

Fairplay

THE INTERNATIONAL SHIPPING WEEKLY

Published since 1883

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LOOKOUT

Coming clean in Karachi

Tasman Spirit leaves a fine mess

WHEN something goes wrong, the natural human instinct is to avoid blame. As a disaster unfolds, people act with half an eye on where the blame will fall if they take this or that action. But surely the *Prestige* demonstrated the utter folly of this mentality? Surely we are capable of learning from such an obvious and recent example? The 27 July grounding at Karachi of the *Tasman Spirit* suggests that human nature is sometimes beyond learning lessons.

With *Prestige* fresh in mind, we packed our correspondent off to Karachi, relying on our strong working relationship with the Port Trust (KPT). But the media was subjected to a news blackout, as officials sought to throw a blanket over the whole episode.

It wasn't long before our correspondent found himself standing tall before a brigadier in uniform. First, we were told not to be "over smart", just because our organisation is 'gora' (a derogatory, racist term used for Caucasians), and then informed we had been declared *persona non grata* on KPT premises. Considering the political dominance exerted by Pakistan's military, it was hardly surprising that our correspondent felt threatened. The brigadier was, after all, a man who

could answer the question 'you and whose army?'

So this was clearly a serious story worth pursuing, and the results are in this week's cover story. But on top of the undisputed facts, we have heard allegations by many industry sources that we could not prove for certain. For example, we were not able to check what seemed to us KPT's surprising claim that, within an hour of the tanker *Forena* entering port, tugs were available to carry out an immediate refloating attempt on the *Tasman Spirit*.

In fact, it was not until another senior maritime official intervened that we got to see the KPT chairman, Vice Admiral Ahmed Hayat, who was suddenly and graciously declaring our

LOOKOUT continues on page 2

This was, after all, a man who could answer the question 'you and whose army?'

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correspondent to be “friend and brother”.

This attitude certainly reflects on the working atmosphere at KPT, which is choked with anxiety and infested with nepotism. That, in turn, prompts questions about its statements throughout the crisis.

It would have been reassuring to be able to say that the Ministry of Communications, which oversees KPT, had adopted a more sensible approach. But that has not been the case. First, the secretary to the ministry appointed the chairman of Pakistan National Shipping Corp, charterer of the *Tasman Spirit*, to head the inquiry. It was not until

Fairplay pointed out the obvious conflict of interest to the minister, Ahmed Ali, that the situation was remedied. But even then, people in positions of power sought to have their own relatives or political allies appointed to the post of director-general of the ports and shipping wing.

The minister iced the cake by declaring that human error, but not any error by KPT functionaries, was to blame, before the new inquiry chief had even been given his terms of reference.

A ranking PNSC insider is quoted at the end of our cover story as concluding that it is unlikely that the truth will ever come to light. We agree.

A new look for *Fairplay*

In its 120 years of publication, *Fairplay* has changed its appearance several times. But this week marks a radical departure. Gone are the News and News Focus sections, to be replaced by a section known as Newswatch. As well as our famous in-depth features and award-winning cover stories, our unrivalled Markets section is also being expanded.

Why are we doing this? Since 1996, *Fairplay* has led the world with its now essential *Daily News* – sent by e-mail every working day and updated on the Internet. What you have told us is that you value this service and need more detail and analysis in your weekly magazine. While other maritime publications are content to rework the stories broken by *Fairplay Daily News* (sometimes they don't even rework them), *Fairplay* magazine readers want and deserve more. So the new magazine will take you behind

the news. It will get under the skin of the stories that really matter to our business. It will make sense of the shipping industry in a way that no one else can, and it will be exciting, entertaining reading, cover to cover.

How can we do this? We can do it because *Fairplay* has an unrivalled network of professional journalists and industry insiders in virtually every maritime country of the world, scouring the industry for news and delivering the most exciting and incisive stories from the amazing industry we work in.

At a time when most maritime publishers are cutting back, wondering how to justify a continued presence in maritime publishing, *Fairplay* is investing heavily in a product we believe in, with more full-time staff working to deliver the stories that matter. And because we are truly independent, we only have to justify it to ourselves and

to you.

So the new *Fairplay* will retain the strengths of the old *Fairplay* but getting even closer to the heart of the stories. We will be also be talking in detail to the people who matter, to bring you the latest trends in the industry and the current thinking. What's more, there will also be a weekly Letters page to reflect industry opinion from all levels. For lovers of the arcane, we are still running Shoes & Ships – now in its 40th year – as well as a new round-up of the curious and humorous, known as Captain's Log.

As the new Editor of *Fairplay*, I hope you will enjoy the cleaner, easier look and the clearer layouts, as well as the new editorial features. Please take some time to explore the new *Fairplay*, and use our new Letters page to tell us what you think. Write to me at lookout@fairplay.co.uk. I look forward to hearing from you.

Patrick Neylan-Francis



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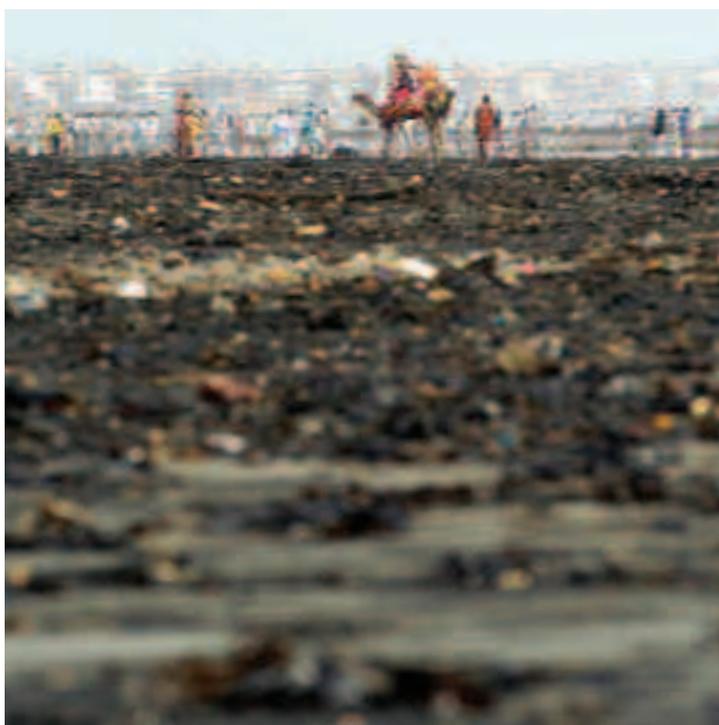
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LEFT: Karachi residents are unlikely to celebrate the sight of their oil-befouled beaches (see cover story)

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PROFILE: There are hidden depths to Efthimios Mitropoulos **p18**



RIVER PLATE: Different maritime sectors try different survival techniques in a changing economy **p26**

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Passion cools as NYK

SOURCE

FAIRPLAY DAILY NEWS, 28 AUGUST, 2003

THE reefer scene experienced its largest shake-up for two years last week as NYK Reefers dumped its partner of only two years, Star Reefers, in favour of LauritzenCool. The new pair have announced they will enter a vessel sharing agreement from January, involving up to 75 vessels.

The Japanese company will also acquire a 50 per cent stake in LauritzenCool Logistics, a young company that focuses on developing land transport and IT systems.

Earlier this summer, NYK Reefers and Star Reefers decided to exercise a break-up clause in their two-year-old pooling contract that had



Photo: Alexei Kuvshinov, Reuters News Picture Service

NYK splits with Star

established NYK Star Reefers, an operation with some 70 reefer vessels. While diplomatically complimenting Star, Fumiya Aoki, CEO of NYK Reefers, admitted to *Fairplay* last week that there had been differences of outlook: "Star is basically a traditional/conventional shipowner, while NYK is focusing on service to customers,"

he said.

So what has LauritzenCool got that Star hasn't? "Partnership with LauritzenCool enables us to provide a more efficient and flexible service to customers including a reefer logistics service developed by LCL," Aoki said. LauritzenCool will provide

about 45 vessels in the new arrangement, and NYK Reefer about 30.

Aoki dismisses the suggestion that NYK would be a junior partner in the new arrangement: "Partner situation is equal. However, being professional reefer operators with a similar service-orientated business philosophy, I do not see any problem for decision-making."

NYK has attempted to get Star Reefers to join LauritzenCool as well, revealed Aoki, adding: "Our door is still open for them."

But Aage Thoen, the Norwegian CEO of Star Reefers, says the company plans to head another way: "We are not enthusiastic about following that avenue for the time being," he told *Fairplay*. He stressed that Star Reefers prefers an arrangement in which risks are equally shared between owners and pool operators. "Alignments need to be the same," Thoen said. "If they are not, efficiency will suffer."

Snubbed partner Star has spurned the idea of a threesome



Ignore safety at your peril

ONE SEAFARER died when a 2,500-tonne cargo of crude on the Tyumen Oil Co tanker *Victoria* (pictured left) caught fire on the Volga river on Saturday morning. The Leninneft-type tanker is owned by Anship, a small operator with just six vessels. The incident occurred at the Ocityabryskaya terminal, near the city of Samara in Russia. *Fairplay* understands that crude oil loading is not allowed at the terminal, and that the fire appears to have been caused by a violation of safety measures. The fire was first spotted and reported by a passing Volgotanker vessel. Volgotanker's strategy director Andrei Kleymenov told *Fairplay*: "The incident reveals the danger of small shipping companies ignoring safety standards, and lacking the infrastructure to safeguard oil shipments." Volgotanker, Russia's largest oil shipper, has been working with state authorities to prevent oil spills and other hazards resulting from the accident ●

Dutch yards reach a

SOURCE:
FAIRPLAY DAILY NEWS, AUGUST 27, 2003

LAST week's accusations by Jan Houweling (see right) show just how bitter the fight for survival has become among Dutch yards.

Van der Giessen's parent, IHC Caland, cited its empty orderbook as the prime reason for its decision to close its subsidiary. Houweling has his own views on why his orderbook was empty, yet his rival, Damen, was facing a similar problem. With an uncertain future from the naval sector, Damen needed the work as well when a ro-ro ferry order was up for grabs.

What made it galling for van der Giessen was that ferries, along with offshore vessels, formed one of its main specialisms, which



VAN DER Giessen-de Noord's covered building berth dwarfs this ferry newbuilding during its busiest period in 1999

it supported by building large dredgers as a subcontractor for IHC Holland, another IHC Caland subsidiary. But this work also dried

up. "The current market for them can be considered absolutely non-existent because of the problems in Singapore in obtaining sand from Indonesia," pointed out one industry insider to *Fairplay*. And many orders for large ferries are going to Asian yards.

The tiff illuminates just how shaky Dutch shipyards are. Ruud Schouten, MD of the shipbuilders' association VNSI, expects other yards to follow van der Giessen unless the government introduces financial instruments – such as a guarantee fund or tax-lease schemes – that he says are available in most EU countries.

He argues that the Dutch government has been dragging its feet on this issue since 2000. However, whether their availability would have helped van der Giessen is doubtful: it is the smaller yards that are most in need of financial facilities, one observer suggested to *Fairplay*.

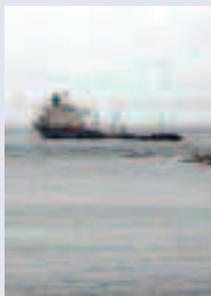
Some have already closed, although those were mainly building sections and lost work when groups such as Damen and Volharding switched their hull subcontracting, if not complete vessels, to East European yards.

TIMELINE Landmarks for IHC Caland and van der Giessen

- 1965 Four dredger builders merge and form IHC Holland, which subsequently cedes its offshore activities to Rijn-Schelde-Verolme (RSV), following strong government pressure.
- 1985 After the bankruptcy of RSV, IHC Holland buys back offshore specialist Gusto Engineering.
- 1988 After some difficult years for IHC Holland, a financial restructuring follows whereby its foreign subsidiary IHC Inter becomes the holding company IHC Caland.
- 1993 IHC Caland buys Merwede Shipyard, a competitor in the market for dredgers, enabling IHC to enter bid for other vessel types.
- 1997 Van der Giessen-de Noord is taken over. This yard enables IHC Holland to build the largest dredgers being ordered at the time. As an independent yard with only one slipway, van der Giessen found it difficult to keep its workforce occupied continuously.
- 1998 Delta taken over, enabling IHC to offer tugs and work boats.
- 1999 With more orders than it can cope with, van der Giessen buys nearby YVC Ysselwerf after its bankruptcy.
- 2000 Van der Giessen accepted a number of orders that many believe put it under pressure and led to some optimistic pricing.
- 2001 Van der Giessen received its last order, a ferry for French account.

THE LAST SEVEN DAYS

27 AUGUST
Sealand salvage master pessimistic
THE salvage master responsible for efforts to refloat the stranded *Sealand Express* does not expect the next attempt will be successful.



27 AUGUST
Tasman salvor brings in new tanker
GREEK salvor Tsavliris has called in 6,375-DWT tanker *Sea Angel* to assist in lightering the stranded *Tasman Spirit*.

27 AUGUST
PTP parent denies Singapore talks
THE parent company of Port of Tanjung Pelepas has denied media reports about negotiations for co-operation or merger of PTP with rival PSA Corp.

MORE

bitter end

Seconds out, round two

THIS is not first time that van der Giessen-de Noord's parent IHC Caland has been involved in a spat with a rival over a low bid. In December last year, it lodged a complaint with the European Commission (EC) against Izar of Spain, which had quoted a substantially lower price for three complex chemical tankers.

Meanwhile, the EC is querying Spain regarding its heavy support for Izar's naval shipbuilding during the past two years, which it believes may have been used to cross-subsidise commercial shipbuilding. Spain, of course, vehemently denies this suggestion, arguing that the EC should not investigate subsidies for naval orders.

Dutch yard accusations fly

THE usual amicable co-operation between Dutch shipbuilders appears to have been blown apart by an accusation laid by Merwede and van der Giessen-de Noord MD Jan Houweling that Damen Shipyards contributed to van der Giessen's closure. Houweling alleged that van der Giessen trimmed the price for a ro-ro ferry order from Dutch operator TESO from 43M to below 40M (\$46.7M-\$43.5M). However, Damen's Vlissingen-based subsidiary Schelde secured the order with a basement-level 36M. However, Schelde MD Renee Berkvens had already warned that his yard's orderbook was becoming a concern with the final two frigates scheduled for completion in 2005. Observers in the Netherlands told Fairplay that the current political climate would postpone any further naval orders, with the possible exception of a transport vessel. Building for the commercial market is now regarded as an, albeit partial, stopgap.



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Yantian's problems of plenty

IF, as expected, Yantian International Container Terminals (YICT) in China's southern Shenzhen port achieves throughput of 5M TEU this year, it will become only the second terminal in the world to handle an average of a million TEU per berth. That mark was first reached in 2001 by Container Terminal 3, the one-berth facility operated by CSX World Terminals at Hong Kong. But can YICT cope?



Of the 5.5MTEU handled at Shenzhen's four main terminals in the first seven months, around half passed through YICT. At this rate, Shenzhen's throughput for the whole year would top 10M TEU and Yantian half that.

But there are also concerns over the looming congestion at YICT and other Shenzhen terminals as the peak Christmas shipment

season gets under way. "Yantian is already chock-a-block," said Jim Poon, chairman of the Hong Kong Liner Shipping Association. "We

are a bit worried."

Alan Lee, MD of CSX World Terminals, shares those concerns: "Congestion at Yantian will be worse this year because manufacturing capacity in South China is growing very fast," he said. "Although they have cleaned up the container yard and expanded it, the road infrastructure outside YICT remains inadequate."

But YICT MD Kenneth Tse assured *Fairplay* that adequate measures had been taken to ease congestion at the terminal.

Is YICT's level of growth sustainable?

GROWING volumes have made YICT a very profitable operation. Although Kenneth Tse, YICT managing director, would not be drawn on the subject, shipping analysts say operating margins at YICT are in the region of 50 per cent, about the same as affiliate Hongkong International Terminals.

Handling charges at YICT average \$1,000 per TEU, lower than \$1,400 at Hong Kong, but higher than the \$600 and \$500 charged at the smaller Shekou Container Terminals and Chiwan Container Terminals, both located in western Shenzhen.

But John Meredith, group MD of

Hutchison Port Holdings, parent of YICT, doubts that Shenzhen's growth rate will persist as it is already "at a very high level". He said the US economy was the key to the port industry in the second half of the year as it affected market demand and, in turn, flow of containerised cargo ●

THE LAST SEVEN DAYS

27 AUGUST

1,300 passengers stranded at sea

DETAILS have emerged in Jeddah of an Egyptian ship that drifted in the Red Sea for more than four days last week with 1,300 passengers on board.

28 AUGUST

Korea to build super container ports

SOUTH Korea is to initiate a huge project to design ports able to accommodate 12,000-TEU ships, which are expected to emerge from 2010.

29 AUGUST

Malta defends Tasman condition

MALTESE flag state officials investigating the grounding of the *Tasman Spirit* defended the vessel itself as being "in very good condition".

29 AUGUST

FMA boss sacked

A Court of Appeals in Helsinki has ordered the head of the Finnish Maritime Administration to be dismissed from his job in connection with a bribe case.

MORE

"We are gearing up for the peak season but we are stressed"

**Kenneth Tse, YICT
managing director**

LEFT: New developments at Yantian, including a new flyover, should ease the congestion that last year saw hauliers held in jams for up to 14 hours at a time and ships waiting up to 24 hours

"We are gearing up for the peak season. We are managing," said Tse, although admitting that they are stressed. He said that the terminal would be happy to handle 800,000TEU per berth this year, but it can't predict the traffic flow. It handled 400,000TEU "very smoothly" in June, the number for the peak period last year, he said. That was achieved by installing more equipment, increasing on-dock storage space to 150,000TEU and renting six off-dock warehouses.

A new flyover leads directly into the terminal, reducing the time truck drivers had to spend negotiating the road in front of the terminal. Work on the Mingzhu interchange leading into the terminal and a highway is progressing well, ready for the opening of the first berth of phase three in November.

During the peak season last year, ships had to wait for up to 24 hours before berthing and truckers had to queue for about 14 hours to get into the terminal. "Hopefully, that will not happen this year," Tse said. The terminal took delivery of six RTGs last month, the first batch of equipment for phase three, which will have four berths ●

Investment stumbles over Chinese by-laws



FOREIGN investors eyeing up a piece of China's port pie are going to have to restrain themselves just a little bit longer. Although a new law sanctioning majority foreign ownership was passed in June, and is due to take effect from January 2004, many ports fall under provincial jurisdiction and local governments need specific by-laws before they can implement the new dispensation. So, despite a green light from the People's Congress, foreign investors must still bide their time.

All ports in China are waiting for the authorised by-laws, Li Bin, an official of the Administrative Bureau of the Shanghai Port, told reporters. Her bureau is currently making suitable adjustments to comply with the new law and has a big incentive to do so: Shanghai has chalked out a multi-billion dollar container terminal project in Yangshan

Shanghai is hungry for foreign capital to fund its ambitious expansion

Island (*Fairplay*, August 28). Although finance for the first phase has been tied up, further work would necessitate quite a large chunk of foreign capital.

Guidelines issued last April recommended removing all equity restrictions on investments from foreign companies, which had been limited to taking only a 49 per cent share in a project. But there had been some confusion over whether port investments were covered. The new port law emphasises their investment status alongside a wide range of other topics, such as technical requirements for port construction, spurring local administrators to implement the earlier guidelines.

That is proving to be a slow and patchy process. For

example, the Phase II expansion of Xugou, part of the port of Lianyungang, already enjoys a majority foreign stake. On the other hand, the massive \$887M Qianwan container terminal project at the port of Qingdao, which aims to create an annual capacity of 6.5M TEU, is still limited to a foreign component of just 49 per cent.

Local authorities are not alone: the central government is currently framing suitable by-laws to help implement the new law. This bureaucratic roundabout, as one observer called it, may be typical of economies that, though impatient for growth, find it somewhat difficult to break free of established conventions.

Despite the delays, much progress has been made in China and there is no dearth of foreign players eager to do business. And most are said to prefer working with a local partner. So government officials are optimistic about foreign investment flowing into port development projects.

Chinese ports are opening up to foreign investors completely, said Wang Jinwen, director of port administration in the Waterways Transport Department of the Ministry of Communications.

But he warned that the government would also promulgate regulations relevant to foreign investment in ports to ensure safety. Those eager to reap the benefits of China's economic boom would do well to brace themselves for tight monitoring ●

The Administrative Bureau of the Shanghai Port is currently making "suitable adjustments" to comply with the new law

Age concern afflicts China

INDIA'S ban on ageing, foreign-flagged tankers from entering its waters should have come into force on Monday of this week (1 September). But it will now be April 1 next year before modified rules takes effect.

It was just two months after issuing his controversial order on 11 June that India's Director General of Shipping (DGS), Gajendra Singh Sahni, had to eat humble pie.

On 14 August, Sahni modified the order to include Indian-flag vessels. His about-turn also saw chemical and gas tankers that could be chartered by Indian operators and oil terminal operators being removed from the guidelines, ostensibly at the behest of a few Indian lines specialising in the field. This move ensured that the norms became only applicable to crude oil and product tankers, regardless of flag, and it is these rules that will come into force next April. He also made the CAP 2 (Condition Assessment Programme) rating mandatory for 20-25-year old crude and product tankers

allowed to enter Indian waters. The *Tasman Spirit* episode only reinforced his resolve.

While drafting the guidelines, Sahni received overwhelming support from charterers and shipping lines on the need to protect India's coast. But a ship's age is not the only criterion on which to judge safety, they pointed out. "A well maintained vessel is virtually free from safety risks. In fact, some single-hull oil tankers are better maintained than double-hull tankers," a senior official at the Indian National Ship Owners' Association (INSA) said.

The official crude tanker fixture statistics for 2002 reveal that nearly 45% of the 370 oil tankers chartered in by oil companies and shipowners were 20 years old or more. And of those, 106 were of double-hull construction.

Analysts say the guidelines



Photo: Joachim Affeldt

Chhatrapati Shivaji is one of six ageing SCI crude oil tankers that are being scrapped at Alang

will be difficult to implement and will entail huge liabilities for oil importers. But Sahni's order can be circumvented by changing the terms from FOB to CIF, with the seller arranging shipping. "How will the guidelines be enforced in such an event?" asked one analyst. The government can at best direct all major ports under its control not to allow in ships that defy the guidelines. But even this will entail huge liabilities for charterers.

"And what about tankers calling at non-major ports owned by state-governments and private entities," asked the analyst. "Who will give directions and check whether these have CAP 2 ratings or not?" ●

Freight rate fears

ALTHOUGH Indian shipping industry executives agree with the intent of the Director General of Shipping's decision, many feel that it could restrict the availability of vessels, forcing freight rates to soar. Of the domestic shipping lines, only Shipping Corp of India will be hit, as others have modern fleets. "We are certainly affected by the decision," said an SCI official. This would leave SCI with no option but to go for a CAP rating of its ageing tankers to ensure eligibility to haul cargo for Indian entities until single-hull tankers are phased out by 2015, as per IMO regulations.

THE LAST SEVEN DAYS

30 AUGUST

Arnold Maersk delivered to AP Møller

AP Møller took delivery of the *Arnold Maersk* from Odense Steel Shipyard. As usual, the company refused to confirm its container capacity, though *Fairplay* estimates it at 7,500 TEU.



1 SEPTEMBER

Italians offer maritime rebate

ITALIAN transport minister Pietro Lunardi is to reward road hauliers who opt for rail or sea transport instead of using motorways.

END

Many Indian entities feel that [Sahni's decision] could restrict the availability of vessels, forcing freight rates to soar]

Major crude importer Indian Oil Corp (IOC) has backed director general Sahni, saying that it would not be affected by the ban on ageing tankers. "We move all our crude cargoes in VLCCs,

which are mostly young, not in Aframax and Suezmax carriers," an IOC spokesman said.

However, other state-owned refiners such as BPCL and HPCL say they would be unable to absorb higher freight rates for chartering younger tankers. "Considering the wafer-thin refining margins, we would have to pass on the higher freight costs," a BPCL official said.

The government's chartering wing, Transchart, which makes shipping arrangements for cargoes belonging to state-owned entities, would also be hit. "Sahni's decision would cost oil importers dear. The guidelines will lead to restricted availability of vessels, increasing oil importers' shipping costs, and consumers will end up paying more," an official said. "Indian charterers cannot charter tankers older than 20 years if they do not have CAP 2 ratings," he noted ●

Standards on the up in Oz..?

THE standard of ships calling at Australian ports has improved markedly. Who says? None other than the Australian Maritime Safety Authority (AMSA). Its greatest challenge now lies in raising the competency of ship's crews.

Chief executive Clive Davidson told *Fairplay* added that investigations into accidents in Australian waters by the Transport Safety Bureau (ATSB) indicate that human error has been a constant feature. Pressure on crew sizes often contributes to

fatigue, which in turn leads to accidents, such as groundings due to navigational errors. "There is no question that things are improving as far as the hardware is concerned, but tackling the human 'software' side of things is a lot more challenging," he declared.

"There may be something like 100,000 ships worldwide and these can be identified, but trying to identify the many millions of people that crew ships is not so easy."

In an address to a maritime industry workshop, AMSA

chairman Dr Ken Moss said Australia was recognised for its uncompromising approach on port state control and substandard ships. He pointed to a 15 per cent fall in deficiencies on ships trading to the bulk commodity region of Western Australia in the past two years.

AMSA marine surveyors had focused particularly on bulk carriers, which tended to be older and less well maintained than other classes of ships. This is borne out by a high loss rate experienced in the early 1990s, with seven sinking off the Western Australian coast in 1990 and 1991. Dr Moss said AMSA was continuing to look for new ways to identify and weed out substandard ships.

The port state control body is examining options to strengthen co-operation with the shipping industry, particularly cargo and charter interests. It wants to emphasise the need for those interests to avoid being associated with unsafe and potentially polluting ships.

"There is no room for complacency. AMSA will continue investigating new ways to identify and weed out substandard shipping," warned Dr Moss ●



AMSA will continue investigating new ways to identify and weed out substandard shipping
Clive Davidson,
CEO, AMSA

THE NEXT SEVEN DAYS

3-6 SEPTEMBER

Another effort in Cape Town

A fresh attempt is expected to be made to refloat the containership *Sealand Express* this week after further dredging and cargo removal.



4 SEPTEMBER

Tricolor salvage

The team leading the salvage of the stricken *Tricolor* expects to start making the fifth cut on the wreck, this week. The fourth is awaiting removal

3-4 SEPTEMBER

Breaking the ice

The Northern Maritime Corridor group meets to discuss developing trade in the northern North Sea and Arctic

END

Primer to rescue PH

WHAT'S wrong with the Philippines shipping industry? The country's Maritime Industry Cluster (MIC) thinks it knows and has published a briefing about it. This recommends strategies to get it back on track, and it's free!

ON THE FACE of it, the Philippines has everything it needs to be a great maritime country. It has a rare combination of a flag register (510 ships of 300gt and over), management expertise and a huge pool of seafarers. Yet, since the

"The local shipping industry has much ground to make up to achieve the world-class service provided by counterparts elsewhere..."

1970s, more aggressive neighbours have edged the Philippines out as the country failed to come to terms with globalisation and trade liberalisation.

MIC's book, *The Next Wave*, was born from a series of workshops that started in 2001. From these emerged the Maritime Industry Development Action Strategy (Midas) for 2003. It is probably the most thorough and clear-headed document for anyone who requires a comprehensive insight into the present state of the Philippines'

shipping industry. It includes programmes for the short- and long-term future and the vital role that the government will play.

The MIC has traced the ills of the industry: from antiquated shipping laws to lack of financial incentives and confusing regulatory policies. The thicket of laws implemented since the Americans kick-started the sector after World War II are enumerated and explained, while graphs are used to compare the situation of local shipping investors to those of other maritime countries. *The Next Wave* concludes

RIGHT: Seafarers are one of the Philippines' greatest assets, but the rest of its shipping industry is falling behind



Photo: Joachim Affeldt

Court dismisses *force majeure* excuse

A MACEDONIAN oil refinery's breach of a ten-year contract with a Greek oil company was not due to *force majeure* in compliance with governmental requests, the London Court of Appeal has ruled.

The Court dismissed an appeal by Skopje-based Okta Crude Oil Refinery and ordered it to pay damages of \$9.4M to Mamidoil-Jetoil Greek Petroleum for breach of contract.

Solicitor Angus Johnson, of Stephenson Harwood, says the decision underlines the importance of parties acting independently if they wish to rely upon *force majeure* and the risks involved in dealing with foreign governments in emerging markets.

Jetoil sued Okta for breaking a 1993 agreement giving it the exclusive right of manipulation of non-heated crude oil, which Okta had bought for its own account at its Skopje refinery, with a right of first refusal

to supply it with crude. The contract was valid until March 2003. Okta admitted the breach in 1999 but claimed it was due to pressures beyond its control *force majeure* in obeying government requests. A Commercial Court judge rejected this, holding the refinery had decided to discontinue the arrangement for purely commercial reasons. Okta had encouraged the Macedonian government to write the letters, which urged the refinery to deal with a different company. The requests were therefore not made independently, and were not governmental authority under the contract's *force majeure* clause.

The central issue was whether letters from

the Former Yugoslav Republic of Macedonia (FYROM) requesting Okta not to perform the contract amounted to *force majeure*, or whether Okta had itself instigated the letters, under (presumed) pressure from Hellenic, after the November 1999 injunction and the breach of the agreement.

Following that injunction, FYROM's minister of trade wrote that it was against the republic's economic interests for Okta to pay Jetoil's price for handling oil at a substantially higher price than that offered by another company—a statement later proved untrue.

Jetoil accused Okta of complicity, which

Okta said its breach of contract was due to pressures beyond its control — *force majeure* — in obeying government requests not to perform the contract. But the agreement was breached before any requests were made

Philippine shipping



What's in it for you?

The 100-page primer contains:

- history of the shipping sector
- laws that governed the sector
- history of cabotage
- statistics on domestic and overseas shipping, seafaring, shipbuilding and ship repairs
- list of government agencies regulating the industry
- comparative freight rates in the domestic trade, intra-Asia and global trade
- port charges and other service fees

that the local industry has much ground to make up to achieve the world-class service provided by counterparts elsewhere.

The Next Wave (A Primer for the Maritime Industry Development Action Strategy 2003) by Maritime

Industry Cluster Secretariat, Ground Floor, Stanford Tower Condominium 1870 MH del Pilar Str, Malate, Manila, Philippines. Tel: +632 4041260 or +632 5214231; Fax: +632 4041261; E-mail: pisa@itextron.com. Price: free ●

it strongly denied, insisting the ministerial instructions amounted to *force majeure*.

However, the judge ruled the breach was not due to “compliance with the request of a governmental authority”, but resulted from Okta’s decision to contract with Hellenic instead of Jetoil. This led to the November injunction, which presented Okta with “severe short- and long-term difficulties”. The FYROM letters were not “requests beyond Okta’s control”, having been initiated by Okta when it was in financial difficulties. The aim was commercial support rather than public interest.

Lord Justice Longmore, giving the appeal judgement, decided the critical question was not when the breach had occurred but whether Okta had instigated the requests, as Jetoil alleged. He accepted the judge’s factual finding that in November 1999 Okta,

Family feud fuelled dispute

THE background to this case was “a long-standing quarrel between two branches of a Greek family”, said the appeal judge. Jetoil was set up in 1969 by Kyriakos Mamidakis following a quarrel with his uncle, George Mamidakis, who had had an installation at Thessaloniki since 1956. In 1972 Jetoil built its own facility there. Both firms contracted with Okta and its predecessors for the receipt, storage and delivery of crude oil at Skopje.

In 1999 Okta, originally owned by the Yugoslav government, was privatised by the Former Yugoslav Republic of Macedonia.

Elpet and their English solicitors agreed that if FYROM did not produce “*force majeure* letters”, Okta would be “unable to resist a claim for substantial damages by Jetoil”.

The appeal judges upheld the decision that the letters were not a “request by a governmental authority”, and the failure to perform was not “attributable to that request”. The judge’s view that there was no evidence that FYROM “gave any independent

The Greek state oil company, Hellenic Petroleum, acquired control of Okta through a joint venture company called Elpet.

Worried by the threat from its rival, Jetoil obtained an injunction preventing Okta from parting with any assets unless the transferee would honour its 1993 contract. By July 1999 Okta had chosen to deal with Hellenic and abandon the Jetoil contract. Jetoil got another injunction, ordering Okta to comply with the agreement, but when Okta was clearly not going to do so, Jetoil sued for breach of contract. Okta pleaded *force majeure* ●

consideration to the issue at all” amounted to a ruling that the request was not “beyond Okta’s control”. The appeal was dismissed and permission to appeal to the House of Lords refused ●

Okta Crude Oil Refinery AD V Mamidoil-Jetoil Greek Petroleum Co SA; Moil-Coal Trading Co Ltd. CA, July 17, 2003

How to mess it up

It began as a minor story: an Aframax tanker had touched bottom in a sandy channel entrance in Pakistan. But as all the parties involved rushed to cover themselves rather than deal with the developing crisis, a minor incident became an object lesson in how not to handle a maritime crisis. Amid the choruses of denials and blame-shifting, investigations by Maqbool Malik and Tom Hussain suggest that the disaster could easily have been averted



By Thomas Hussain
Middle East/South Asia Editor



By Maqbool Malik
Foreign Correspondent

EVERY 14 August, thousands of revellers gather on Karachi's Clifton and Defence beaches to celebrate Pakistan's Independence Day. Not this year, though, as paramilitary forces and police sealed off the area, warning of the health hazards posed by thousands of tonnes of crude oil that was spilling from a crack in the Polembros Aframax tanker *Tasman Spirit*.

The first clue to what had gone wrong came from the timing of the grounding: 1257 hours on 27 July was well after high tide at 1033 and not the ideal time

to bring in a tanker laden with 67,532 tonnes of Iranian light crude. Between high and low tide at 1614 hours, a 1.3m differential in the channel's 12.1m depth was due, exclusive of monsoon swells, according to charts obtained by *Fairplay*. The fact that another tanker, *Forena*, had been brought in immediately beforehand only served to highlight the risks being taken by Karachi Port Trust (KPT) functionaries that blustery day.

As *Tasman Spirit* crept around the Manora Island breakwater it was met by ebbing tides. With a southwestern squall thrusting the vessel from behind, it was unable to make the northwestern turn and ended up bow-first in mudbanks. The situation might still have been retrievable, had tidal conditions been suitable for re-floating the tanker, but they were not until 2122 hours.

However, KPT was in a hurry and sent six tugs (four of its own, two borrowed from the Pakistan Navy) to drag the ship back into the channel. A second attempt at high tide and third the next morning also proved futile.

WRONG SHIP AT THE WRONG TIME

Karachi-based tanker masters were highly critical of the actions of all involved in what should have been a routine trip up the channel. They contended that KPT deputy conservator Capt Iftikhar Ahmed should not have ordered the pilot, Capt Javed Nasir, to bring the vessel in. In any case, they say the pilot should have recognised the dangerous nature of the situation and refused. He has been ordered off duty



"Both engines were weak and it is amazing that any society could have classed the ship in its condition"
Senior KPT official

and, according to sources close to his family, is receiving counselling.

None of the KPT officials involved have a tankering background, but that cannot be said of the Greek master, who could have waited for the next high tide. But he didn't, instead proceeding at the pilot's tentative speed, which was between seven and nine knots and not enough to manoeuvre around the Manora bend in the conditions.

The KPT chairman believes the weather was the major factor in the grounding, saying the pilot and master alike were caught off balance by a sudden deterioration in conditions. The weather pattern that day was generally bad, but for 15-20 minutes, there was a sudden thrust of very, very strong winds. Had the ship's master or the pilot known in advance that the weather was going to deteriorate so suddenly, they would not have entered the channel, Admiral Hayat told *Fairplay*.

KPT management does not agree that

flawed judgement by its operations team was to blame. Both engines were weak and it is amazing that any society could have classed the ship in its condition, a senior KPT official confided on condition of anonymity. ClassNK classed *Tasman Spirit*.

Tanker agents estimate the tanker's speed at seven knots, while Pakistan National Shipping Corp (PNSC) chairman Tauqeer Hussain Naqvi, himself a retired vice admiral, said:

As far as I can recollect, it was travelling at eight or nine knots. He was backed up by his executive director, retired commodore Rashid Ullah, who maintained the grounding was due to loss of steerage arising from rough seas and possible master error, and had nothing to do with the ship's engineering. Tanker agents said the tanker should have been travelling at 14 knots, but Naqvi dismissed this, saying:

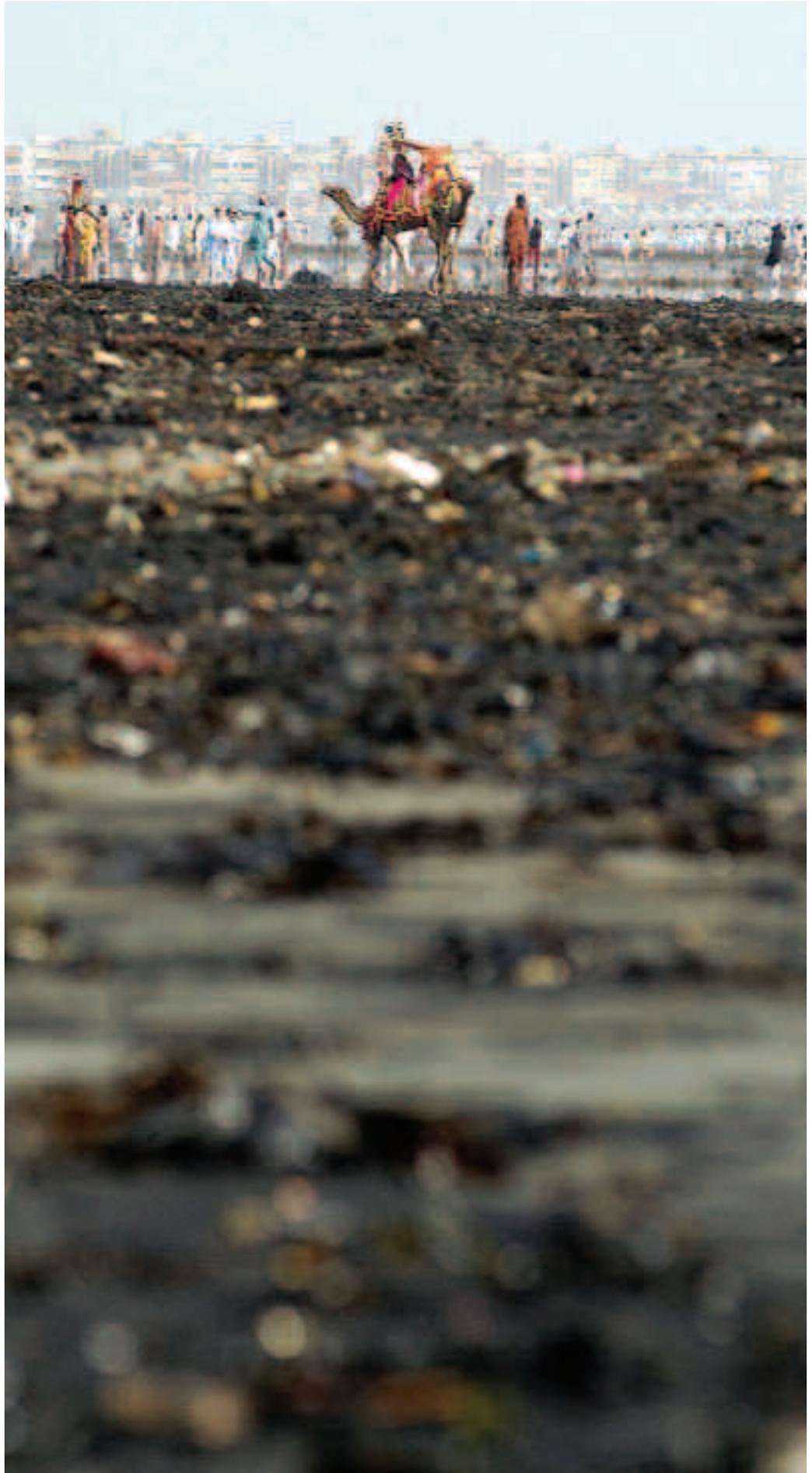
You can't go faster than ten knots. *Tasman Spirit* went a little slower.

WRONG SHIP AT ANYTIME?

Certainly, any engineering flaws should have been identified during the port state control inspection at Kharg Island on 22 July. Polembros operations manager Nikos Karagiannis reacted stoically to the KPT allegations: There is nothing wrong with the ship, he told *Fairplay* on 11 August, three days before the tanker split at its centre.

Just as contentious was what happened next. During KPT's attempts to refloat the vessel on 28 July, an unhealthy quantity of crude found its way into waters at the mouth of the harbour. *Fairplay* was tipped off about this by reports issued on 29 July by the official Associated Press of Pakistan (APP) and Reuters, both of which quoted unnamed KPT officials as saying one of the vessel's tanks had been drained in to lighten it and facilitate a refloat. With the chairmen of KPT and PNSC directing operations in person, the anonymous official was implying that the port authority and the charterer had

As some of Karachi's premier beaches are fouled, the hunt is on for a scapegoat

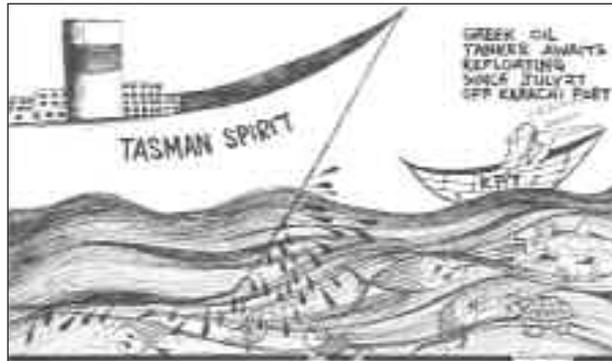


agreed to deliberately create an illegal spill for a higher purpose.

Fairplay contacted Commodore Baber Bilal, director-general of operations at the Maritime Security Agency (MSA), whose assistance had not been requested by KPT up to that point. He confirmed the APP and Reuters reports, estimating that about 2,000 tonnes of crude oil had been evacuated. They took advantage of the heavy weather and drained this comparatively small volume of oil, knowing it would be dispersed by the monsoon, he commented.

KPT deputy conservator Capt Iftikhar Ahmed vehemently denied these allegations. Our people are on the spot round the clock, and we have placed booms and skimmers to contain the leakage, he said on 30 July. The next day, however, he allegedly denied ever speaking to *Fairplay* when leant on by the KPT general manager of administration, Brigadier Iftikhar Rashid, who later contradicted *Fairplay Daily News* reports as figments of thought, considered baseless, hence strongly refuted.

By this stage, the veracity of the deputy conservator's statements came under further scrutiny by a *Fairplay* correspondent, who boarded the local



fishing boat *Al-Khyber* and undertook a perilous trip around the grounded *Tasman Spirit*. While a two-metre slick was observed heading eastwards away from the channel, there was no sign of the booms Capt Ahmed had

**Above: how the local press saw it...
The Dawn's cartoon**

spoken of. However, Admiral Hayat said booms belonging to both KPT and MSA had been deployed, and nearly all the spilled oil gathered with skimmers and loaded on to a barge. The booms had presumably been removed before *Fairplay* toured the area. But masters gathered at the offices of the Fishermen's Cooperative Society said they had seen oil leaking unchecked over the three days following the grounding. In fact, booms were first deployed later that night when the Tsavliris team arrived on 5 August.

FROM 250 TO 1,500 TONNES

It was not until 8 August that the deputy conservator came up with a realistic

Mounting costs for owners and insurers...

ACCORDING to KPT chairman Vice Admiral Ahmed Hayat, the Rs10M (\$172,400) fine laid at Polembros' door (see below) is only the start. However with Pakistan not yet signed up to any international compensation regime, the legal position of Polembros and its P&I club is unclear. "The shipowner and P&I club are currently acting as though the [Civil Liability (CLC) and International Oil Pollution Compensation Funds (IOPC)] conventions did apply. The legal position, however, is unclear at this point in time," explained Dr Tosh Moller, technical manager for the International Tanker Owners' Pollution Federation, speaking to *Fairplay*.

Apart from the cost of using local tugs and equipment, substantial bills are already mounting from the salvage operation. There are also the inevitable third-party claims. "It is still very early to start talking about compensation. As far as I understand, our P&I club is spending more than they are obliged to. This is likely to continue," Nikos Karagiannis, Polembros' operations manager told *Fairplay*. The American Club insists that it is still too early to predict the size of the claims. "We are not certain at the moment about the legal position or how claims will emerge. We will just have to wait and see how that dimension pans out," explained Joe Hughes, chief executive of the club's manager.

Polembros forced on the defensive

WHILE Polembros has steadfastly denied that there was anything wrong with the *Tasman Spirit*, its defence has not prevented Karachi Port Trust from imposing a Rs10M (\$172,400) fine. Yet operations manager Nikos Karagiannis is unfazed.

"Yes, KPT has imposed a fine, but this does not mean that they blame Polembros. This is the usual reaction to an incident like this," Karagiannis told *Fairplay*. "Nobody has yet come to any conclusions about who is to blame. It is certainly not possible to lay the blame at the



Tasman Spirit: an object lesson in turning an accident into a disaster

feet of the master."

This is not the first time that the company's operations have been called into question in Pakistan.

Only last August, the Polembros Aframax *Golden Gate* was involved in a collision when approaching a berth at a Karachi oil pier. This ship was previously the notorious *Neptune Dorado*, which was detained by the US Coast Guard for two months in 2000 because of serious safety and environmental violations. It was only freed after Polembros agreed to pay a fine of \$2M and undertook to comply with stringent safety measures. The *Tasman Spirit* itself was involved in a grounding and spill in Borneo in 2000.

Karagiannis, however stands

Grounding to break-up: the *Tasman Spirit*

- **22 JULY** *Tasman Spirit* leaves Kharg Island with 67,532 tonnes of Iranian light crude after undergoing a port state control inspection
- **27 JULY** *Tasman Spirit* grounds at eastern lip of Karachi port navigation channel during monsoon squall at 1257 hours
- **28 JULY** Three attempts by Karachi Port Authority to refloat the vessel fail. At least 250 tonnes of crude oil leak from ruptured tanks.
- **31 JULY** Polembros lightering vessel, the 96,000dwt *Endeavor-II*, arrives from Fujairah. KPT vetoes lightering operation, fearing blockage of navigation channel
- **1 AUG** Polembros declines further assistance offered by KPT, signs Lloyd's Open Form-90 agreement with Greek salvor Tsavlis
- **4 AUG** Polembros tug *Umka* detained on arrival against claim filed by Singapore litigant
- **8-12 AUG** Polembros-chartered *Fair Jolly* begins lightering operations, 12 days after grounding. About 20,000 tonnes of crude evacuated in three lightering trips, despite further spills
- **13 AUG** *Tasman Spirit* cracks at low tide. About 12,500 tonnes of spilt crude oil pollutes tourist beaches to east of port

estimate for the amount of crude spilt after the grounding. By that time, those 250 tonnes had become 1,500 tonnes, following inadvertent spills during initial lightering operations the previous day. With Polembros declining further help from KPT once the Tsavlis team had arrived, the boat was now on the other foot. KPT made a point of serving three separate notices to Tsavlis to "take extra care while lightering the grounded vessel", according to general manager for operations Rear Admiral Nishat Rafi.

"Sudden weather deterioration was partly to blame"
Admiral Hayat

by the company's safety record and argues that it has no bearing on the *Tasman Spirit* grounding. "There is no similarity between the two incidents. [The *Golden Gate*] was not a grounding: there was a wreck near the berth which ruptured one of the tanks," he explained. "I cannot see how the two incidents are related. So, yes I stand by our track record."

So does Karagiannis have any doubts about KPT's role in the incident? "It is not for me to respond to such questions. I suggest that you ask them."

In three lightering trips from 8-13 August, using the 8,000dwt *Fair Jolly*, about 20,000 tonnes of oil was evacuated and transferred to the Polembros tanker *Endeavor-II*, which had initially been brought from Fujairah for lightering purposes, despite KPT concerns about its 96,000dwt size.

"We informed the owners that *Endeavor-II* may be good as a mother ship to store the lightered oil in, but would not be able to go to the starboard (seaward) side of the vessel. The sea would have bashed the two ships together, and there was a very real danger that instead of one, we would end up with two wrecks. I could not submit to anything that would endanger the port," the KPT chairman maintained. *Endeavor-II* was eventually berthed at oil pier 1 and used as a storage vessel because of the lack of storage capacity at Pakistan Refinery, the consignee of *Tasman Spirit*'s cargo.

FROM 1,500 TO 12,500 TONNES

Meanwhile, the monsoon was battering against *Tasman Spirit*'s 24-year-old single hull, which had already been involved in a grounding and spill off Borneo in 2000. By 13 August, the pressure exerted on the ship's centre by its floating stern section, which was being tossed around by tide variations of up to six metres amid peak monsoon conditions, became too much to bear. Cracks opened, and through them leaked 12,500 tonnes of crude oil, ruining the Independence Day beach picnics planned by thousands of Karachi residents, and prompting others to flee seafront communities for fear of respiratory and eye infections caused by benzene fumes.

Prime Minister Zafarullah Jamali has ordered an official inquiry and communications minister Ahmed Ali announced his intention to tighten shipping regulation. "We have learnt lessons from this accident and I personally feel we should not allow old tonnage, including single-hull tankers, in our waters," he said.

Although the inquiry had barely got off the ground by 20 August, the

The Accused

Name: Karachi Port Trust

ACCUSATION: Poor procedures leading to accident, attempted to hide errors, lied about efforts to refloat the tanker
PAST FORM: KPT bosses have always sought to further their political and military careers rather than run the port efficiently and safely
DEFENCE: "Don't try and be clever"

Name: PNSC

ACCUSATION: Charters oldest, cheapest ships available with little or no regard for safety
PAST FORM: Value for money is a priority
DEFENCE: No money to do anything else

Name: Polembros

ACCUSATION: Runs a low-quality, under-manned fleet unfit for today's stricter standards
FORM: Two groundings (disputed) in recent years, and operator of the infamous *Neptune Dorado*, which has also traded to Karachi recently
DEFENCE: Ships are all classed, insured and registered by respectable organisations

Name: Tsavlis

ACCUSATION: Lightered the midships first and left the fore and aft fully laden, putting too much strain on the structure
FORM: One of the most respected salvors in the business, expert in difficult operations
DEFENCE: "There are always risks involved in this type of operation and sometimes you have to take risks to prevent further, more serious, consequences" (Nikkos Pappas, technical manager)

minister declared the grounding to be the "result of human error", backing the contentions of local tanker masters. But he also cleared KPT officials of blame, implying that the master was to blame. It is unlikely that the newly appointed director-general of the ministry's ports and shipping wing, Capt Anwar Shah, would disagree with that, since he was resurrected by the minister in what is being widely viewed as a semi-political appointment. As a ranking PNSC insider confided, "It is unlikely that the truth will ever be known." ●

Thimio the Great?

With centuries of maritime history in his blood and an impressive legacy left by his predecessor, Efthimios 'Thimio' Mitropoulos has a lot to prove when he takes over as secretary general of the IMO

on 1 January next year. *Fairplay* found him determined to look to the future, but still keeping a jealous eye on the past

TUCKED away in an unassuming office on the 6th floor of the IMO's London headquarters, Efthimios Mitropoulos is rifling through a stack of papers and pulling out a selection of heavy texts. The shelves behind his largely uncluttered desk are stacked with the recognisable paraphernalia of IMO rulebooks and conventions, but the books he has pulled out are Greek historical tomes, brightly illustrated with paintings of tall ships.

"Before we start, I wanted to show you a few things to help you understand what I am about," he says, studiously turning the pages of the largest book. He stops on one slightly faded picture of an elegant sailing ship weighing anchor at the port of Galaxidi, his family home. "This one belonged to my ancestors on my father's side," he says proudly, pointing to a caption dated 1896.

His family's maritime roots go back several centuries, Mitropoulos explains between the brief historical anecdotes about Greek shipping that accompany each new picture in his book. "It's something I take particular pride in," he smiles.

While Mitropoulos seems at ease with his own history, he admits his greatest challenge is in taking on the past and the future of the IMO. Addressing the Council after he convincingly beat off his rivals to



By Richard Meade
Staff Reporter

become the next executive head, he noted that a new era was dawning for the IMO. The threat of regional interference and several key internal issues now added to its already overcrowded strategic plan mean that Mitropoulos has taken the helm at a crucial time of reform.

He will not be alone, however, and takes comfort in the fact that he enjoys the near-unanimous backing of the IMO's ruling council and the messages of support and promises of co-operation sent to him from all quarters of the industry. Most encouraging of all though, was his current boss, the departing secretary general Bill O'Neil, who leaves the seat warm with an impressive track record and a reputation for getting things done. He will be a hard act to follow.

"Over the years, seeing Bill O'Neil going from strength to strength, succeeding in the various achievements that history will credit him with," he pauses and lowers his voice to a conspiratorial whisper. "Well you can understand, I was a bit jealous," he admits. "I felt like Alexander the Great when he was hearing of his father Philip of Macedonia's achievements. One

RIGHT: Efthimios Mitropoulos succeeds Bill O'Neil next year: "I felt like Alexander the Great when he was hearing of his father Philip of Macedonia's achievements. One day he complained that his father was doing it all and he would be left with nothing to do"

day he complained that his father was doing it all and he would be left with nothing to do." He pauses once again to laugh at the comparison and insists that he is not comparing himself to Alexander the Great. "I have no problem talking about William the Great though," he adds quickly.

OPA'90: NEVER AGAIN

Both O'Neil and Mitropoulos as his deputy have been working hard to maintain the IMO as the only forum for international shipping standards. In his candidacy speech, Mitropoulos promised the Council: "I will consider it my duty to work as hard as necessary to avert any danger of unilateral or regional initiatives impacting on the industry and the organisation."

Following a partially successful session of the Maritime Environment Protection Committee in July, at least part of that threat may have been temporarily averted. Mitropoulos is hopeful that the EU member states that submitted a proposal for a number of changes to be made to the Marpol convention will be prepared to wait until December, when a second meeting has been scheduled to decide upon their requests.

But the proposals, which include an accelerated phase-out of single-hull tankers, mandatory carriage of heavy fuel oil in double hulls and the designation of several European



NAME: Efthimios Mitropoulos. **BORN:** 30 May 1939.

FAMILY: Mitropoulos' maritime roots stretch back to the tall ships era in Greece. His father was a merchant navy chief engineer and his mother was the daughter of a shipmaster and owner of brigantines and schooners. His Dutch wife luckily also shares his passion for the maritime world. He also has a son and daughter.

EDUCATION: Mitropoulos graduated from secondary school in Piraeus top of his class before entering the Aspropyrgos Merchant Marine Academy at the age of 18. In 1959 he joined the Hellenic Coast Guard Academy, graduating in 1964 with honours. In 1965 he won a scholarship to study shipping economics in Italy and in 1970 he studied marine technology in the UK.

CAREER:

1964 Enters Hellenic Coast Guard as officer, first in Corfu then Piraeus. 1966–1977 Joins Greek IMO delegation, first as a member and then as its head. 1972–76 Regular maritime lecturer at Greek maritime academies. 1977–1979 Harbour master of Corfu. 1979 Mitropoulos joins the IMO Maritime Safety Division. 1989 Promoted to senior deputy director for navigation. 1992: Appointed director of Maritime Safety Division. 2000 Appointed assistant secretary general. 2004: Mitropoulos takes over from Bill O'Neil as IMO secretary general

He gave his right arm... almost literally!

THE next secretary general of the IMO wrote the book on maritime safety and regulation – seven books to be precise. In his spare time while working at the Hellenic Coast Guard, Mitropoulos displayed a near-obsessive drive to write books on shipping economics, policy, safety and any maritime topics he could think of. His impressive library of prize-winning books was made all the more extraordinary by the fact that he wrote them without a computer, and nearly lost his right arm in the process. Working all night writing his books by hand took its toll on the muscles in his arms, and he was ordered to cease immediately. “My doctor told me if I wrote one more page I would not be able to write again,” he recalls. He plans to return to life as an author when he eventually retires. If so, rather than chipping in for a gold watch, his IMO colleagues might consider stretching to a word processor.

coastlines as Particularly Sensitive Sea Areas, have effectively been adopted by the EU states already. Mitropoulos, however, believes that the EU is now waiting to see what the MEPC can come up with before it implements the measures on a regional basis. “It is my duty to make sure there is no repeat of OPA’90,” he says bluntly.

WHERE DO WE GO FROM HERE?

External issues apart, internal housekeeping in an organisation like the IMO can be equally tough. Where the IMO is going and the role it should be playing is the subject of much official and some rumoured talk within the IMO’s walls. The much-publicised Model Audit Scheme (MAS), which foresees a role for the IMO monitoring a flag state’s performance, is top of the list. Mitropoulos is confident that as an organisation the IMO will eventually have more teeth. To further this aim he has promised to do his best to make sure the MAS is a success.

Also high on the agenda is the IMO’s future role in setting ‘goal-based standards’ for classification societies. Much to the dismay of class representatives, the June sitting of the Maritime Safety Committee voted in favour of a proposal by Greece and the Bahamas suggesting the IMO should expand its role in this area.

PAYING THE PIPER

Mitropoulos will have to tread carefully over what is likely to be a painful and historically sensitive shift in power for the organisation. Great efforts have been made under Bill O’Neil to speed up, streamline and generally make the IMO a more efficient body. But the issue of funding has often surfaced as a slightly murky territory. Based on the principle that those countries with the largest tonnage pay the most, Mitropoulos describes the current system as “the one that the members have to date found the most appropriate”.

However, recently the IMO’s agenda has been filled to capacity, so wealthier countries have funded extra sessions, creating the impression that these countries will dominate the agenda.

“It *could* be seen, yes,” agrees Mitropoulos. “BUT, and this is a big ‘but’, just because a government offers to contribute money, so that a meeting takes place, it should not be seen that the country in question will have its way in the decision-making process.”

Mitropoulos is well aware that the IMO not only needs to be changing things for the better, but it needs to be seen to doing this. If he can do this while keeping all sides of the industry and governments on board, he may well find that he earns his own place in Greek maritime history ●

A WEAK tanker market over the summer is not unusual, given that demand is generally lower when the Northern Hemisphere is supposed to be enjoying some sunshine and warmth. But when the world's largest consumer is importing at close to record levels and gasoline consumption is even higher than last year, one might expect better things.

By Chris Tomlinson
Markets Editor

According to US tanker brokers, two countries seem to be having a very large impact on the oil market: the US and Iraq. The latter's impact on tanker markets has not gone unnoticed in the past. Clarkson research head Martin Stopford has highlighted that VLCC rates have risen and fallen in line with Iraqi crude exports ever since Saddam Hussein was kicked out of Kuwait in 1992.

The US was heavily reliant on its biggest enemy since the end of the Cold War for crude supplies—a fact that was not lost on a broker from New York-based Poten, who commented:

While Saddam Hussein was a thorn in the side of both Bush and Clinton, we were only too happy to consume

his oil. And the Iraq theory held up well when, in September last year, Iraq decided to drop an illicit levy that had stifled its exports for more than a year. Shipments quickly rose to 1.25M bpd through Iraq's MidEast Gulf outlet, Mina al Bakr, and VLCC rates began to rise rapidly. While one could argue that other factors came into play, such as excess production by other Gulf states, the fact that Iraq was producing enough crude for a VLCC every other day made quite a difference to the tonnage available to charterers.

Iraq's exports were also exclusively to the West, which meant more tonne-mile demand. This kept ships employed and away from the Gulf longer, helping to make a much tighter market. When the war began in the middle of March, Kuwait and Saudi Arabia filled the void, but the size of the VLCC fleet had expanded, and while the Gulf states continued to produce beyond Opec quotas, the extra cargoes from Iraq were badly needed to absorb the growth of the fleet.

Figures from the US Department of



Despite low US stocks, petroleum imports have been running at record levels over recent months, and there remains scope for a further boost to tonne-mile demand because Caribbean storage capacity is readily available

Energy showed that Iraq was still the sixth largest supplier of crude to the US in the first five months of this year, with an average of 593,000bpd, or five per cent of US import requirements. It is likely that the last of the crude shipped from Mina al Bakr before the war would have reached a US terminal by the end of April at the latest.

IRAQ'S HOLD OVER VLCCS

But the theory about Iraq's apparent control over the VLCC market seems to be proving true again. Exports are slowly increasing, but only from Mina



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Photo: Jukka Huotari

On an even keel

al Bakr so far. Indications from US sources suggest that shipments are at between 425,000 and 450,000bpd.

There had been hopes that by the middle of August shipments from Mina al Bakr would have been at around 800,000bpd, but the progress has been slow. There is a full VLCC cargo every five days and around two fixtures a week out of Mina al Bakr being reported, with all of them having US Gulf discharge options, with a few including a US West Coast option.

Exports of Iraqi Kirkuk crude through the Turkish port of Ceyhan should have resumed at around 200,000bpd by mid-August. But no sooner had the Iraqis begun pumping oil than a section of the pipeline was blown up. Now it is unlikely that exports will resume from Ceyhan much before the end of September. And Ceyhan could make a huge difference to the depressed Suezmax market in the Mediterranean.

So what of US inventories and how they are affecting the market, especially in this crucial and sensitive time of year when international oil markets become jittery as the world's largest

and most inefficient energy consumer prepares for the heating oil season? Petroleum (crude and products) imports in July were 12.45Mbd compared with 11.62Mbd in July of last year. This July's import figure represented nearly 63% of all petroleum deliveries to the US market in that month compared with under 58% last year. US crude oil imports in July were 10.05Mbd, up 9.4% from July last year. According to industry sources, nearly 21% of July's imports were sourced from Gulf countries compared with less than 18% a year earlier, and closer to 18% in the first four months of this year.

AMERICA KEEPS DRINKING

The US has never been so dependent on oil imports as it is now, said a broker from a Houston-based firm. Despite the extra tonne-mile demand the market has still been fairly weak over the summer months, he added. The reason, according to the broker, was that in the first quarter the VLCC fleet grew by around 2M dwt from the end of last year. Then scrapping rose rapidly and by the end of June, the fleet was about the same

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size as it was at the end of last year. But new deliveries were threatening to upset the balance.

Now the market seems to be on a more even keel and, with the move towards the fourth quarter, a steady increase in demand should help the tanker market overall, especially with Iraq coming back into the fold, he said. But with heating oil stocks so low after a very cold winter, it is possible the US could surpass the crude import record of May, despite bottlenecks in the country's refining system, caused by the lack of construction of new refineries in the US for more than ten years, he added.

Over the summer, the refineries have been concentrating on meeting rising domestic gasoline demand in the summer driving season. Refineries have done a much better job than last year, and the massive westbound trans-Atlantic arbitrage

The US has never been so dependent on oil imports as it is now," said a broker from a Houston-based firm. "Despite the extra tonne-mile demand, with long voyages required to meet a large proportion of these imports, the market has still been fairly weak over the summer months"...

seen in the first half of last year on unleaded gasoline did not materialise, much to the disappointment of clean products tanker owners. Now, with the season virtually over, there has been an increase in westbound gasoline cargoes, largely because price rises in the US have made European cargoes much more competitive. It is somewhat ironic this has happened. The Labor Day [1 September] weekend represents the last major holiday weekend in the driving season. After that, gasoline demand tails off until November/December and plummets in January until Easter, said a New York-based petroleum analyst.

This is also giving refiners an opportunity to concentrate on producing enough middle distillates necessary for heating oil blends. This favours heavier crude oils, some of which come from the MidEast Gulf. It also particularly favours Venezuela.

However, Venezuela is still struggling to get back to pre-strike levels, which is one of the reasons why the Caribbean upcoast Aframax market has been so disappointing. Unless Venezuela becomes more consistent, there is going to be a greater reliance on imports from the Persian Gulf, Europe and West Africa, which is where Iraq fits into the overall picture, the analyst said.

WINTER WARMER

So the tanker market already seems poised for some better times, confirmed by Dr Leo Drollas of the Centre for Global Energy Studies: The market is beginning to rise, he says.

Opec 10 production is quite high at 26Mbpd, which is not too bad, and should be sustained to the end of the year. Drollas maintains that while Iraqi exports will under-shoot their target, exports will be progressively reintroduced, rising from the current

Under orders for tanker rebound

DEMAND is looking more predictable, but the markets are not wholly back on track. The supply side is raising not only questions but a lot of cash for fresh investment. Confidence has remained un-dented as the markets have tumbled, with scarcely any weakening in ship values for double hulls at least. Many have gambled that the world post-*Erika* and *Prestige* would be a very different place. They could be right.

OCTOBER DEADLINE NEARS

Despite rumours to the contrary, it appears likely that EU rules accelerating the phase-out of single-hull tankers will be in place by October. The European Council of Ministers finally adopted the

Prestige regulations on 22 July, though translation difficulties have delayed the official rubber stamp. According to the Commission, this should now take place about now with the regulation then being published in the Official Journal and coming into effect 20 days after that. The rules will also take effect for the ten Accession countries when they become full members in May 2004.

Meanwhile, EU members proposals put forward during the mid-July meeting of the IMO's Maritime Environment Protection Committee (MEPC) received better than expected support. The final outcome, however, will not be decided until an extra session of the committee scheduled for December. While many still oppose the plans,

it seems that there is enough support to pass the recommendation that Category-1 tankers should be phased out by 2005. However, accelerated phase-out dates for all other types of tankers, which the EU wants to set at 2010 in line with the US OPA 90 rules, may present more of a problem.

A few optimists have suggested that the EU might be delaying matters to see what happens in the December MEPC meeting. This is wishful thinking. Although the regulations were initially due to come into effect on 1 September, sources close to the Commission suggest that the delays were purely administrative. Nothing is likely to stop the rules coming into effect by October.

So what does this mean for tanker

supply? Taking into account vessels that have been scrapped over recent weeks, figures prepared by SSY Research suggest that the many vessels will find themselves unable to trade in EU waters. Owners might seek trading opportunities elsewhere, but it is inevitable that scrapping will increase. It also seems likely that tanker supply will tighten considerably in the next few years. There is little doubt that these calculations have formed the basis of many recent investment decisions and it is probable that the latest EU move will stimulate a further round of investment.

PUTTING THE KG IN TANKERS

Will this orderbook haunt the market in the coming years? Some

level of around 400,000bpd to around 900,000bpd by December, mostly through Mina al Bakr, with a little more from Cehyan.

Even though US import terminals are very busy, throughputs at apparent near-maximum mask the fact that long-distance barrels can be drawn into regional storage. There is still storage capacity in the Caribbean, on the doorstep of the US market, says Drollas.

As for the medium term, there appears little doubt that overall demand growth will centre on China. The country will account for 20/25% of incremental growth in 2004, crude imports increasing by 210,000bpd at an annual rate, and along with other non-OECD Asian countries (excluding Japan and Korea), China is expected to be the mainstay of demand growth in the coming years.

China was one reason why the tanker market surged so sharply at the

With heating oil stocks so low after a very cold winter, it is possible the US could surpass the crude import record of May

beginning of this year with a massive stockbuild. It was also one reason why the market came off so sharply as this stockbuild stopped. But the market is probably only just coming to the end of an adjustment phase after the multiple shocks at the turn of the year, although, opines Drollas, Opec did not produce enough oil in 2002. A tightening market was then hit by the Venezuela crisis, Nigerian strikes, a cold winter, Japanese nuclear shutdowns and the China stockbuild. The market is only now recovering from a tremendous squeeze, first affecting stocks and, once this buffer had been exhausted, then pulverising prices. Average US crude forward cover ranges from 21.8 to 20.5 days, points out Drollas. From 22.5 days in February last year this cover had fallen to just 18.5 days in March, which was extremely low.

In effect, the market was thrown completely by these multiple hits.

Venezuelan supplies into the US were partly replaced by West African and Middle East supplies and Drollas calculation of tanker demand was effectively increased by 16 per cent! And while Venezuela has returned to the market, 0.5Mbd of imports still have to be sourced elsewhere, although the positive impact on tonne-miles continues to be undermined by low relative Iraqi exports. World demand growth next year looks minimal at 8-900,000bpd, or one per cent, and slightly below the historical average.

But the strength of US demand is evidenced by the US sucking in large imports of clean products. Once more the market is pretty tight, says Drollas, and if we have a cold US/Europe winter then we will have a re-run of 2000 and 2002 prices. At bottom, the tanker market really needs an upturn in demand, but, observes Drollas, it also needs an Opec willing to supply.



have already come to their own conclusions and backed them with good money.

Oblivious to the depressed state of the freight market, investors have queued up for any second-hand

tonnage going. Prices for five-year old VLCCs currently equate to around 90% of newbuilding costs (see graph, p24). Sellers of modern second-hand or older double-hull tonnage have been relatively few,

and investors have been keen to take vessels now instead waiting for delivery of a newbuilding. All this speaks of confidence: the great market mover.

But prices have also benefited

from a further layer of support, not least because KG investors have entered the market with some pretty hefty premiums for very young vessels or those with early delivery. Christian-Oscar Gyer, general

partner with Dr Peters, a leader in this field, admits that KG-backed tanker acquisition is a trendy market. Players are taking greater risks, but further deals can still be expected, not least from Dr Peters himself.

To make it more secure for our investors we only make deals for

the long term, says Gyer, citing his 12-year deal with Frontline. But there are relatively few Frontlines or BPs – the KG tanker market will be limited by the number of charterers willing to make such long-term commitments.

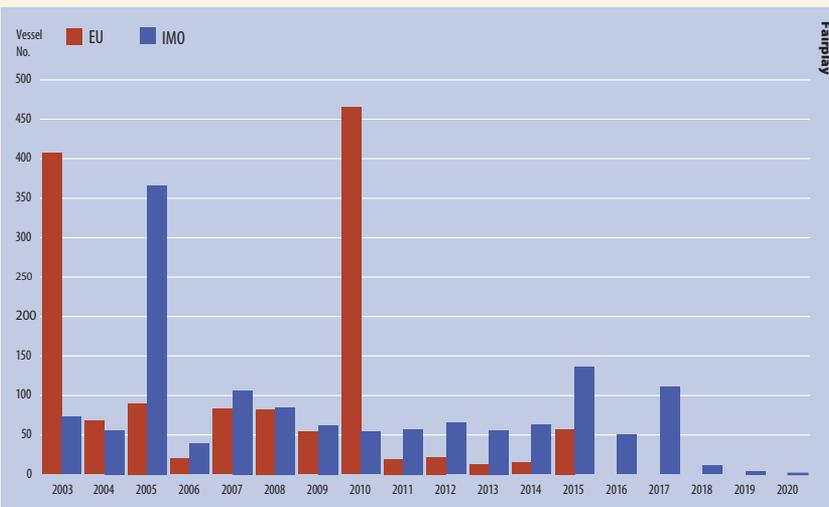
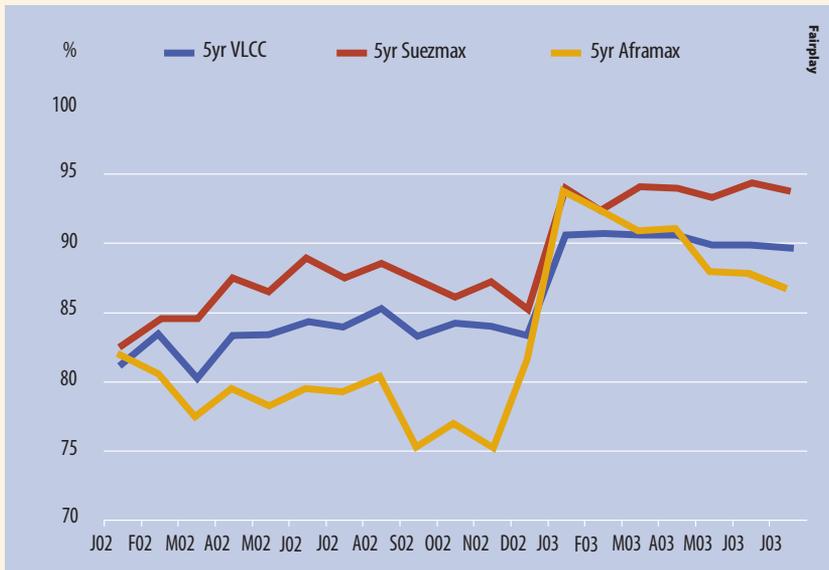
That said, there are other deals, and other players: Our business

model works nicely, which is attracting imitators, says Gyer, but some recent deals he considers very dangerous. Investors will be taking too big a risk, he maintains, in deals backed only by charters for five years and the assumption of a rising charter market, or even pooling deals instead of firm, long-

term charters.

But Gyer readily admits that the fleet profile and the phase-out of single-skin tankers provides a very good basis for investments. I don't think there is enough on order, and there won't be enough ships for the next three to four years, he predicts ●

There is little doubt that these calculations have formed the basis of many recent investment decisions and it is probable that the latest EU move will stimulate a further round of investment



Regulating for better times

- **19 November, 2002:** *Prestige* sinks off coast of Galicia in Spain.
- **3 December, 2002:** European Commission (EC) publishes a blacklist of ships and speeds up the creation of its new safety agency EMSA.
- **13 December, 2002:** Spain bans all single-hull tankers, regardless of flag, carrying certain types of heavy fuel oil. France and Italy follow and Portugal is reviewing the situation. All four have asserted their right to order vessels older than 15 years to keep at least 200 n-miles from their coasts.
- **20 December, 2002:** EC proposes new 'post-*Prestige*' regulations speeding up the timetable for phase-out of single-hull tankers and banning transport of heavy fuel oil in single hulls. Category-1 tankers to be phased out by 2005 (previously 2007) with an age limit of 23 years. Category-2 vessels (in-line with OPA'90 requirements) to be phased out by 2010 with an age limit of 28 years. Category-3 to not exceed 28 years. As from 2005 all Category 2 and 3 tankers over 15 years must pass Condition Assessment Schemes (CAS).
- **5 March, 2003:** EC proposes new tanker discharge rules and a beefed-up set of criminal sanctions against ship polluters.
- **18 July, 2003:** IMO considers EU proposals to introduce an accelerated phase-out of single-hull vessels and ban on single-hull vessels carrying heavy fuel oil. Decision deferred until Dec.
- **22 July, 2003:** European Council of Ministers adopts post-*Prestige* package (accelerated phase-out, etc), but fails to rubber stamp final implementation date. Now expected to come into force early in October.

letters@fairplay.co.uk



Peaceful Constitution

SIR, I refer to the article entitled NCL's oldies but goodies? (July 31, page 27). Having sailed from 1991 to 1999 in senior officer positions on board both the *United States* and *Constitution*, I wish to alert you to the following.

On that page, the article states that the *Constitution* was purchased when it should have said *Independence*. The *SS Constitution* is at peace under several miles of ocean approximately 700 nautical miles northeast of the Hawaiian Islands.

Yours etc,
John A Becker
Master Mariner, USCG, Hawaii

No embassy, no entry

SIR, Recalling the various former fleets of the USSR that collapsed like the USSR itself, leaving seafarers stranded in ports around the world, there is a strong temptation to point the finger at the flag state as the sole party of substance that local harbour authorities can turn to for payment of repatriation expenses (see *Fairplay*, 28 August, p16-18).

Individual states have historically distanced themselves from the commercial activities of the ships flying their flag. Against that, there is the fact that every country that lets a vessel fly its flag receives some form of payment for that privilege. If the flag state found it had responsibility for repatriation it would soon initiate a bonding scheme to lay off the costs associated with that responsibility.

Does it require a full international agreement to render a flag state responsible for crew repatriation or can the matter be addressed by domestic legislation of the

The 1950-built *Independence* is one of the latest golden oldies purchased by NCL

port state? I very much doubt that under international law any country could unilaterally pass legislation making another country responsible for commercially operated assets that were registered in that other country. One could imagine that extending to pollution control, wreck removal etc.

One must also recall that vessels are frequently only temporarily flagged under the laws of a state by virtue of a bareboat charter and that only a few countries require the asset flying their flag of the state concerned have to be owned by an entity resident in that state.

Finally one has to recognise that the crew themselves have often no connection at all with the flag state, which brings one to perhaps the only viable solution: it should be for the embassies of the states of which the abandoned crew are citizens who should be responsible for their repatriation. Indeed, I think the legislation of some states makes the embassies of that state responsible for repatriation of citizens who have no other means of repatriation.

Of course there may well be no embassy for some of the states whose crew are involved in abandonment. That is very difficult to cover! Perhaps the solution may lie in having some restriction on crew entering any jurisdiction

were there is no embassy or consulate of the state of which they are citizens that has some responsibility for repatriating its citizens.

Yours etc, Struan Robertson, Partner, Stephenson Harwood London, UK

US faces crew dilemma

SIR, Re your article (July 31) concerning compliance with the US Marine Transportation Security Act, the US Coast Guard may eventually face a dilemma as well. The preamble to part "A" of the ISPS Code asserts the fundamental right of seafarers to shore leave, citing the Convention on the Facilitation of Marine Traffic, 1965. Yet the US has never complied with the provisions of this measure governing crew visas (only recently further tightening transit requirements for foreign crew members) and in the aftermath of 9/11 many facilities continue to restrict – or deny outright – crew access to shore.

As an amendment to Solas, the USCG is bound to enforce all provisions of ISPS. Whether foreign crews are therefore accepted as partners in maritime security in accordance with ISPS guidelines, or remain terrorist suspects, as US policy and practice assume, may ultimately determine the effectiveness of ISPS in this country.

Yours etc,
George Weeks

River Plate: An Executive Summary

ARGENTINA is very slowly recovering from its worst-ever financial crisis, with a new president, rising exports thanks to a devalued peso and greater stability. But what does the improved political and economic landscape mean for the River Plate maritime sector?

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Having been stung by the global economy, and barely escaped total collapse in the case of Argentina, the way back to prosperity will be a long one for the River Plate region. Unfortunately, some countries seem to have set off in the wrong direction



By Michelle Wiese Bockmann
Americas Editor

NO meat has yet been added to the bones of the ports and waterways policy of Argentina's new president Nestor Kirchner. But its jingoistic flavour, highlighting national ownership and government-backed employment, suggests a 'back to the future' approach at odds with international deregulatory forces.

International shipowners and operators, private upstream terminals and maritime agents have already discovered that short-term domestic interests are blunting growth and competitiveness at the expense of their bottom lines. Shipping activities on Argentina's River Plate trade arteries and in its government-managed ports remain heavily taxed, with no relief in sight: a 20 per cent grain export tax, a 45 per cent hike in River Plate dredging tolls and government

port costs up to three times higher than in neighbouring transshipment port Montevideo.

Strong grain prices and high charter rates sheltered the bulk sector from the impact this year. But container and ro-ro operators have balked at extra dredging tolls of up to \$28,000 per ship visit, to the detriment of newly-opened private terminals upstream in the Zarate and Campana region. For example, Terminal Zarate's container throughput from September 2002 to July 2003 was 31,000TEU. Its handling capacity is 120,000TEU.

President Kirchner is a three-term governor of the remote, southern oil-rich province of Santa Cruz, and many of his cronies are turning up in key political posts, including maritime administration. These include under-secretary for ports and waterways Juan Jose Chiappino and General Ports Administration trustee Luis Angel Diez. So far, Chiappino has updated paperwork to release Inter-American Development Bank funds to pay for a badly-needed breakwater extension at Quequen, and dredging approach channels for the port of Buenos Aires.

But prolonged uncertainty is stalling growth. For example, local owner Lineas Feeder would like to charter a ship for a new coastal service, but awaits clarification on fleet and crewing

Chaos over but what will replace it...?

"Is this justice?" ask Montevideo street protesters, shown last month calling the banks and big business to account. River Plate neighbours Uruguay and Argentina are both struggling to survive devastating economic and banking crises

laws. Andres Robinson, part-owner of Lineas Feeder, expects an agreement with the International Monetary Fund to be completed this month, but expects negotiations for the 152 government-issued bonds now in default to be very difficult. "We still have hard times ahead," he admits. "We have a banking system that is technically broke... we know that a lot of people are willing to invest in Argentina, but everybody is holding on until they see a clear future. But Argentina has tremendous potential."

The shrinking pool of local shipowners lacks policy direction – and credit to rebuild fleets. Tanker operator Antares Navieras received a new tanker this year,



Photo: Dimitri Meschini/AP

but from its Chilean parent company. Rival tanker outfit Ultrapetrol gained newbuilding tax exemptions to sign letters of intent to order two Panamax tankers at a local yard (see page 30). How either yard or owner will access credit was not disclosed. After surviving the devastating peso collapse of January 2001, the resulting economic paralysis and social upheaval, the last thing the River Plate maritime sector needs is another dose of political shortsightedness as the region begins the long climb out of insolvency.

GOVERNMENT REVISITS CONCESSIONS

Crucial container terminal and dredging concessions are included in a federal government review and

A map of the River Plate region, showing the coastline of Argentina and Uruguay. Key locations marked include San Martín de los Andes, Rosario, Zárate, Campana, Buenos Aires, Emilio Mitre Channel, Martín García Channel, Bahía Blanca, and Quilmes. An inset map provides a closer view of the Buenos Aires area, highlighting the Zárate Campana, Martín García Channel, and Emilio Mitre Channel.

Throughout the Plate region, maritime businesses are finding themselves obstructed by officialdom as public finances struggle to recover. Revenue, rather than improved service, appears to top the agenda

renegotiation of 64 public service contracts signed during the presidency of Carlos Menem. Under the terms of presidential decree 311, a specially-created unit for renegotiation and contract analysis will review the terms and performance of privately contracted companies providing public services to Argentina. The port and maritime industry has expressed surprise at the inclusion of contracts such as terminal operation and dredging. Many believed the review was intended to scrutinise public service contracts such as those signed with private gas and electricity companies. Included in the review are container terminals operated by P&O Ports, Hutchison Port Holdings and APM Terminals, all signed in the mid-1990s. The billion-dollar contract to maintain and dredge the key River Plate Channel, held by joint-venture consortium Hidrovia, is also under review.

JUDICIARY DELAYS TOLL CASE

Judicial delays have stymied legal steps by international shipowners and Argentine maritime lobby group Centro de Navegación aiming to overturn a 45 per cent increase in dredging tolls, imposed in December 2002. The toll is levied by private concessionaire Hidrovia, contracted until 2013 to maintain and dredge the 1,000km channel from Santa Fe to the sea. The former Duhalde government passed a decree permitting the increase, to

The River Plate bulk sector

- Eighty per cent of grain exports leave from privately owned grain terminals in the Rosario region, about 300km north of Buenos Aires
- The guaranteed draught for channels from the River Plate entrance to the port of Santa Fe is 9.75m.
- The grain sector represents 60 per cent of Argentina's export income, earning \$9Bn.
- Argentina's grain and cereals crop in 2003 reached 71M tonnes, with 53 per cent exported.
- Thirty-five per cent of bulkships calling in the Rosario region are Handymax, 35 per cent Panamax, 15 per cent are tankers and ten per cent handysize, according to 1999 statistics from Rosario Stock Exchange. Sixty per cent of these vessels are on time charter and 40 per cent voyage charter.
- Argentina is the world's third-largest soy exporter (9.3M tonnes in 2002/03) after Brazil and the US, with 18.9M tonnes of soymeal, and 4.44M tonnes of soy oil.

compensate for the withdrawal by its predecessor, in December 2001, of \$40M in annual subsidies to Hidrovia. In return, Hidrovia must reportedly dredge and guarantee a draught of 10.3m by December 2004 upstream to the port of San Martin, and abstain from legal moves to collect the \$60M the government owes it.

Argentina's administrative court ruled in February this year that the lawsuit against the toll increase should be heard by another court. A second court made a similar finding. It has now gone to a higher court for a judge to decide where the case should be heard. Meanwhile, it remains without a defined jurisdiction eight months after

"The [Argentine] government doesn't seem to have an economic plan... There are a lot of question marks over how [President Kirchner] is going to settle the serious economic problems..."

*Andres Robinson,
Agencia Maritima
Robinson, Buenos Aires*

legal action was first launched. "We're unofficially told that this is a political decision," says a maritime business source familiar with the issue.

The increased tolls have added up to \$28,000 in additional Hidrovia tolls for ro-ro ships wishing to travel upstream to the Campana area, where many new private terminals have been established. "People are no longer coming to the River Plate region because of [these toll increases]," says Alejandra Robinson from Agencia Maritima Robinson. Container and ro-ro ships have been those most affected; the expense to bulk carriers is limited. The toll, previously equating to \$0.68-\$0.70 a tonne, now amounts to almost \$1 a tonne, according to the Chamber of Private Commercial Ports.

The Hidrovia concession maintains the key channel through the shallow River Plate estuary, through which 80 per cent of Argentina's waterborne exports leave the country. Maritime interests believe the Hidrovia partners (Belgium's Jan de Nul and local transport concern Emepa) enjoy special privileges not extended to other concession-holders in Argentina, and that toll increases threaten competitiveness and economic recovery. The Hidrovia concession is included in the government-established concession review and key shipping minister Juan Jose Chiappino has also pledged to establish the missing government controlling office to oversee the Hidrovia contract ●

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Yards yearn for protection

Despite subsidies and a desperate need to modernise, Argentina's biggest shipyard still builds ships on a slipway, and only one at a time

WHILE the International Monetary Fund prescribes free market reforms for the Argentine economy, the country's shipbuilders advocate continuing subsidies and tax breaks to revive their flagging sector. Argentina's largest shipbuilder, Astillero Rio Santiago (ARS), is owned by the state of Buenos Aires. For years the yard received \$20M in subsidies, until last year's collapse of the peso reduced this amount by two-thirds. The yard was established at Ensenada, south of Buenos Aires, in 1939. It built hundreds of military and commercial ships until political decay set in during the military dictatorship, and the reputation sticks today.

ARS recently delivered the 26,798-DWT bulk carrier *Alpina*. Its German owner, Alpina Reederei, also purchased a sister vessel, *Calanda*, in May 2000,



ABOVE: Rio Santiago wants continued subsidies, but it can still attract international customers

when the previous owner did not take delivery. So why choose this yard over Eastern Europe or Asia? "The *Calanda* was available promptly, the inspection was satisfactory and ARS and the buyers found a fair price," said spokesman Uwe Nuesse. "However, patience is required as the build time is long, too long compared to international standards." Despite this, Alpina has ordered another three ships for a reported \$14M each.

General manager Miguel Angel

Alvarez says he has swept the place clean of cronyism, eliminating 200 political appointees and replacing them with skilled workers. He set up a joint venture for the *Alpina* project with Wilhelm Finance to circumvent finance problems. The joint venture bought tax-free materials to build the ship, while the contract with the yard was for labour costs only.

Alvarez is lobbying for government concessions, chiefly elimination of the 25 per cent tax on Argentine owners who

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build locally. The government agreed to drop taxes so that ARS could build two 75,000-DWT tankers for charter to YPF Repsol via Chilean-backed but Argentine-based owner Ultrapetrol. The contracts are currently under negotiation.

More broadly, ARS wants to mirror Brazilian shipbuilding policy. Alvarez called for cargo reservation, stronger cabotage laws and a shipbuilding fund created via a tax on waterborne imports. But he is coy about the need for foreign investment to modernise. He acknowledges that the yard needs new equipment, and near-insolvent Buenos Aires province is unlikely to bankroll this. Any revival at this point seems to hinge on the government, not the private sector. Alvarez is pushing for naval projects to underpin commercial work at his yard. The philosophy may appeal to Argentina's unemployed, but surely would sit uncomfortably with the international realities of shipbuilding in the new century ●



ARS general manager Miguel Angel Alvarez says he has swept the place clean of cronyism in the past two years, eliminating 200 politically-appointed employees' jobs and replacing them with skilled personnel

Montevideo: auction terms led to acrimony



Box terminal operators are at loggerheads with the port authority over a concession that did not deliver its promises, while the port authority tries to offer a multipurpose terminal instead

TWO container terminal operators in Montevideo, Uruguay, have separately taken legal action against the National Port Authority (ANP) over its botched concession at the port. The new concession holder and former monopoly operator have both complained over the concession auction

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conditions.

Katoen Natie of Belgium paid \$17M more than a year ago to take up a majority stake in Terminal Cuenca del Plata (TCP), and agreed to invest \$35M in infrastructure improvements within six years. But things quickly soured for TCP and for local rival Montecon. The idea was that a new operator would introduce new volumes and clients, says Montecon general manager Eduardo Zabalza. It was not the idea that TCP would grow at our expense.

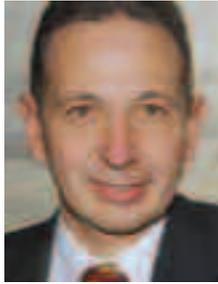
Montecon now pays \$2.5M to use the public piers, and has lost more than half its business, including key client Maersk Sealander. It has launched legal action against TCP, its holding company Nelsury and the port authority ANP.

It won a small victory at the end of 2002 when a court granted an injunction to prevent TCP using the public berths, restricting TCP business to its own concessioned piers, pending resolution of the dispute. Zabalza says TCP recently broke this injunction.

Meanwhile, ANP, which has a 20 per cent stake in TCP via the holding company Nelsury, has not put up all the cash it promised for TCP. Under the terms of the auction, ANP promised to invest \$4.8M in equipment, for which it set the value. It provided machinery independently surveyed and valued at \$300,000. The ANP says this represents compliance with the terms; the issue is in arbitration. Katoen Natie is reportedly trying to stop the government holding on to its 20 per cent stake.

One of the reasons Montecon lost customers was because it lacks a mobile gantry crane. TCP, with ANP support, appears to have the monopoly on this sought-after piece of port equipment. Montecon asked permission to introduce a mobile crane on the public berths so it could compete.

ANP, however, sidestepped the issue, calling instead for expressions of interest in another area of the port, a multi-purpose terminal for container



...the investment schedule doesn't match reasonable growth expectations
Eduardo Zabalza,
Montecon's general manager

and general cargo. Providing a gantry crane, coincidentally, is a key tender condition. Montecon says it has heard that Spanish and Greek consortia are interested, but the tender, which closes in November, demands a \$30M investment.

Montecon is considering participation with potential foreign partners, but only if there are changes. The investment is very high considering the port throughput, and the investment schedule doesn't match reasonable growth expectations, says Zabalza.

For its part, TCP estimates throughput at 120,000 TEU moves in 2003, up from 48,000 TEU last year. But it has to make some big pay-outs very soon, including \$35M to expand

its quay wall by 200m, and dredging to cater for the larger container vessels being delivered in 2005 and beyond. Diplomatically unresponsive when asked how soon before TCP will turn a profit, all general manager Joris Thys will say is that he is confident that it will be soon.

About his competitors, Thys comments: Montecon is playing the victim and saying it is going to disappear, but nothing is less true. We will see one company operating 75 per cent of the port and some niche players. While we will focus on big equipment, they'll be offering less service, but they'll be cheaper. Montecon has nothing to fear. There's a place for them. ●

Hard labour in Rosario

At the River Plate port of Rosario (shown right), a new Spanish leaseholder hopes to succeed where others have failed, and create a transshipment hub for the inland Mercosur trading region. Rosario is best known as the port that defeated Philippines' container terminal giant ICTSI, which lost tens of millions there.

ICTSI walked away from Rosario acrimoniously in 2000 after protracted labour disputes. Now Spain's Port of Tarragona has stepped in where others feared to tread. Terminal Puerto Rosario paid \$6M and re-opened the port in October 2002. Company president Guillermo Salazar Boero described the port as being in bad condition. Nonetheless he is optimistic, with throughput going from zero to 1.3M tonnes in the first eight months, and three million tonnes projected for 2004. Salazar Boero also forecasts that container throughput will triple to 30,000 TEU.

Rosario lost most of its business to the

The port is in bad condition
Company president
Guillermo Salazar Boero



Photo: Chris Slaney

new private grain bulk terminals built further upstream in the early 1990s. Terminal Puerto Rosario must invest a further \$18M as part of its concession terms. Industrial relations are very good, says Salazar Boero — but probably because the terminal pays a monthly salary to more stevedores than it really needs. Its payroll lists 300 stevedores, while about 50 ships have called in the past ten months. On top of this, Terminal Puerto Rosario must pay \$150,000 a month in rent to government port administrator Enapro. Port of Tarragona, which bought out its undisclosed local partners' 20 per cent interest last October, says Rosario's appeal is its potential as a logistics platform for

EU-bound exports. The operator has also acquired a concession in Japan for Asia-bound exports. Barges carrying goods from upstream connect in Rosario with internationally trading ships, as well as with road and rail lines, linking all the Mercosur bloc countries, says Salazar Boero. Although the project is a long way from profitability, and economic conditions are clearly not the best, he remains diplomatically upbeat.

The terminal operator is now analysing a failed concession less than ten kilometres away in the port of Santa Fe, but no decision has emerged yet. Time will tell whether private, union and government port interests in the province can profit from the venture. ●

Grain export powerhouse builds steam

ARGENINA set new export records with this year's grain crop, but needs more investment in its farming and transport sector so that internationally trading bulk ships can load more grain, and travel further upstream to do so. Production topped 70M tonnes this season, and local analysis shows it can reach 200M tonnes by 2011 – but only if local and international conditions are favourable.

This year grain growers held on to their grain, extending the season beyond traditional months and changing the trading picture. "In the past, farmers harvested today and delivered tomorrow. Now they're considering their needs and requirements and storing grain," says Pablo Ferres, executive director of Argentina's largest private terminal and grain elevator, Terminal 6.

Rapid soy production growth continues; farmers are developing new fields in the northwest, with 36M tonnes expected to be harvested next year. Ten years ago Argentina produced only 10M tonnes. The country has good private terminal and storage capabilities to export cereals and grains, but many believe there should be further dredging to deepen the River Plate channels. "The most evident problem is that everything is centralised around Rosario," says Ferres "We hope the river will be deepened; it's very important for soy products, and even more important for cereals."

All grain exports from Rosario are transported from Argentina via a channel dredged and maintained by privately operated Hidrovia, which extracts a toll calculated on ship draught and gross tonnage. Ferres supports moves

This government needs to do a lot of serious work, but to do that it needs political support. The political arena in Argentina is in a terrible mess. Political parties have imploded; for example, the Peronists have splintered into four to five parties. It's crazy....

Pablo Ferres (above right), executive director, Terminal 6 and president of the Chamber of Private Commercial Ports, Rosario



to improve draught from its official depth of 9.75m to 10.3m. That way, Panamax vessels can load more grain, don't need to travel to Brazil or southern Argentine coastal ports to 'top off' and can reach new growing areas upstream. He describes the Hidrovia concession, which began guaranteeing draughts in the Parana river from the mid-1990s,

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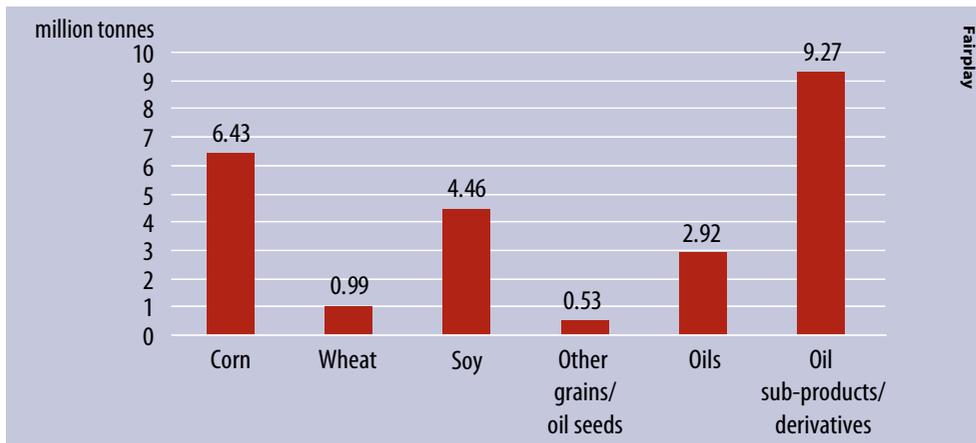
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Source: Camara de Puertos Privados Comerciales (Chamber of Private Commercial Ports), Argentina
Fairplay

One of the priorities is to get Argentina back on the world map as an exporting country... Politically, my personal view is that we are seeing a change of attitude in government, but what we don't see yet is a clear definition of real economic and political strategies

Patrick Campbell, president, Centro de Navegación, Buenos Aires

ABOVE: Up-river loadings (Rosario region): grains, meal, oils/derivatives, January-June 2003

as one of the most helpful policies ever in boosting Argentina's standing as a key world grain exporter. Production is benefiting by \$5-\$6 a tonne because of better loading and freight cost reduction, he says. Still, there are problems with road and rail infrastructure. International grain houses like Cargill, Bunge and Dreyfus now have an interest in nearly all terminals, elevators and factories that produce grain derivatives such as soy pellets and oil. The crisis has seen them put a hold on nearly \$100M in investments, Ferres estimates. At Terminal 6, not only did Bunge buy a 40 per cent interest in the Urquia family holding, but the company postponed a \$23M storage expansion plan, and since 2000 has made only limited improvements to its oil mill ●

Port chief must face the critics

To have a bureaucratic government administration in charge of professionally concessioned terminals has been a very big mistake...

Patrick Campbell, local agent

THE latest published annual report from the federally managed port of Buenos Aires is dated 2000. The port collects \$40M a year in taxes and tariffs from four concessioned terminals and from shipowners, but, according to one prominent maritime source, nobody knows what they are doing with it. Certainly the money has not been spent dredging the entrance channel or on other badly needed port infrastructure. To have a bureaucratic government administration in charge of professionally concessioned terminals has been a very big mistake, says local agent Patrick Campbell. Campbell is also president of the lobby group Centro de Navegación, representing around 80 local maritime businesses. He says it costs a container line \$40,000 to call at Buenos Aires because of extra tolls, tariffs and pilotage, compared with \$15,000 in Montevideo in neighbouring Uruguay.

The port is the last in Argentina managed by the federal port authority, Administración General de Puertos. Successive governments have flouted a 1992 port law that decrees that all ports, including Buenos Aires, be managed by an autonomous committee of private and provincial government interests. All of this should add up to a challenging term for the latest political appointee, Luis Angel Diez, who took up the top job as interventor (trustee) in July.

Diez knows about the port's pressing issues, including expansion to accommodate larger container ships, but most of the issues are too sensitive for this newcomer. For example, when directly asked how the port administration has spent the \$40M in revenues it collects each year, Diez instead showed *Fairplay* a map in his office and pointed out where \$10M worth of dredging work will be carried out over the next four months. He

Crop & export forecasts 2003-4

- Wheat exports expected to reach 7-8M tonnes
- Soybean crop expected to exceed by 2M tonnes 2002/03 crop, reaching 37M tonnes, with 9.9M tonnes of beans for export, 20M tonnes of soybean meal, 4M tonnes soybean oil
- Largest world soy importers expected to be China (18.5M tonnes) and the EU (18.3M tonnes)

Sources: Agencia Maritima Silversea, Bolsa de Comercio de Rosario

dismisses questions about the broken promise – and legal requirement – to hand the port management over to an autonomous committee, saying there are other more urgent priorities. These include the government’s dredging work and another international bid to sell off a failed container terminal, Buenos Aires’ former Terminal 6. Diez says a special committee is to review port user tariffs, and emphasises a government review into the four terminal concessions signed nearly ten years ago. Agents ask why the AGP adds value-added tax to its invoices

when it is a government authority, and why it continues to charge owners a dredging fee for a part of the channel for which it is no longer responsible. These are tougher questions, which Diez cannot answer after just four weeks on the job.

Diez comes from the same southern province as new president Néstor Kirchner, and when asked what he did in his previous job, he responds: “career politician”. He will be hoping his new international maritime constituency doesn’t vote with its feet ●



Snapshot: Buenos Aires Port, Jan-Jun 2003

Four years ago, annual TEU throughput almost passed the one million TEU mark. Today terminals are struggling to achieve just over half that.

- Tonnage reached 2.95M tonnes, a 23.8% increase on the same period in 2002
- 1.95M tonnes was exported, 1M tonnes was imported. Exports increased by 19.9% and imports by 32.2% on the same period last year
- Twice as many containers were exported than imported
- Ship calls: 906 ships, average stay 24 hours (890 ships, average stay 19 hours, in first-half 2002)

Terminal throughput

Terminals 1&2	
Terminales Rio de la Plata (TRP) (P&O Ports)	144,900TEU
Terminal 3	
Terminales Portuarias Argentinas merged with TRP	31,200TEU
Terminal 4	
APM Terminals	27,800TEU
Terminal 5	
Bactassa (Hutchison Port Holdings)	68,400TEU
Total	272,300TEU

Source: Gerencia Comercial, Administracion General de Puertos

LEFT: Luis Angel Diez faces a lot of tough issues as the government’s new trustee at Buenos Aires

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Navigating with the neighbours

HERE'S a good excuse to get out of doors, adjust your eyes to the dark, look up to the heavens and ponder how not-so ancient mariners plied the trade routes.

The planet Mars is closer to Earth today than at any time since astronomers began keeping records. During the last week of August, the Red Planet's orbit was 55.5M km from Earth, about one-third of the distance between us and the sun.

Before the 20th-Century advent of electronic navigation aids, seafarers out of sight of land had only the stars to help determine their position. Armed with a sextant, nautical almanac and chronometer, a good navigator could determine his position to within a few nautical miles. By measuring the angles between heavenly bodies and known positions on earth, map makers filled in huge blanks in our knowledge of geography. Captain James Cook is said to have used this method to map the outline of Australia and New Zealand. Apart from the sun, moon and 57 distant stars, the Nautical Almanac lists tables necessary to calculate latitude and longitude from sights of Mars, Venus, Jupiter and Saturn.

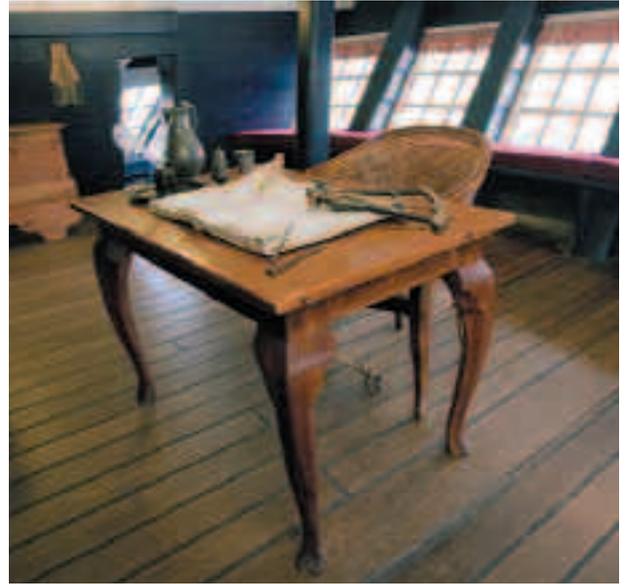
Captain Fraser Betts, principal of the Hanseatic Marine Training School in Limassol, agrees that celestial navigation is a lost art.

And it is an art, he says; not just something you can pick up and do; you have to practise it.

Cadets still grapple with sextants and sight reduction tables, but only because this is required by vetting inspectors with the oil majors and some shipping companies. They do it because they have to, but many of them can't imagine actually navigating with a sextant and a chart, says Betts. As long as the GPS system doesn't crash, the batteries don't run down or the receiver fall overboard, technology has taken over. Capt Betts notes that good celestial navigational skills still survive among yachtsmen, and that finding familiar stars in the night sky is still fascinating.

On 28 August, Mars reached opposition, the moment when it, the Earth and the sun align in space, with Earth and Mars on the same side of the sun. At this time, Mars rises at sunset, reached its highest point in the sky at midnight and set at sunrise – no matter where on our planet you view it from. To find its exact location in the sky from your position on earth, an online nautical almanac with easy-to-use star finder can be used; see <http://www.tecepe.com.br/cgi-win/cgiasvis.exe/VISSTAR>

Mars stirs the imagination of earthlings more than any other of our celestial



Mechanical nav aids in the captain's cabin on a replica 18th-Century merchantman. They'd have known how to get to Mars

neighbours. HG Wells' 1898 novel *War of the Worlds* describes a terrifying Martian invasion of Earth, and a 1938 US broadcast based on the book sparked a mass panic. More recently, in the movie *Total Recall*, Californian political hopeful Arnold Schwarzenegger plays a character who buys the memory of a holiday trip to Mars. In popular culture at least, no one pays too much attention to Saturn, Jupiter, Mercury and the rest, though Pluto has managed to eke out a living as a minor cartoon character.

The show isn't over yet. Mars will continue to shine at its absolute brightest magnitude until 2 September. It will still be as bright as Sirius, the brightest star in the sky, until 8 October. So go out tonight and navigate your way to seeing it for yourself ●

Christopher Slaney

Déjà vu – 1903

PROTEST at the new Merchant Shipping Bill rumbled on during September '03. At issue was not only the idea of English language tests for foreign seamen, but also the proposals that all vessels carry a certificated cook and that seamen should have the right to appeal against a master's refusal of a favourable discharge. *Fairplay* saw it all as an unholy alliance between its two bêtes noires – the Board of Trade and the trades unions.

Not to be outdone by Boulogne, Dover was planning facilities for trans-Atlantic liners and "hoped to meet the requirements of the Hamburg-American service next July". The Tyne Commissioners, who had blocked proposals for a transporter bridge, were criticised for their tardiness in improving the

ferry between North and South Shields. Meanwhile, four companies were amalgamating to form Tyne-Tees Steam Shipping Co.

That much bigger amalgamation, the Morgan Combine, was again the subject of wild rumours in the press, mostly with regard to the position of the White Star Line. *Fairplay's* Look-Out Man not only dismissed these, but also revealed that he had recently spent some time in New York, where he had looked at the history and present position of the Combine. He thought it was in fear of being brought under the operation of the Sherman Anti-Trust law and being branded a monopoly ●

Rick Hogben

Supplying demanding figures

TODAY'S freight rate is the solution at the end of a very long equation. Arguably fleet supply is the more predictable element to this calculation. But our new-look *Fairplay* aims to provide a fresh insight into demand.

On page 50 we introduce a new market indicators page, packed with information on what is shaping demand in both Wet and Dry markets. The page will offer the latest information on a rolling basis on a variety of production, trade and consumption areas. It will be a concentrated source of information on the latest trends shaping shipping's profit – or loss.

As we move from the Latin American grain season, how is the US grain export season shaping up? Direct from the US Department of Agriculture, we will keep you in touch with how exportable tonnages are building up, what has been earmarked for export through what seaboard, and how many vessels are lining up for the business.

The latest International Grains Council forecasts will keep readers in touch with the broader prospects for wheat and coarse grains across the world, with



Photo: Chris Mackey

LEFT: China Steel Developer off Hay Point

insight into demand for iron ore! But will the massive surge in steel production be sustained? We offer summary information on world steel production as issued by the International Iron and Steel Institute. This offers a leading indication of how the demand for raw materials is shaping up, and how shipping will fare in its wake.

US oil stocks are extremely low and signs of a rebuild could indicate a turnaround in tanker fortunes. We will be bringing you an insight into the latest trends in US stocks, consumption and imports, based on data from the US Department of Energy. But Asia is likely to drive most of the growth in consumption and is fundamentally reliant on imports from elsewhere. We hope to keep you in touch with where demand is growing and, just as important, where supply is changing. The Opec vs non-Opec share in production goes to the heart of where trade is sourced, and the impact on shipping demand. We will bring the latest information as and when they are updated.

By offering this one-stop-shop of some of these key indicators

implications for trade patterns as the major producers get back on track after the recent droughts.

Will China put the cat among the pigeons again by accelerating its coal exports? We will be watching the volume of these exports and providing the latest export data as it becomes available. China has taken a greater share of the Asian coal market, the market crucial to trade growth in the coming years. We hope to place these exports in context by tracking the export performance of other major world suppliers.

At present, a regular update on Chinese steel production would offer the only necessary

we hope to tap the demand fundamentals that drive our business. Not all our charts and tables will appear every week as we shift the focus to follow the latest developments. But, combined with our commodities coverage, we hope to give the proper context in which weekly developments can be placed.

This should go some way to making decisions much easier ●

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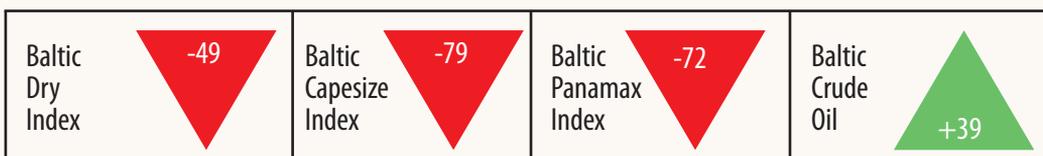
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At a glance: Week-on week changes in the major market sectors



Shock absorbers for hi



NEPTUNE Orient Lines can now indulge in its magnificent obsession with liner trades and logistics. Both have been profitable, playing key parts in the company's dramatic turnaround. The Singapore-listed liner giant has reaped a net profit of \$88.7M for the first half of 2003 exceeding even the high expectations of down-to-earth analysts. Losses for the same period in 2002 had plunged even below the same analysts' worst fears, to \$155.7M. With improvements across the board, turnover has risen 19% to \$2.6Bn.

Lim's prescription is to squeeze the bottom line

IF THE FIRST half of 2003 was good for NOL, the rest of the year is expected to be even better. As group chief financial officer Lim How Teck pointed out, traditionally the peak season for liner and logistics begins from July or August. Already in July, liner arm APL's average freight rate rose by three per cent from the previous month to \$2,664 per FEU. Continued rate recovery in the Asia-Europe trade and peak season surcharges in the trans-Pacific trade has been credited for the rise in the average freight rate.

Then there are the goodies that will flow from the sale of American Eagle Tankers (AET). Chairman Cheng Wai Keung indicated that NOL's product tanker fleet under Neptune Associated Shipping too would be disposed of, probably by the end of the year, to focus on the "core" liner and logistics operations.

Some had questioned the wisdom of disposing of AET, which was a profitable concern even during tough times. In fact, as always, the

chartering division – propelled in the main by AET – chipped in again with a 68% rise in turnover at \$263M and a gross profit of \$71M. Giving up AET was rather like Manchester United relinquishing David Beckham, although Beckham's performances on the football pitch have tailed off more than AET's.

No one can point such fingers at the Eagle, which has been sold to Malaysia International Shipping Corp (MISC) for no less than \$445M in cash with additional value set to flow. "And while we receive income for only one month of AET's operation in the second half of the year... there is provision for an increase in the equity price should AET achieve certain performance milestones over the next two years," Lim said. While not exactly soaring, AET was set to fly high with its young, double-hull fleet of Aframax tankers backed by two new VLCCs.

Still, the sale of AET has lightened the burden of NOL, which was carrying heavy debt of \$2.8Bn by

December 31, 2002. This has now come down to \$2.5Bn with the net gearing reduced to 3.77 from 4.46.

As container freight rates rise from the depths (see table), liner operators are loath to look beyond boxes. CEO Ron Widdows of NOL's liner arm APL, which contributed 70% of the turnover, noted that while freight rates for first-half 2003 averaged \$2,358 per FEU (17% up on the comparable 2002 period), average rates in the second quarter shot up by 26% to \$2,517 per FEU. There is room for an even further rise because, as Widdows observed, rates on the trans-Pacific and Asia-Europe trades have still to reach levels seen in the past.

Widdows: "Pressure on space is forecast to continue beyond this year"

With strong demand driving growth, space is again becoming an issue, as Widdows put it. Though the world container fleet has expanded, this has been matched by a 20% growth in the trans-Pacific eastbound and Asia-Europe westbound trade. "Pressure on space is forecast to continue beyond this year," Widdows said.

The dramatic results have also been largely helped by a "disciplined focus" on cost containment and maximising yield, new group

chief executive David Lim said, emphasising that this would serve the group well into the future.

The emphasis on the future is timely as NOL, while thriving in good times, has fared badly when the going has been tough. From strong profitability in 2000 when rates and volumes were running high, NOL suffered successive losses in 2001 and 2002 as freight rates deteriorated. The nadir was reached when losses mounted to a staggering \$330M last year, forcing the exit of CEO Flemming Jacobs this January.

David Lim's prescription for this fallibility is to "squeeze the bottom line" by being lean in terms of cost, and maximising what he calls the "top line" by ensuring that customers get excellent value. "This will help us smooth the cycles and occasional shocks experienced in world trade, and sustain profitability."

It is just as well that, even as it rides the crest of a wave, with the stock hitting a three-year high of \$52.03 (\$1.16) per share even before the buoyant half-year results were announced, NOL executives are putting shock absorbers in place. Liner division APL achieved cost savings of \$36M in the second quarter, bringing total savings this year to \$70M ●

High-flying NOL

Trade	FY01	FY02	1Q03	2Q03	1H03	Fairplay
● Trans-Pacific	7	6	6	4*	5	
● Latin America	5	7	6	8	7	
● Asia-Europe	8	8	7	7	7	
● Trans-Atlantic	6	7	8	8	8	

Volumes carried on the trans-Pacific westbound route were reduced by design to eliminate non-contributory cargo

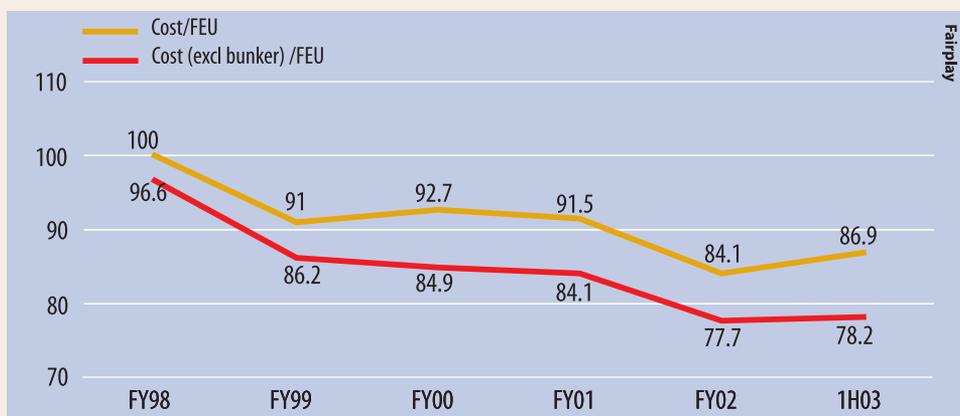
Source: NOL

APL Trade imbalance : Full backhaul for every 10FEU full headhaul

Region	2Q03	2Q02	Change	1H03	1H02	Change	Fairplay
● Americas	\$3,148	\$2,501	26%	\$2,869	\$2,586	11%	
● Europe	\$2,365	\$1,789	32%	\$2,267	\$1,735	31%	
● Asia/Middle East	\$1,533	\$1,310	17%	\$1,497	\$1,339	12%	
Total	\$12,517	\$1,995	26%	\$2,358	\$2,010	17%	

Source: NOL

APL: Average freight rates (FEU)



Source: NOL

APL Cost/FEU: Trend analysis for cost (indexed)

The Highs and Lows of NOL: Turnover and Net Profit (Net Loss) from 2000 to 1H2003

	1H 2003	2002	2001	2000
Turnover (in \$Bn)	2.6	4.6	4.7	4.6
Net Profit (Net Loss) in \$M	88.7	(330)	(56)	178

Figures for 2002, 2001 and 2000 are for the full year

Company Shorts

29 AUGUST

Golar LNG seeks consolidation: Golar LNG, the Anglo-Norwegian LNG carrier group, wants at least one corporate transaction in the next year to consolidate the business, a director has revealed.

29 AUGUST

Star shuns LauritzenCool offer: Star Reefers is "not enthusiastic" about joining forces with LauritzenCool, chief executive Aage Thoen told Fairplay today.

28 AUGUST

Paul Martin completes CSL transfer: Paul Martin has completed the transfer of control over Canada Steamship Lines to remove any conflict of interest in his race to become prime minister.

28 AUGUST

Younger ferries burden operators: Greek ferry operators Superfast Ferries and Blue Star Ferries suffered first-half losses, which were attributed to servicing the cost of loans on new tonnage.

28 AUGUST

LauritzenCool links with NYK Reefer: Reefer operator LauritzenCool is to launch a vessel-sharing partnership with NYK Reefers in January.

27 AUGUST

New head for Malaysian ship fund: Global Maritime Ventures, the Malaysian venture capital fund, has appointed a new chairman to succeed Sufian Ahmed, who resigned earlier this month.

27 AUGUST

PTP parent denies Singapore talks: The parent company of Port of Tanjung Pelepas has denied media reports about negotiations for co-operation or a merger with rival PSA Corp of Singapore.

27 AUGUST

James Fisher plans for growth: James Fisher, the UK shipping and marine services group, has announced an accelerated fleet-renewal programme.

27 AUGUST

Export demand boosts Singamas: Hong Kong-listed container manufacturer Singamas has reported a strong increase in first-half profit on the back of higher demand for boxes to cover Asian exports.

European roller coaster going down

EUROPEAN shipbuilding continues its roller coaster ride. Good news is hard to find – certainly not enough to balance the bad news from IHC Caland, the Dutch offshore, dredging and shipyard group, which has confirmed the closure of Rotterdam-based van der Giessen-de Noord yard. Its remaining two yards, IHC Holland and Merwede, are to be split off as a separate company, to be quoted on the

Cape Bon was the first of six 35,000dwt tankers ordered by German owner Schoeller Holdings in the last quarter of 2001 from Hyundai Mipo. Two more, Cape Bird and Cape Bille, are scheduled for delivery later this year with the Cape Bruny due early next. The final two are still to be named but are scheduled for delivery in March and May next year

Amsterdam stock exchange (see page 6).

Better news comes from Romania, with Daewoo Mangalia announcing plans to build larger ships of up to 70,000dwt from 2007. Mangalia's Korean parent has promised that the yard would have its own

independent marketing and design capability within three to four years. To this end, it has agreed to enhance co-operation in marketing, production and design, and undertaken to transfer shipbuilding technology employing skilled workers from Kojima Island to Romania. Last year Mangalia recorded \$10M in operating profit and \$97M in turnover – satisfying for its Korean backers but not exactly the good news



Photo: Diemar Hasenpusch

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Newbuilding orders reported week ending August 29, 2003

Shipbuilder	No	Price	Owner/Operator	Delivery	Type	Capacity
China Shipbuilding	1		Yang Ming	2005	Container Ship	1,500 TEU
Dok & Perkapalan Surabaya	1		Pertamina	2005	Products Tanker	6,500 DWT
Hyundai HI	3		MISC	2006	Container Ship	7,700 TEU
Hyundai HI	2		MSC	2006	Container Ship	7,700 TEU
Hyundai-Samho	2		Kristian Gerhard Jebsen	2006	Crude Oil Tanker	159,000*
Lingshan Shipyard	2		Tom Woerden	2005	Multi-Purpose Ship	350 TEU
Nanindah Mutiara	2	\$8.60M	Pertamina	2005	Products Tanker	3,500 DWT
Onomichi Dockyard	1	\$31.00M	Dynacom Tankers	2005	Chemical/Oil Tanker	71,000 DWT
Onomichi Dockyard	1	\$31.00M	Dynacom Tankers	2006	Chemical/Oil Tanker	71,000 DWT
Oshima Shipbuilding	1		Star Shipping	2006	Bulk Carrier Ore	55,000 DWT
PAL Indonesia (Persero)	1		Pertamina	2005	Products Tanker	30,000 DWT
Shina Shipbuilding	1		Morfini	2006	Chemical/Oil Tanker	40,000 DWT
STX Shipbuilding	3		Parakou Shipping	2005	Products Tanker	74,700 DWT
STX Shipbuilding	1		Parakou Shipping	2006	Products Tanker	74,700 DWT
STX Shipbuilding	2		Bernhard Schulte	2006	Container Ship	2,600 TEU
Universal Shipbuilding	1		Kyoei Tanker	2005	Crude Oil Tanker	300,000*
Astilleros Zamacona	2		Esvagt	2004	Supply Vessel	320 GT

Europeans had been hoping for.

August is not really the time for major shipbuilding news, and in Europe one must go far inland to find it: this time its Slovakian builder Slovenske Lodenice Komarno, which has won an order for eight 3,600dwt dry cargo

multi-purpose vessels from German owner Erwin Strahlmann. They will be built to the yard's Ryn design, with a 4,600m³ hold and be able to carry 176 TEU. The main engine will be a MaK 8M20 and delivery is scheduled for between May 2004 and September 2005.

Korean tankers dominate

SOUTH Korean yards have been collecting the tanker orders again, and leading the way has been world leader Hyundai Heavy Industries (HHI), which has picked up an order from Swiss owner Western Petroleum for a trio of 116,000dwt product carriers. A shipbuilding source told *Fairplay* that they are scheduled for delivery during the second half of 2006. However, no price was given and a spokesman for HHI declined to comment.

HHI's subsidiary Hyundai-Samho has also been busy, winning an order for a pair of Suezmax tankers from Norwegian owner Kristian Gerhard Jebsen. The 159,000dwt product tankers will be sister ships to the pair ordered in 2001 and delivered earlier this year. Delivery for these latest newbuildings is scheduled for the second half of 2006 and brokers indicate a cost of about \$47-49M.

STX also claimed its share of the action, with

the Chinhae-based shipbuilder capturing an order for four 74,700dwt product carriers from Parakou Shipping in Hong Kong and confirming a third 45,800dwt product carrier for Belgian owner Transpetrol Service.

Finally Shina Shipbuilding has linked up with two Italian owners for orders of three product carriers. Fullship has ordered a pair of 47,000dwt tankers and Morfini has converted one of its options on a 40,000dwt tanker, bringing its total to four. The Fullship pair will be ice-classed and brokers report a cost of about \$30M each with delivery scheduled for the end of 2006 and early 2007. Morfini's option conversion is also scheduled for delivery by the end of 2006. These are the kind of orders that used to be meat and drink for Italy's shipbuilders, which only serves to emphasise the gloom that is descending on Western European industry.

Shipping shorts

PERTAMINA is reported to have ordered four product carriers at three different Indonesian yards. A pair of tankers has gone to Nanindah Mutiara with delivery scheduled for February and April 2005 and brokers indicating a cost of about \$8.6M each. Also in Indonesia, PT Pal has won an order for a 30,000dwt tanker with delivery in 2005. Finally Dok & Perkapalan in Surabaya has picked up an order for a 6,500dwt tanker, also due for delivery in 2005.

CHINESE yard Dalian New Shipbuilding (DNS) has launched the *Iran Darestan* just 140 days after its keel was laid – the yard's record for a VLCC. The 299,500dwt tanker is the fourth in a series of five for National Iranian Tanker Co and is scheduled for delivery in October this year, with the final vessel scheduled for April next year.

Contracts Pending week ending August 29, 2003

Shipbuilder	No	Price	Owner/Operator	Delivery	Type	Capacity
Hyundai HI	1		Swiss Interests	2006	Products Tanker	116,000*
Jiangsu Yangzijiang	1	\$7.00M	Peter Döhle	2006	Bulker	7,580 DWT
Jiangsu Yangzijiang	1		Peter Döhle	2006	Container Ship	1,600 TEU
Namura Shipbuilding	1	\$36.00M	Valles Steamship	2005	Products Tanker	105,000*
Samsung HI	1		BG Group	2006	LNG Carrier	DWT
Shina Shipbuilding	1	\$30.00M	Fullship	2006	Products Tanker	47,000*
Slovenske Lodenice-Bratislava	1		Erwin Strahlmann	2004	Multi-Purpose Ship	176 TEU

Deliveries recorded week ending August 29, 2003

Vessel	Shipbuilder	Owner/Operator	Type	Delivery	Capacity
Cape Egmont	Samho Shipbuilding	Samho Shipping	Products Tanker	Aug 03	12,000 DWT
Gas Oriental	Hyundai HI	MOL	LPG Carrier	Aug 03	22,800 DWT
Mandarin Glory	Nantong Cosco KHI	Da Sin Shipping	Bulk Carrier Ore	Aug 03	49,400 DWT
North Star	Nassco	Totem Ocean Trailer Express	Ro-Ro	Aug 03	27,835 DWT
The Princess	Rodriquez Cantieri	Arab Bridge Marine	Pass/Vehicle Ferry	Jul 03	3,352 GT

Price dreams become reality

IF, as reported by Gibson among others, the sale by Metrofin of a 171,995dwt Capesize resale proves correct at a reported \$44/45M, it not only marks a "very tidy profit", as Gibson would have it, but a tremendous fillip to Capesize prices.

Clarkson data suggests that the average price for a similarly sized newbuild is a mere \$39M. Such a hefty premium is also being paid for a vessel not due for delivery before March, 2004, indicating the tremendous confidence this sector now enjoys. As it is, Metrofin acquired the vessel from Transman only in April of this year for \$38M, indicating that Metrofin not only sold high but also bought very astutely as the price then offered no premium at all over newbuilding costs. Clearly some thought the bulker boom would not last as long as the new buyers must think

"Cashing in" on high bulker prices, Clipper has taken profits on the new/resale Clipper Galaxy and Clipper Gemini, sold for \$21M apiece

it will, although Gibson points out that the vessel has been acquired against a 10-year coal contract for Israel.

The surge in bulker prices is underlined by the sale of the smaller, 135,364dwt Capesize *Ariston*. The 1992, Fincantieri-built ship was acquired last year at sub-\$12M, and has now

been sold on for \$17M, possibly, says broker Braemar-Seascope, with a two-year charter back attached.

But there are plenty of indications that bulker prices could find yet more upside, particularly as confidence builds that 2004 will be just as good, if not better, than 2003.



Photo: John Foley

Container and Multi-purpose

ACX BIZEN (Container) ex-Sinar Timur: sold by Asahi Marine, Panama to Hong Kong interests, \$1.20M. 1981. 8,238dwt, 5,60gt, 450TEU. Built Kochi, Mitsubishi, 7,000bhp/14.7kt.

ADY (Container) ex-Bell Ady: sold by Unitas, Germany to undisclosed interests, price unknown. 1995. 3,950dwt, 2,899gt, 340TEU. Built Elbawerft Boizenburg, MaK, 3,997bhp/14.5kt.

CHIPPEWA BELLE (Multi-Purpose): sold by Intermodal Shipping, Philippines to Chinese interests, \$4.00M. 1983. 23,300dwt, 14,956gt, 822TEU. Built China, Mitsubishi, 9,300bhp/14.8kt.

SLOMAN RIDER and SLOMAN ROVER: sold en-bloc by Sloman Neptun, Germany to Electra Maritime, Greece for \$3.60M. **SLOMAN RIDER** (Ro-Lo) ex-Rider: 1979. 2,570dwt, 3,887gt, 319TEU. Built HDW, Deutz, 2,880bhp/12kt. **SLOMAN ROVER** (Ro-Ro): 1979. 3,530dwt, 4,298gt, 269TEU. Built HDW, MAN, 3,240bhp/12kt.

TOKYO GLORY (Container) ex-Heung-A hon: sold by Pacific Ship Management, Japan to

undisclosed interests, \$8.00M. 1998. 9,088dwt, 6,875gt, 588TEU. Built Shin Kochi Juko, MAN B&W, 6,840bhp/15.6kt.

Bulkers

AGIOS ANDREAS: sold by Levant, Greece to Marine Managers, Greece, \$20.40M. 2000. 52,068dwt, 29,499gt. Built Sanoyas Hishino Meisho, Sulzer, 10,100bhp/14.5kt.

ALLIANCETRADER ex-Atlantic Bulker: sold by Eastmark, US to undisclosed interests, \$2.90M. 1980. 38,323dwt, 22,773gt. Built Kasado, MaK, 6,800bhp/16.6kt.

CLIPPER GALAXY and CLIPPER GEMINI (Ore Strengthened): sold en-bloc by Clipper, Denmark to Harren, Germany, for \$42.00M including two/three year time charterback at \$9,300/day. 2002/3. 51,000dwt, 30,928gt. Built New Century, MAN B&W, 12,888bhp/14.7kt. Vessels will remain operated by Clipper

KATENDRECHT and KIELDRECHT (Ore Strengthened): sold en-bloc \$16.2M by Van Ommeren, Netherlands to undisclosed interests. 1989. 33,050dwt, 21,399gt, 575TEU. Built Szczecinska, Sulzer, 10,200bhp/15kt.

STAR PHOENIX: sold by Intermodal Shipping, Philippines to Gourdomichalis, Greece, \$14.10M. 1995. 46,641dwt, 27,011gt. Built Mitsui, B&W, 11,651bhp/14.8kt.

Tankers

ATHINA (Products): sold by Thenamaris, Greece to undisclosed interests, \$4.00M. Last sale: \$11.75M, 1993. 1981. 68,820dwt, 38,613gt. Built NKK, Sulzer, 14,400bhp/14.8kt.

CORAL (Chemical) ex-San Nicolas: sold by Aksay, Turkey to undisclosed interests, \$4.30M. 1985. 10,400dwt, 6,471gt. Built Hyundai, B&W, 4,273bhp/13kt.

GOLDENTOMO (Chemical/Oil): sold by Dorval, Japan to Wessels, Germany, \$21.00M including five-year time charter to Chemship at \$11,500/day. 2000. 17,427dwt, 9,797gt. Built Fukuoka, Mitsubishi, 7,200bhp/14.4kt.

Miscellaneous

SONG OF FLOWER (Cruise): sold by Radisson Seven Seas Cruises, US to Iles du Ponant, France, \$16.30M. 1974. 3,433dwt, 8,282gt. Built Kristiansands, Wichmann, 7,480bhp/17kt.

What may have appeared as a 'price too far' is now becoming workable, say some broking sources. As Clarkson report, the Panamax *Achilles* was originally placed on the market in May of last year. Ideas at the time were \$10.00M for the 1989-built, 68,772dwt bulker, but over a year later it is now reported sold for \$200,000 more.

As *Fairplay* went to press, word was filtering out that the 42,000dwt Handymax *Otello Manship* may have been sold for \$7.2M, described by one broker as "spectacular". The adjective is not over the top considering the vessel was built in 1985.

A new benchmark has also been set with the sale of the 1997-built Handymax *Sea Orion*,

reported sold for \$15.7M to Pacific Carriers, but a deal denied by managing director Keith Denholm, who pointed out that Pacific Carriers has a substantial newbuilding programme. However, he told *Fairplay* that the company would take second-hand opportunities if and when they arose, and reported some interest in its own new generation of 87,000dwt, shallow-draught post-Panamax bulkers, built to Pacific Carriers' own design.

Elsewhere, a good price of \$17.2M has been paid for Marubeni's *Royal Chance*, the 1999-built 'Future 48' Handymax. The vessel is equipped with 25-tonne cranes, compared with a more standard 30 tonnes on modern vessels, but this has proved no obstacle in the current market.

Prices are in part being driven higher by sellers' unwillingness to part with ships when it is difficult to get replacement tonnage with short delivery time. Many vessels are of course sourced from Japan, where a number of owners are also operators themselves. This involves quite a commitment in staff, which would be underutilised if vessels were sold according to the 'traditional' step by step approach when, at the same time, few vessels are available to join the fleet.

Despite the reversal of the freight market over last week, there is little belief that this will be anything but temporary. In coming weeks, therefore, price ideas once considered extreme will increasingly become the 'norm'.

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Scrapped

COMMENCEMENT (Bulkier) ex-Poli II: sold by Primera, Greece to Indian breakers, \$1.36M (\$240/ltd). 1976, 22,669dwt, 13,743gt. Built IHI.

DELMAS SYCAMORE (Multi-Purpose) ex-Ext: sold by Primera, Greece to Indian breakers, \$2.6M (\$263/ltd). 1977, 16,011dwt, 17,146gt, 773TEU. Built Mitsubishi.

EAGLE (Crude Oil Tanker): sold by Dynacom, Greece to Indian breakers, \$5.92M (\$252/ltd). 1978, 152,395dwt, 75,603gt. Built Valmet, Helsinki.

HEREFORD (Ro-Ro) ex-Humber Bridge: sold by Vlasco, Monaco to Indian breakers, \$3.0M (\$258/ltd). 1977, 17,730dwt, 22,116gt, 634TEU. Built Gdanska.

LINCE (Ro-Ro) ex-Alice: sold by Grimaldi Naples, Italy to Indian breakers, \$3.11M (\$262/ltd). 1982, 17,773dwt, 22,211gt, 634TEU. Built Gdanska Stocznia.

NEW JANE (Crude Oil Tanker): sold by Vance, Liberia to Indian breakers, \$5.52M (\$258/ltd). 1976, 141,754dwt, 70,982gt. Built NKK.

S/R BENICIA (Crude Oil Tanker): sold by



Photo: Hamu Laakso

SeaRiver, US to unknown breakers, \$4.07M (\$165/ltd). 1979, 173,620dwt, 88,562gt. Built Litton Avondale.

TUAPSE (Products Tanker): sold by Novoship Novorossiysk, Russia to Indian breakers, \$1.81M (\$255/ltd). 1979, 23,900dwt, 14,550gt. Built Brodosplit.

ABOVE: At \$20.4M the Handymax *Agios Andreas* has sold for more than today's newbuilding cost for the type, despite coming up for its third anniversary

IMPORTANT NOTICE: ALL DETAILS GIVEN IN GOOD FAITH BUT WITHOUT GUARANTEE

Hot Indian steel on a roll

CHINA is not only absorbing increasing volumes of Indian iron ore, but is proving a significant market for Indian steel semi- and finished products. From just 32,000 tonnes in 2000, last year Indian exports to China topped 500,000 tonnes. Data to May suggests that these exports could now reach 2.6M tonnes for the whole year.

This picture is underlined by the latest data on trade value. Indian steel ministry data notes that in 1H03 exports to China shot up 137% to \$621M. Total earnings have also taken a boost from the relatively high prices available.

Though steel exporters have found new markets, China continues as one of the major markets and the most preferred. SARS and the resulting economic slow-down in China have hit Indian steel exports only marginally. And local

More work for Handies: Indian exports of steel are booming, for the most part driven by China, with good business for Handies as a result

analysts believe there is more to come as China continues to develop its infrastructure, generating massive demand and keeping prices firm. Chinese consumption and demand growth is thought to be sustainable at between 15 and 18% per annum.



Indian steel producers are not without worries, however, for the most part centred on the possibility of a slow-down once preparations for the 2008 Olympic Games are complete in 2006. And markets



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Dry Fixtures

COMM	VESSEL	FROM	TO	TONS	DATE	RATE	CHART.	TERMS
Iron Ore	Cape Europe, 93	TubaroOrPDMadra	Qingdao	150000-10%	Sep2030	19.20	NobleChart	FIO;ScLd25000t
Iron Ore	STEAMER, (Panocean)	Saldanha Bay	Kwangyang	150000-10%	Sep25100c	12.98 Equiv	Posco	LSFIO;ScLd55000t
Iron Ore	STEAMER, (Panocean)	Pt Hedland	Kwangyang	170000-10%	Sep2040ct	7.26	Posco	FIO;ScLd55000t
Coal	Papa, 84	Prto Bolivar	Dunkirk	140000-10%	Sep 1530	11.50	Kleimar	FIO;55000tShinc35000tShinc
Coal	Star Zulu, 86	Richards Bay	Rotterdam	150000-10%	Sep 1530	12.00	Cargill	FIO;ScLd25000tShinc
Coal	Lowlands Rose, 96	Hay Point	Rotterdam	150000-10%	Sep 2030	16.30	BHP-Billit	FIO;50000tShinc25000tShinc
Wheat	Estable Duckling, 83	St Lawrence	Bari	50000-5%	Aug2910se	16.00	Castillo	FIO;8000t5000t
Grains	Braztrans 1, 80	River Plate	Spain	30000-5%	Sep 110	26.00	Cargill	FIO;8000t6000t
Meals	Polydefkis P, 82	River Plate	Algeria	18500-5%	Aug2531	34.25	Conagra	FIO;4000t2500t
Fertilizers	Giannis D, Unvfd	Tampa	India	52000-5%	Sep 1823	29.00	Cargill	FIO;10000t5000t

Time Charter

COMM	VESSEL	FROM	TO	TONS	DATE	RATE	CHART.	TERMS
14kt33t	Yong Ler, 01	Del Qinhuangdao	Redel Taiwan	74500 DWT	Sep 15	16500 Day	Cosbulk	Trip out
14kt29t	Glykofiloussa, 95	Del Lagos	Redel US Gulf Via ECSoAm	41712 DWT	Sep 15	9000 Day	CNR	Trip out
13\kt28t	Avalon, 96	Del Indonesia	Redel Japan	73080 DWT	Sep 810	16000 Day	NYK	TripOut+\$1000000Bonus
14kt33t	Red Fern, 97	Del No Pacific	Redel Taiwan	73326 DWT	Sep 1220	15000 Day	Dreyfus	TripOut+\$2400000Bonus
13kt33t	Tamu, 94	Del El Ferrol	Redel SingaporeJapan	69149 DWT	Aug313Sep	17750 Day	NobleChart	2LadenLegTrips
14\kt58t	Maria A Angelicoussi	Del Sines	Redel FarEastViaECSoAm	169163 DWT	Sep 1015	40000 Day	Transfield	Trip out
Unrptd	Cape Mor, 85	Del Cape Passero	Redel FarEastViaBrazil	194468 DWT	Sep 1520	40750 Day	Transfield	Trip out
14kt36t	Anassa, 83	Del Canakkale	Redel FarEastViaBlackSea	63686 DWT	Aug 2930	18000 Day	Fayette	2642000GrnBl;Trip out
15kt58t	Aquacharm, 03	Del Sasebo	Redel Cont Via HayPoint	171009 DWT	Sep 515	27000 Day	NYK	Trip out

China eyes Vietnamese bauxite

elsewhere are subject to the more usual trade wrangles, Indian producers complaining that exports overall have been negatively affected by trade action in the US, Canada and Thailand.

US trade authorities maintain, for example, that Indian exports to the US surpassed agreed limits last year, while local producers say that their exports remained below the three per cent threshold, and that value-added export items still have plenty of scope before they reach the barrier.

But India can also look forward to far greater domestic steel consumption, which could eventually cut into export performance. The Indian steel industry is growing not only on the back of improved export demand, but also on rising domestic demand from the automotive and construction industries.

CHINA'S escalating demand for aluminium and its raw materials has prompted it to turn to Vietnam to secure further supplies of bauxite.

Aluminium Corp of China (Chalco), the world's second largest producer of the intermediate material alumina, has begun to explore the possibility of tapping its neighbour's bauxite reserves, according to chairman Guo Shengkun. "A bauxite exploration project in Vietnam is being discussed by the two governments," he confirmed, "Chalco will take a leading role in the project"

Chalco is in the process of nearly doubling aluminium production to 1.5M tpa by 2005, while it hopes to increase alumina output from 5.7M tonnes to 7.3M tonnes over the same period.

Demand for aluminium is increasing sharply, up by a quarter in the first quarter of the year,

although prices have risen relatively modestly. But it is clear that the prospective increase in aluminium outstrips that of alumina, something confirmed by Chalco's chairman – "we anticipate growth in domestic demand to continue to outstrip supply," he said.

Domestic demand for alumina in the first half of this year was 5.3M tonnes, according to Chalco, compared with domestic output of 2.9M tonnes.

Chalco is currently selling alumina at CNY2,950 (\$356)/tonne on average, up 48% on last year. Guo said that the price would be adjusted soon, but would nonetheless remain above CNY2,600. "The domestic alumina price is expected to stay relatively high, while the average price of aluminium is likely to remain stable," Guo predicted.

Wet Fixtures

COMM	VESSEL	FROM	TO	TONS	DATE	RATE	CHART.	TERMS
Oil Dirty	Aegean Freedom, 03	EC Mexico	US Gulf	70000	Sep 7	W132\	Chevron	Part cargo
Oil Dirty	Shetland Spirit, 94	Covenas	US Gulf	70000	Sep 10	W140	ATMI	Part cargo
Oil Dirty	Sks Sinni, 03	North Sea	US Gulf op US Atlantic	135000	Sep 16	W80 op W82\	Shell	
Oil Dirty	Astro Carina, 03	North Sea	US Gulf	275000	Sep 19	W52\	Stasco	
Oil Dirty	Bering Sea, 96	Ventspils	US Gulf	80000	Sep 15	W100	CSSA	
Oil Dirty	Ragnhild Knutsen, 87	Butinge	UKContinent	100000	Sep 11	W82\	Lukoil	
Oil Dirty	Apanemo, 03	Novorossiysk	Mediterranean	80000	Sep 8	W90	Rinex	
Oil Dirty	Kuzbass, 77	Novorossiysk	Mediterranean	140000	Sep 14	W80	BP	
Oil Dirty	Mayon Spirit, 92	Libya	Mediterranean	80000	Sep 10	W84\	Tamoil	
Oil Dirty	Pentathlon, 02	W Africa	US Gulf	130000	Sep 19	W75	Vitol	
Oil Dirty	Front Duke, 92	W Africa	US Gulf	260000	Sep 26	W50	Stasco	
Oil Dirty	Eastern Jewel, 89	Yenbo	Bataan	258000	Sep 17	W60	Petron	
Oil Dirty	Venture Spirit, 03	Ras Tanura	US Gulf op WC US	280000	Sep 26	W55 op W69	BP	
Oil Dirty	Commo Jc Jimenez, 79	Ras Tanura	Mangalore	86000	Sep 14	W105	MRPL	
Oil Dirty	Genmar Trust, 92	Kuwait	Singapore	80000	Sep 25	W132\	KPC	
Oil Dirty	El Junior, 95	Ras Tanura	Onsan	260000	Sep 28	W70	Ssangyong	
Oil Dirty	Tinos, 88	ME Gulf	Japan	260000	Sep 15	W60	ExxonMobil	
Oil Dirty	Astro Cassiopeia, 03	ME Gulf	Far East	135000	Sep 20	W92\	CNR	
Oil Dirty	Pacific Courage, 92	ME Gulf	Far East	260000	Sep 22	W70	Shell	
Oil Dirty	Iblea, 03	Indonesia	US Gulf	80000	Aug 27	1200000	Shell	PtC, Lump Sum
Oil Dirty	Kition, 94	Karimun	Singapore	80000	Aug 27	190000	Sietco	Lump Sum
Oil Dirty	Hawaiian Leader, 86	Indonesia	Yosu	80000	Sep 6	W127\	Caltex	
Oil Clean	Trogir, 95	Caribbeans	US Atlantic	38000	Sep 8	W215	Citgo	
Oil Clean	Cape Bon, 03	Pembroke	US Atlantic	33000	Sep 4	W255	CNR	
Oil Clean	Poul Spirit, 95	Ventspils	US Atlantic op UKCont	90000	Sep 4	W110 op W130	Mabanaft	
Oil Clean	Purple Star, 74	Black Sea	Mediterranean	30000	Sep 3	W235	Rocoil	Part cargo
Naphtha	Horizon A, 82	Libya	UKContinent op Med	24000	Aug 28	W240 op W230	Poseidon	
Oil Clean	Gulf Grace, 00	ME Gulf	Japan	55000	Sep 8	W250	Sitme	
Oil Clean	Raffles Park, 92	Singapore	Hong Kong	30000	Sep 3	350000	CNR	PtC, Lump Sum
Oil Clean	Eagle Sagitta, 96	So Korea	Hong Kong	30000	Sep 18	265000	Unipet	PtC, Lump Sum

Source: Maritime Research Inc

Bulker boom set for a marathon

IF shipbrokers are still essential to the business of fixing ships, the dry bulk freight market hiccup may have happened because most London brokers appeared to be on holiday last week. But most are now returning to a market still hectic, with no sign of a let-up as the traditionally busier fourth quarter looms.

The Cape and Panamax markets appear to have taken the brunt of what is still a marginal slide compared with the year as a whole, with the Handymax market remaining firm. But brokers tell *Fairplay* that the Handysize market is ploughing on with a fresh round of rate increases: "This sector is going a bit crazy at the moment," said one. Take, for example, an owner's requirement for a trip from Vitoria to the Continent for a 1985-built, 25,000dwt

vessel. The owner wants \$12,500/day, described as "silly" by one broking source. Nevertheless, the owner is still in receipt of a charterer's offer of \$11,500/day. That is still a good hike in rates.

Elsewhere, the Handysize market is also looking red-hot.

In the Pacific/Australia market, sources say that the 20-30,000dwt range has seen rates gallop up by \$500/day in a week. At the end of last week, Precious Shipping was reported to be wanting rates in the mid-\$12,000s/day for one of its 1994-built, 23,700dwt loggers coming free in Bangkok by mid-September; that was just about the top rate for a bigger, modern 28,500-tonner the week before. Local interests describe this as "just amazing and simply unheard of" for this size. "Anyone trading cargoes is having

to re-adjust his ideas very aggressively. It really is scary stuff," reports one source. Many cargo interests are completely bemused by the startling acceleration in rates. Granted, China has a central role to play in regional demand, particularly in steel; elsewhere the demand picture is pretty flat.

In these circumstances, the fantastic spurt to Handysize rates may be coming to an end, particularly as Handymax rates will be coming under pressure from Panamax weakness. Besides, at freight rates 20% higher, charterers could avail themselves of vessels double the size, one London broker told *Fairplay*. This will surely stop rates moving very much higher – unless the Handymax market finds scope for another rally. It is worth pointing out that Handymax rates have so far continued to firm even as Panamax and Cape markets have pulled back.

And "pulled back" must be the most relative

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Baltic Dry Index

Daily summary of the Baltic Time Charter Averages	\$/day
Baltic Capesize Index 4T/C Routes	34,437
Baltic Panamax Index 4T/C Routes	15,728



Baltic Handymax Index

A steel-inspired lift to rates saw Handymaxes buck the otherwise weaker trend in dry bulk on a week-to-week basis, but rates were easing as last week drew to a close. Nevertheless, broker Galbraith's highlights very strong period rates; confidence is in plentiful supply, and another rebound likely.



of terms. Many are now convinced that the market will remain extremely strong for the rest of this year and next. Even if it stays at \$30,000-\$40,000/day in the Cape market, that is "not bad", remarked a phlegmatic Cape broker. As the BCI and BPI have fallen back, this is a softening in a market that still remains rock hard.

Baosteel has reportedly fixed the *Berge Phoenix* for \$280,000/10%, Tubarao/Beilun at \$17.50/tonne, while Noble fixed the more conventionally sized *Cape Europe* for \$150,000/10%, Tubarao/Qingdao at \$19.20/tonne. Transfield fixed the 169,000dwt *Maria A Angelicoussi* at \$40,000/day, delivery Sines for a trip to China via Brazil, and small 20-year-old Capes are securing \$21,000/day for Australia-China round voyages.

Hardly a bust, and the boom is set to last. One London broker describes the current market as a learning curve for brokers: "In the past, even at the top of the wildest boom, we knew it would come down," he says. "Either there would be some economic shock or the orderbook would undo the market." But now there is a lot of encouragement in the fact that, economically, the world outside China can only get better, and "there is no wall of newbuildings". This is putting the end of the boom out of sight.

Of course, much of the sustainability of the



Coming or going: conviction is growing that next year will be good either way for bulkers, but sudden supply shifts as more ore is brought on stream could make for a volatile market

current boom depends on China, not only in terms of its demand (primarily for iron ore), but also in terms of Australia and Brazil's ability to supply. "This year we are looking at an extra 40M tonnes, and possibly the same next year," remarked one broker, and this further begs the question of whether Chinese ports will be

able to cope. If they cannot, this restraint may cap the freight market next year, just as supply constraints capped the Australian trades this year.

But the market could also be pretty volatile, warns one broker. The reinvigorated output acceleration plans of both Australian and Brazilian exporters mean that timing of these projects is all-important. A sudden increase in the availability of Australian ore, for example, could mean a sudden shift to shorter haul supplies, with a sharp impact on rates.

Full steam ahead it may be, but it's certainly not plain sailing.

Baltic Panamax Index

The US Gulf grain season has not started yet, but readily available tonnage diluted rates; one reason for an overall fall in the BPI of 3%. There were signs of a return to firmness as the week ended, however, and brokers still report sound fundamentals in both Atlantic and Pacific.



Baltic Capesize Index

The sharpest weekly fall since the start of July, but the downward pressure was already easing as last week ended, and broker O-J Libæk reports still strong interest in long-period deals by charterers, suggesting longer-term convictions of sustainable high rates. South America-Far East trips still at \$40,000/day or more.



VLCCs: as good as it gets, for now

VLCC availability in the Gulf tightened last week, giving a boost to rates for voyages both east and west of Suez. But that could be it for now as brokers report that many major charterers have now covered their requirements for most of September. These rates could represent the peak until late September.

As it was, VLCC rates typically gained eight to ten Worldscale points to reach W63 for Gulf-Europe and W70 for Gulf-Far East, equivalent to about \$32,000/day and \$34-35,000/day. In contrast, rates from West Africa appear to have stabilised at below W50, equivalent to only \$18-19,000/day.

The encouraging thing for owners is that market fundamentals suggest only a short-lived rate reduction. The latest IEA Oil Market Report suggests global demand averaging 80.1M bpd in the fourth quarter: a record, although the requirement for Opec oil is forecast to average 26.2M bpd, little different from current output levels. Also, any short-term upturn in Iraqi exports is likely to be via the Gulf and not the Med while production and export facilities are repaired.

Prospects in Venezuela and Nigeria remain uncertain, with strikes, sabotage and political unrest calling future output into question. If so, and if Opec decides to raise quotas, demand for VLCCs in the Gulf will rise, with a consequent

increase in tonne-miles and vessel demand.

Last week Suezmax activity remained relatively muted, with enquiry described by brokers as slow. Nevertheless, some sources indicate that on the West Africa-US Gulf route rates increased by almost \$3,000/day, or 20%, although the supporting tightness was more positional than a genuine upturn in demand. Any improvement in VLCC rates is likely to prove beneficial for Suezmaxes as well, as increases in demand from the Gulf will pull tonnage away from West Africa. The increase in VLCC fixtures from the MidEast Gulf to the Sumed pipeline, combined with increasing Russian Black Sea exports, suggests that Med rates will pick up from their currently weak levels of W77.5-80.

The recent weakness in Suezmax cross-Med rates was not echoed in the Aframax sector, where rates increased by nearly 40% to \$13,000/day, thanks to a marked shortage of quality modern tonnage for early dates.

The longer-term outlook for Aframax tonnage largely depends on developments in Russia. A new tanker terminal near Odessa in the Black Sea will soon start exporting, increasing overall export capacity and providing a port less susceptible to the weather disruptions that beset many established Black Sea ports, giving additional Aframax employment.

Showing a clean pair of heels

THE clean products market has eased of late, but 2003 is proving to be a good year overall. Winter demand in the fourth quarter promises that it will end on a further high.

Stelmar, which has 30 tankers at sea and 11 more on order, has been pleasantly surprised. Chief executive officer Peter Goodfellow says the company had told its shareholders not to expect too much in 2003 and 2004 because of expected over-capacity. But far from this year presenting difficulties, 2003 has been "pretty good, and 3Q demand has been particularly strong," he told *Fairplay*.

According to Goodfellow, the year has been better both because of scrapping rates and the demand for younger capacity post-*Prestige*. On the demand side, very low US inventories of crude and products, combined with refinery throughput in top gear, has meant further opportunity for product imports.

Last week, the only really bright spot in the clean product market was in the Caribbean-USAC route, where rates strengthened by some \$2,500/day, or over 15%. Recent US product stock data shows another drawdown, a consequence of a refinery shutdown affecting gasoline production and the

Bunker prices

Latest mid-range prices listed in \$ as at Monday 03 February 2003.
d = delivered, w = ex-wharf, pp = posted price. Ports listed regionally clockwise from NE

REGION	380CST	180CST	MDO	MGO
NORTH WEST EUROPE				
D ST PETERSBURG	137.00	145.00	216.00	265.00
d Great Belt	171.00	178.50	241.50	270.00
d Hamburg	161.00	168.00	223.00	260.00
d Rotterdam	156.00	163.00	221.00	246.00
d Antwerp	158.00	164.00	231.00	248.00
d Le Havre	174.00	184.00	N/a	277.00
d Falmouth	167.00	176.00	289.50	289.50
MEDITERRANEAN				
d Istanbul	166.50	175.00	260.00	261.50
d Piraeus	164.00	172.00	N/a	255.00
d Valletta	165.00	173.00	N/a	266.50
d Augusta	171.50	178.50	N/a	269.50
d Fos+lavera	175.50	195.00	N/a	274.00
d Gibraltar	166.50	172.50	276.00	282.50
AFRICA				
d Mombasa	N/a	198.00	300.00	310.00
d Durban	N/a	166.00	267.50	277.50
d Lagos	217.50	227.50	N/a	320.50
d Dakar	209.00	219.00	N/a	290.00
d Las Palmas	172.00	178.00	275.00	279.00

REGION	380CST	180CST	MDO	MGO
MIDDLE EAST				
d Khor Fakkan	163.00	168.50	249.00	251.50
d Aden	175.00	180.00	N/a	280.00
d Jeddah	165.25	171.25	N/a	286.25
d Suez	163.00	168.00	N/a	324.50
d Dammam	N/a	169.75	N/a	251.00
ASIA				
d Tokyo	179.00	183.00	272.50	N/a
d Sydney	212.00	212.00	N/a	297.50
d Colombo	N/a	235.00	N/a	292.50
d Singapore	165.00	167.00	247.50	253.50
d Hong Kong	177.00	179.00	252.50	267.50
d Keelung	182.00	184.00	270.00	278.00
d South Korea	171.00	176.00	270.00	280.00
AMERICAS				
w New York	173.00	184.00	315.00	N/a
w Houston	166.00	169.00	257.50	N/a
w Cristobal	171.00	177.00	262.50	N/a
w Venezuelan Por	173.00	182.00	264.00	268.00
d Rio De Janeiro	163.00	167.00	N/a	322.00
d Buenos Aires	177.00	177.00	279.00	296.00
d La Libertad	180.00	190.00	N/a	363.00
w Los Angeles	174.50	186.00	287.50	N/a
w Seattle	166.50	179.00	302.50	N/a
w Vancouver Bc	172.00	178.00	362.50	360.00



expected surge in gasoline demand over the Labor Day weekend, which generally marks the end of the driving season. Despite these factors, gasoline imports have started to decline, but the focus of interest is switching to

middle distillates and fuel oil, with heating oil stocks some 10M barrels lower than a year ago.

Current high oil prices will act as a disincentive for much stock-building, and OECD product stock levels are close to the

Stelmar is enjoying a surprisingly good year

bottom of the range for the past five years. This suggests that refined product trades will continue at a high level throughout the winter.

Baltic Spot Rates – Crude Oil

Very tight VLCC tonnage availability in the Gulf saw rates improve, particularly to the East, despite what brokers describe as very low demand. Lack of demand characterised West Africa too, with very few, if any, actual fixtures. But the VLCC rates revival was enough to lift the Dirty Index by 5% to post-800 levels, despite an untried Suezmax market described as no more than stable, and an Aframax market with just enough in it to support last done.

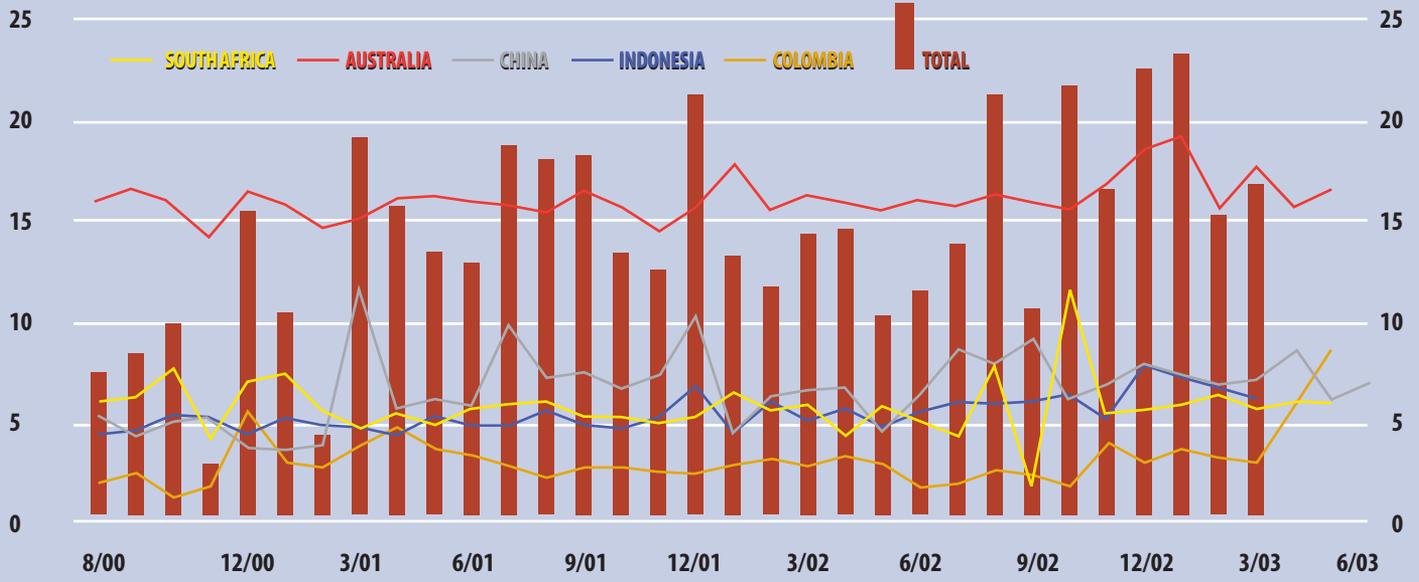


Baltic Clean rates

US demand was the highlight for owners last week, but limited to upcoast movements as trans-Atlantic rates fell back hard. Clarkson reported some relief in the UKC, but in general the performance elsewhere was disappointing and overall the Clean Index suffered a mild reverse, ending 18 points lower at 1,049. Brokers report a softer tone in the Far East, affecting primarily the LR market, but with negative results in the MR sectors perhaps more apparent this week.



Coal Trade Latest (M tonnes)



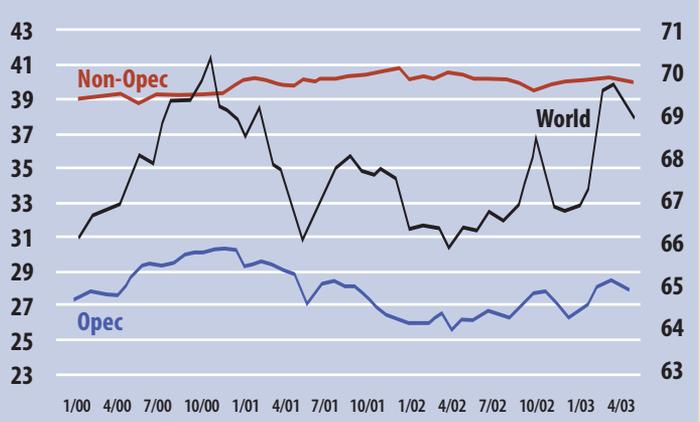
Big 5 Wheat/Coarse Grain Exports Outlook (M tonnes)



Australia/Brazil Iron Ore Exports (M tonnes)



Crude Production (M bbl/day)



Company index

Administracion General de Puertos (Argentina)	26, 34	Hellenic Coast Guard	19	Lineas Feeder	26	Star Reefers	5
Agencia Maritima Robinson	28	Hidrovia	28, 33,	Maersk Sealand	32	Stelmar	48
Agencia Maritima Silversea	34	Hong Kong Liner Shipping Association	9	Malaysia International Shipping Corp	38	Stephenson Harwood	12
Alpina Reederei	30	Hongkong International Terminals	9	Maritime Industry Cluster (Philippines)	12	STX	40
Aluminium Corp of China (Chalco)	45	Hutchison Port Holdings	9, 28, 35	Marubeni	42	Tarragona, port of	32
American Eagle Tankers	38	Hyundai Heavy Industries	40	Merwede	6	Terminal 6 (Rosario, Argentina)	33, 34
American P&I club	17	Hyundai-Samho	40	Metrofin	42	Terminal Cuenca del Plata	32
Antares Navieras	26	ICTSI	32	Montecon (Uruguay)	32	Terminal Puerto Rosario	32
APL	38, 39	IHC Caland	6	Morfini	40	Terminales Rio de la Plata	35
APM Terminals	28, 35	IMO	18	National Port Authority (Uruguay; ANP)	31, 32	Tsavliris	15
Astillero Rio Santiago	30	Indian National Ship Owners' Association	10	Neptune Associated Shipping	38	Tyumen Oil Co	5
Australian Customs and Fisheries	52	Indian National Ship Owners' Association	10	Neptune Orient Lines	38, 52	Ultrapetrol	27, 31
Australian Maritime Safety Authority	11	Indian Oil Corp	11	NYK Reefers	5	US Department of Agriculture	37
Bolsa de Comercio de Rosario	34	International Chamber of Shipping	52	Okta Crude Oil Refinery	12	US Department of Energy	20
Bunge	34	International Grains Council	37	P&O Nedlloyd	52	Van der Giessen-de Noord	6
Cargill	34	International Iron and Steel Institute	37	P&O Ports	28, 35	Volgotanker	5
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Chamber of Private Commercial Ports (Argentina)	28	Jan de Nul	28	Philippines Maritime Industry Cluster	12		
Chiwan Container Terminals	9	Jetoil Greek Petroleum	12	Polembros	14		
Clarkson Research	20	JR Williams agency	35	Poten	20		
Clipper	42	Karachi Port Trust	14	Precious Shipping	46		
CSX World Terminals	8	Katoen Natie	32	Qingdao, port of	8		
Daewoo Mangalia	40	LauritzenCool	5	Shekou Container Terminals	9		
Delfino maritime agency	35	LauritzenCool Logistics	5	Shina Shipbuilding	40		
Dr Peters	20	Liangyungang, port of	8	Shipowners Claims Bureau	17		
Dreyfus	34			Shipping Corp of India	11		
Frontline	24			Slovenske Lodenice Komarno	40		
				SSY Research	20		



There is so little fairplay in the world. If our own efforts succeed, we shall have taken the first steps towards promoting the habit of calling things by their right name and looking at them through uncoloured spectacles

Fairplay, May 18, 1883



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CAPTAIN'S LOG

Lim on a limb

ALL eyes at the Neptune Orient Lines press conference in Singapore to release the morale-boosting half-year results (see page 38) were on new chief executive David Lim, and the ensemble of reporters was making silent comparisons with ousted CEO Flemming Jacobs. The media had loved the dapper Dane, known to ooze considerable charm and ever ready with a flashing smile and an obliging quote. But the buck stopped with him, and when NOL hit trouble he had to go.

"I don't recognise many of these faces," Lim could be heard saying almost under his breath *en route* to the podium. For the former cabinet minister and a corporate executive, however, media briefings were nothing new.

"Could somebody please get my jacket," he instructed his staff, "although I may not need it during question time when the heat will be on." The real question, when it came, did not find him stuck out on a limb.

"What about rumours about NOL entering into a terminal joint-venture with PSA?" Smiling, Lim said that he would not prefer to comment on rumours. It's obvious that it will be raised at his next quarterly briefing, when no doubt the other rumour – NOL and P&O Nedlloyd lining up a merger – will also get an airing.

And what of Jacobs's ladder? Flemming has found a rung on a ladder closer to home, joining the advisory board of the Gothenburg-based Stena group. Stena's activities range from ro-ros and ferries to VLCCs, product tankers and bulk. Add in its ship management and industrial interests, which range from engineering to recycling, and its annual turnover of SK21Bn starts to make sense. In dollars, that is \$2.7Bn. If that seems familiar, it is as near as makes no difference identical to the \$2.6Bn turnover declared by NOL. NOL's figure is on the way back up, setting a benchmark for Jacobs and his colleagues to follow.



It's been a GOOD week for...



57,000 Western Australian sheep, who gained a reprieve when Saudi Arabian quarantine authorities refused to accept them.

LauritzenCool and NYK Reefers,

following their announcement to set up a tonnage sharing agreement; **ExxonMobil,**

whose final bill for the *Exxon Valdez* spill could shrink from \$5Bn to \$25M; Spanish ferry operators **Balearia** and **Grupo Matutes**, who have joined forces to take on Trasmediterránea.

It's been a BAD week for...

Star Reefers, left out in the cold after seeing its partner NYK Reefers link up with its major competitor; French ferry operator **SNCM,** which must

sell non-core assets in its recapitalisation plan; The crew of bulker **Captain Aysuna,** criticised for painting over evidence of a shipboard fire; **Martinique's**

banana producers, who want compensation for losses from a port workers' strike at Fort de France.



Hot pursuit in the cold sea

Your last chance to taste the Patagonian Toothfish, thanks to *The Times*

AUSTRALIA is rapidly earning itself the reputation as the "hard man" of the Southern Hemisphere as far as maritime policing is concerned. After showing the world how to handle a stand-off over the *Tampa*, last week it set its sights on... a Uruguayan fishing vessel.

The story evolved into a ripping yarn torn from the pages of a boys' adventure comic as the Australian Customs and Fisheries vessel *Southern Supporter* pursued the puny *Viarsa* and its 40 crew into the Antarctic Ocean. The three-week, 7,000-km chase, which was joined by South African and UK ships, ended

last Thursday, making it the longest maritime pursuit on record. Despite heavy seas and icebergs, they were well on their way home to Montevideo by the time they were stopped. Had they made it, they would not have had a warm reception; Uruguay's ambassador to Australia had disassociated himself from the ship's antics and said that the boat could be inspected if it made it home.

The ship's crime was to have been poaching the rare Patagonian Toothfish, which



can fetch high prices on the black market. Reports said that \$2M-worth was on board the runaway. The UK's *The Times* newspaper was one of many that followed the chase, but rather spoiled the impact of the fish's near extinction by including a tasty recipe. (<http://www.timesonline.co.uk/printFriendly/0,,1-3-794989,00.html>).

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