launch system and composite deckhouse for [Michael Monsoor](#). The PVLS was delivered in July, and all that remains is the deckhouse delivery expected in first quarter of 2014. [Source : GulfLive](#)



"The Argentine shipyard "[Astillero Punta Alvear](#)" builds both dry cargo and tank barges for use on the Paraná River and for export. On Friday September 27<sup>th</sup> yard number 165 was launched, a dry cargo jumbo barge measuring 60 x 16 meters with a deadweight capacity of 2500 tons." – [Photo : Niek Boot ©](#)

## Revival of shipbuilding industry in sight

As powerful economies like Germany, The Netherlands, Norway, etc. are gradually coming out of recession, local shipbuilders are eyeing good prospect for the revival of the industry in the near future. Local shipbuilding industry was, indeed, passing through a difficult time for the last few years as those countries were unable to take delivery of the ships they had ordered from Bangladesh.

Besides, many African countries like Tanzania, Mozambique and Kenya are in contact with the local shipbuilders to buy a good number of ships. In fact, Bangladesh received many orders from the European countries before the recession had started in 2008. Many buyers were unable to get delivery of the ships as their banks were not interested to finance shipbuilding.

A number of orders, worth \$2.0 billion, to buy ships from Bangladesh were cancelled by the European buyers last year following financial crisis that swept across Europe until early this year. It may be mentioned here that the local industry did not get any single order from the foreign buyers for the last two years.

The local shipbuilding industry is expected to get orders, \$4.0 to \$5.0 billion, from the European countries next year given the level of contacts being made now between the stakeholders of both sides. About 10 shipyards of Bangladesh are building export-oriented ships. Besides, passenger ships, Ro Ro ferries, oil tankers, fishing trawlers, etc. are also being built in those shipyards.

The entrepreneurs are also eying for local market and want to seize the opportunity of building oil tankers for the government to carry petroleum. They are eager to buy locally manufactured vessels at a lower cost. So long the country was dependent on foreign trawlers for fishing in the deep sea.

The global market size of ships and ocean-going vessels was over \$300 billion in 2011 where Bangladesh, as a new entrant to ship business, exported ships worth \$45.95 million in 2011-12, up 13 per cent than the previous fiscal year. Major markets for Bangladesh-made ships and vessels are Denmark, Germany, Finland, England, Japan, Mozambique and Pakistan.

Shipbuilding is predominantly a technology-driven sector where constant improvement of engineering skill keeps one ahead of the others in competition. The government, on its part, remains pledge-bound to extend full support to the

sector through reforming or enacting new policies so that shipbuilding can lift the country's image besides earning precious foreign currency.

To what extent Bangladesh is able to utilise the opportunity of shipbuilding as a foreign exchange earning source depends on its ability to manufacture the machineries, equipment and other accessories used on a ship. Although it is not possible to set up heavy industries overnight to make marine diesel engines, pumps, compressors, etc., there are many items like steel plates, pipes, valves, furniture, electrical cables, switchboards, transformers, motors, etc. that can be made right now in the country.

The main strengths of Bangladeshi shipbuilding are its long history of maritime activity, the presence of favourable geographical advantages, a low-cost shipbuilding workforce and industry-related educational and training institutes, according to a study. Significant government focus is placed on aiding the shipbuilding industry -- green channels for duty-free market access and easy importation facilities have been created and a tax holiday is in the making, the study finds.

Terming the absence of an effective government policy as the main hindrance to the US\$-50-million industry, the study said the government should immediately look into it to make Bangladesh one of the world's best places for shipbuilding. The industry could indeed become the country's third largest foreign currency earner in less than 10 years if the government provides necessary support relating to bank guarantee, access through green channels and declaring export-oriented shipyards as export processing zones.

In order to give a big shot in its arm, the government plans to set up separate zones for the shipbuilding sector and formulate a policy to support the promising sector. The zones will be created on the south bank of river Karnaphuli in Chittagong and in Barisal. A coordination cell will be formed comprising experts in the shipbuilding sector to ensure safety and operational efficiency of Bangladesh-built ships. The emerging industry will also give Bangladesh a new name as a shipbuilding nation through securing bilateral trade with friendly European partners and other nations.

It is assumed that while it took around 25 years for the country's garment industry to flourish and play a key role in foreign exchange earnings, shipbuilding could do the same but in less time (say 10 years) with higher local value addition, assuming proper facilities and policies are provided towards the development of its backward linkage industries. The sector has the potential to expand the country's export basket, fetching much-needed foreign currency as well as generating employment opportunities. With an aggressive marketing plan, the new breed of entrepreneurs is expected to obtain a notable slice of the \$400-billion global shipbuilding business.

Bangladesh can really emerge as a quality shipbuilder, provided the nation cashes in on the growing demand in the post-recession time worldwide. The government has to play the key role by creating a proper framework of policies to address the shipbuilders' problems that include financial constraints. It should stand by the local entrepreneurs willing to make investments in the shipbuilding industry by easing the bank finance for them. High lending rate and the cost of getting bank guarantee are the two major problems these entrepreneurs are facing. If this is solved, it will help strengthen the confidence and interests of foreign buyers and local investors. **Source : The Financial Express – Dhaka**

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The **OIL TENDER** anchored off Haifa – Photo : Peter Szamosi ©

## Oceanex takes delivery of new container ship

The largest Canadian flag container/roll-on, roll-off (Con/Ro) ship will set sail from Flensburg, Germany, destined for St. John's. The **Oceanex Connaigra** is en route from a German shipyard to start its run between Montreal and St. John's. — Submitted photo

Oceanex Inc. accepted delivery of the new vessel Friday, following a series of successful sea trials.

The **Oceanex Connaigra** is expected to arrive in St. John's next weekend, where it will stay for a few days before sailing to Halifax to work on the Halifax service, while the Oceanex Sanderling completes a short stay in dry dock.



The new vessel will then move on to Montreal, where it will provide a fixed weekly service between the ports of Montreal and St. John's. "I am extremely proud to add this innovative, environmentally friendly vessel to our fleet," Capt. Sid Hynes, executive chairman of Oceanex, said in a news release.

"The **Oceanex Connaigra** has been custom designed to meet the many specific requirements of our trade and

promises to provide optimum performance and reliability in the harsh weather conditions of east coast Canada."

Hynes said he has been extremely pleased to have worked with **Flensburger Shipyard** (FSG), a world-leader in the construction of roll-on, roll-off ships and known for their ability to build ships on time and on budget.

"FSG have lived up to their promise of building a state-of-the-art vessel, and I look forward to working with them again on future projects."

FSG CEO Peter Sierk in Germany said the company is very proud to have been chosen to build this innovative vessel for Oceanex. "Such good results were only possible due to the excellent co-operation of all employees of Oceanex and Flensburger, and we are looking forward to building another ship for Oceanex in the future."

The **Oceanex Connaigra** is designed to carry containers varying in size from 20 to 53 feet, as well as trucks, trailers, cars, and other cargo with a total of 13,700 square metres of available space and a deadweight of 19,300 tonnes.

Other custom features include movable vehicle decks and a wide, reinforced side ramp to improve the versatility of the vessel.

Oceanex Inc., a privately owned short sea shipping company, is a leading player in the east coast transportation industry providing services between Mexico, the United States, mainland Canada and Newfoundland.



**Oceanex** also provides land transportation to various points in Newfoundland from St. John's daily. **Flensburg Shipbuilders**, founded in 1872, is a leading builder of roll-on, roll-off ships in the world. Source : Telegram



Tugs moored in Bremerhaven awaiting their next assignment – Photo : Frank van der Ven ©

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The **ISKES** tugs **SVEZIA** and **ARGUS** assisting the **BULK JULIANA** in the IJmuiden locks  
Photo : Simon Wolf ©

## Pressure on Dry Bulk as Asia's Economic Prospects Show Steady Decline

The Bloomberg consensus forecast for Asia's 2014 GDP growth has slipped steadily during the past four months from 6.9% at the beginning of May 2013 to 6.3% as of September 23rd. For analysts, financiers, private and public equity

investors and shipowners, the steady decline in forecasted GDP growth for Asia 2014 is not welcome or consistent with investment strategies currently being pursued in the shipping industry, and particularly in the dry bulk market.

A recovery of the dry bulk market requires expansionary monetary policies across Asia, increased industrial commodity demand, fixed asset investment, particularly residential construction, and an active consumer to support current shipping rates. While we expect consumer demand to remain strong from agricultural products across the region, as consumers continue to demand increased protein and calorie intake, industrial commodity demand is questionable. Should the Bloomberg consensus forecast prove accurate for 2014, the increase in fleet supply will again pressure rates and the financial wherewithal of shipping companies.

While dry bulk rates have improved over the past two months on the back of an expansionary “unofficial economic stimulus” program in China, 2014 forecasted Asian GDP is a harbinger of difficult times ahead and a bad omen for shipping investors, who have been pushing out a recovery year-after-year since 2009. **Source: Castalia advisors.**



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## Containers Caught Fire Due to Self-Combustion

The UK P&I Club has issued on its website a recent incident where containers filled with Crab Shell Meal caught fire due to self-combustion.

The Association was recently informed that smoke was coming from a container of crab shell flake and meal which was loaded in Halifax Canada and was destined for Japan. The smoke was detected between Los Angeles and Oakland and the container was off loaded in Oakland and taken to a secured spot in the yard. The cargo was dumped out of the container and hosed down by the fire department.

The container was stowed on deck in the direct sunlight and ambient temperatures were in the mid 90 F range which could have contributed to spontaneous combustion.

Crab shell meal is not classified as a dangerous cargo such as fish meal but both have similar characteristics in that they are susceptible to self combustion if stowed in direct sunlight or near heat sources on the ship. In the absence of regulations governing the safe carriage of crab shell meal, the Association recommends that it is handled, towed and shipped similar to the requirements of Fish Meal (UN2216) within in the IMSBC Code (Page 171, 2010 Edition)

**Source: UK P&I Club.**

## Genoa's Port Documentation and Sulphur Checks

A Club contact has informed us that vessels calling at the VTE terminal in Genoa will be required to supply additional documentation to the Port Authorities and sulphur content tests will take place. The Club contact reports that vessels will be required to submit the following documentation, and that sulphur content tests may be undertaken on fuel, with fines applicable if the sulphur content is beyond permissible levels.

IOPP

Supplement IOPP

International Air Pollution Prevention Certificate

Engine International Air Pollution Prevention (for vessels build after Jan 2000)  
Oil Record Book (last three pages)  
Bunker Receipts (last three)  
Main Engine Running Hours

Source of information:

**Giampaolo Reggio**

Hugo Trumpy

[htpandi@hugotrumpy.it](mailto:htpandi@hugotrumpy.it)

## **.... PHOTO OF THE DAY ....**



Failpipevessel **SEAHORESE** seen in Fensfjorden - Photo : Bert de Ruiter ©

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