

In the shadow of the tiger

China continues to dominate the South East Asian market, with bulk shipping services struggling to meet growing and near-insatiable demand

With the attention of the bulk materials world focused on trade between South America, Australia and China, and the consequent issues of port capacity and congestion, it is easy to overlook other parts the world. The Mediterranean region is also witnessing substantial investment in new capacity.

Pacific Basin (PB) is one of the world's leading providers of dry bulk shipping services and logistical solutions to blue chip international commodity groups. It operates a large, modern fleet of versatile handysize dry bulk carriers of 25,000 to 35,000dwt, primarily in the Asia Pacific region.

The fleet is the youngest of its kind with an average age of five years; well below the world handysize fleet average age of over 17 years. Its fleet consists of 75 vessels, including 57 handysize, six handymax and 12 newbuildings.

The ships' dimensions allow them access to a large number of ports including those with physical restrictions such as narrow channels, shallow waters, short berths and low bridges. They are each equipped with four 30-tonne cargo handling cranes allowing them to load and discharge their cargoes in ports lacking shore-based cargo handling infrastructure.

They are fitted with log stanchions allowing them to load cargoes of timber both in cargo holds and on deck. PB specialises in transporting a broad range of minor bulk commodities by sea, including: forest products; fertiliser; cement; iron and steel products; minerals; and grains. Its expanding fleet currently comprises owned, chartered and managed vessels, giving a fleet size which offers scale and a high degree of operational flexibility.

Most of these vessels are operated through the International Handybulk Carriers (IHC) pool which it



set up in 2001 and through which it has established a reputation as the leading supplier of handysize freight services directly to major commodity companies.

"We commenced our handymax activity in early 2006, under the brand name IHX, in response to customers' demand for us to cover their handymax as well as their handysize freight transportation needs," stated Richard Hext, PB's chief executive. "This operation has had a most encouraging start in terms of its volume of activity and in establishing itself with customers as a credible participant in the handymax sector."

The IHX pool builds on the regional strength of the IHC (handysize) pool by operating over 65% of its fleet in the Pacific. In order to meet the growing cargo

book IHX makes use of short term chartered tonnage in addition to its long term chartered and owned tonnage.

"In the past four years, we have seen a sharp rise in demand for dry bulk freight, thanks to a growing appetite for commodities in the world, and particularly in China," he declared. "The strength of China's demand can be illustrated by reference to the iron ore trades, the steel trades, and the cement trades."

PB's handymax team specialises in offering freight contracts to customers from spot to five or more years, and are dedicated to providing a service with first class performance and reliability. Extensive use is made of long and short term chartered tonnage to ensure the ideal vessel is provided for the required freight contract.

Its senior executives and other employees have extensive experience in shipping, focusing on dry bulk transport in the Asia Pacific region, and a comprehensive knowledge of the market, chartering, vessel operations, technical management and crewing, vessel sale and purchase, shipbuilding and repair, finance, and insurance

According to Hext; "the key part of our operating strategy is to secure and combine front haul cargoes (i.e. from the main loading areas of Australia, New Zealand, the US and Canada to the main discharging areas of North Asia) with back haul cargoes (i.e. moving against the standard flow of traffic), which reposition vessels back in the prime front haul loading areas, thereby reducing the number of days in ballast, increasing overall fleet utilisation and improving revenues as a result.

China is an important area of focus for PB and its office in Shanghai plays a significant role in supervising its Chinese crewing, newbuilding and cargo development programmes. It is one of the largest foreign employers of Chinese seafarers, and also has contracted over 20 newbuilding vessels.

Operating in China since 1990, it is transporting an increasing volumes of cargo into China and, in part due to the growing presence of its Shanghai office, it continues to generate new opportunities, as China develops and increases further its consumption of bulk commodities.

Japan too is a major source of business for PB. Since 1990 it has contracted over 30 newbuilding vessels in Japan, which is also its main source of secondhand vessels and its largest cargo delivery destination.

"Operational safety is of the utmost importance and we are committed to the safe and environmentally conscious operation of ships through a proactive management system, both ashore and at sea," declared Hext. "We conform to the mandatory International Safety Management (ISM) Code and the voluntary ISO standards. We have developed and implemented the Pacific Basin Management System (PBMS) which aims to ensure: safety at sea and prevention of human injury or loss of life; avoidance of damage to the environment, in particular to the marine environment and to property; and customer satisfaction through determining and meeting customer requirements.

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"We also manage the environmental impact of all of our operations and projects in a responsible manner. Objectives are established, where possible, to reduce identified environmental impacts on the atmosphere and on the marine environment.

"In addition we implemented the voluntary ISO 9001:2000, 14001 Environmental Management system and OHSAS 18001 Occupational Health and Safety Management system, demonstrating the commitment to quality, safety and environmental protection. Our technical operation has also been certified by Lloyd's Register Quality Assurance (LRQA) to the ISO 9001:2000 standard and achieved ISO 14001 and OHSAS 18001 standards," he added.

PB Ports is the port development and operating arm of the Pacific Basin Group outside China. PB Ports provides management, advisory, consultancy, training, financial and other services to dry bulk ports and related organisation.

It aims to become a significant international dry cargo port operator, leveraging on the group's competencies and strengths as an established global ship operator in the dry bulk sector. To this end, it is seeking to develop and operate outstanding dry bulk ports around the world, in joint ventures with local interests.

The management expertise of PB Ports is drawn from the expertise of international shipping and port professionals in the group, who have had held senior positions in such shipping and port companies

as P&O Swire Containers, Maersk Sealand, Sinotrans, Torm, BHP Billiton, P&O Ports and PSA.

PB Ports is currently pursuing specific port opportunities in the Middle East, Canada, Australia, India, Turkey, Italy and Chile.

Swire CTM Bulk Logistics is a joint venture between The China Navigation Company [CNC] and C Transport Maritime [CTM]. It has been established to take advantage of opportunities in the fast developing off-shore marine logistics market. Both companies bring to the joint venture many years of experience in shipping, technical innovation, expertise and management, coupled with strong relationships with shipyards and dry bulk shippers (large resource and mining companies), dry bulk end users (steel mills, nickel and aluminium refineries, power utility companies etc), project engineers and civil engineering companies.

Swire CTM Bulk Logistics aims to provide tailor made marine logistics solutions to increase efficiencies in the customers supply chain by getting bulk commodities into, or out of, a location lacking in adequate infrastructure.

The immense cost of setting up a port and dredging deep-water channels and berths can be averted through the deployment of off-shore logistics solutions. There is also an increasing trend towards using larger and larger ships to take advantage of the freight efficiencies that they offer. As such, Swire CTM Bulk

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Logistics seeks to provide cost-effective solutions where existing or non-existing port infrastructures cannot cope with larger sized vessels.

The joint venture's aim is to provide reliable, customised and cost-effective dry-bulk seaborne supply chain services aimed at bridging the gap between supplier and industry to reduce freight costs.

"With the ongoing growth in seaborne trade, the trend towards utilisation of larger vessels and the demand for quick port turnaround, marine terminals are facing significant challenges to cope with market demands," stated a spokesman. "Most of the traditional ports still have to rely on old, last generation shipment systems and a number of them operate at drafts which are restricted to less than 10-11m, thus preventing the industry from enjoying economy of scale and lower freight charges by using larger vessels, such as panamax and capes."

Its services include: river and coastal specialised feeders; self-unloading vessels and barges; floating cranes; floating terminals; floating storage and basic processing plants; dewatering systems to cope with slurry loading for dry discharge; ship to ship, barge to ship and ship to barge operations; integrated seaborne logistics; dry-bulk door to door inclusive of overseas transport; and logistics supply chain management.

C Transport Maritime [CTM] is the commercial arm of DryLog which is in turn a 100% subsidiary of Ceres Shipping. CTM's managed fleet consists of approximately 85 dry bulk vessels with a total cargo volume of about 60m tonnes. DryLog and its associates control 47 vessels of which 23 are on order or are due to be delivered on long term charters.

The China Navigation Company has a proven track record in developing efficient cargo handling and logistics solutions with floating terminal and transshipment capabilities.

CNCo currently operates the Erawan on long-term charter to Ok Tedi Mining Limited (OTML) in Papua New Guinea. Stationed at the mouth of the Fly River, Erawan is a 64,643dwt, 76,996m³ geared Panamax vessel that has been specially modified to serve as a dedicated storage and transshipment vessel, receiving and discharging copper concentrate from the OTML mine to and from feeders and export vessels.

Erawan is equipped with three 30-tonne specialised grab cranes with extended arms, enabling coverage of all of the vessel's holds, and sufficient outreach to discharge and load vessels alongside up to handymax size.

The grabs have stainless steel buckets designed to minimise spillage and carryover, and are fitted with strain gauges that measure the weight of each lift to an accuracy of 0.5%.

Specially designed software enables the crew to maintain a full record of the location of each grab lift and discharge. The ship also has a laboratory on board to enable moisture content of the copper concentrate to be determined on site.

Since starting the contract to OTML in 1999, Erawan has transhipped 1m tonnes of copper concentrate every year. Each of its three grab cranes can lift up to 19 tonnes of concentrate at a time, and when working continuously Erawan can shift up to 15,000 tonnes a day. At a rough average cost of US\$5,000 per tonne, Erawan transships cargo worth around US\$75m every day.



Erawan's success is the result of CNCo's unique ability to design and operate tailor-made logistical solutions that work.

CNCo also participates in the capesize bulk shipping sector and currently bareboat charters the Erradale and has the Bulk Hong Kong on long term time charter.

Jinhui Shipping and Transportation is an investment holding company. Its subsidiaries are principally engaged in the businesses of ship chartering, ship owning and investments in China. It is a subsidiary of Jinhui Holdings Company.

The company is the owner of one of the largest grabs-fitted supramax fleets in the world, with an average fleet age of approximately four years.

First quarter turnover increased by 111% to US\$114.8m, while net profit increased by 239% to \$43.3m. So far this year, it has taken delivery of three supramaxes and sold three. During the first half of 2008, it entered into agreements with "first class charterers and owners" to time charter 15 owned vessels on three-five year time charters, securing over \$1bn in revenue. It is "potentially" entering into more time charters to "further enhance earnings visibility".

It has also purchased two post-panamax, for delivery in 2010 and 2012. As at the end of May, Jinhui's fleet consisted of 19 owned vessels and 14 chartered-in vessels, with a total dwt of 2.9m tonnes and an average age of just about 3.5 years.

The most commonly used loading ports were in Australia, Asia (excluding China) and North America, and almost half of the cargo was delivered to ports in China, followed by the rest of Asia and Africa.

Total cargo volume carried to the end of March was 5.8m tonnes, of which iron ore accounted for 34%, other minerals for 25% and coal for 18%.



Courage Marine Group is a Bermuda registered shipping company engaged in the ownership and operation of bulk carriers, with a combination of handysize and panamax vessels.

Through its Operation Offices in Hong Kong and Taipei, the fleet provides marine transportation services and logistical support to customers, carrying bulk commodities such as cement wood chips, coal, iron ore and minerals. The Company owns eight dry bulk carriers, including five handysize carriers between 25,000 and 40,000dwt, and three panamax vessels of about 65,000dwt. The total tonnage of these vessels is approximately 379,675dwt.

According to chairman Hsu Chih-Chien, handysize vessels have the advantage of being flexible whereas panamax vessels provide efficiency with their larger capacity.

"The combination of handysize and panamax vessels means that we are able to cope with customers' needs in a flexible and efficient manner, thereby ensuring higher utilization of the vessels in our fleet and optimizing return of investment on the vessels," he stated. "The fleet operates mainly in Asian waters, including China, Taiwan, and elsewhere in Asia.



The company in turn controls the time per voyage per vessel.

"The streamlined manner in which we operate the fleet enables us to provide customers with a safe and reliable service with a high degree of operational flexibility, and also improves our results through stronger revenues, reduced operating expenses and lower insurance and finance costs.

"We believe our substantial presence in the regional shipping market will enable us to capitalize on the continued economic growth in China and the Asia Pacific region. We also expect our market position to be enhanced by a supply constraint of the world's fleet of handysize and panamax vessels, and the limited shipyard capacity available to build new vessels, at least in the near term," he added.

Courage Marine Group has once again demonstrated just how tightly and effectively it runs its ship by finishing first in Marine Money's annual rankings.

Triumphing over 98 other companies, Courage Marine has been named the world's best shipping company for 2007 by Marine Money International, a provider of maritime company analysis that tracks the financial performance of the world's most noteworthy shipping groups.

Courage Marine has surprised many by beating far larger groups such as Cosco Holdings, STX Pan Ocean and AP Moller-Maersk. Runner-up Norden has a fleet of 216 vessels to Courage Marine's eight.

Courage Marine came out top in the overall performance rankings, which assess candidates based on measures such as total return to shareholders, profit margin, return on assets (ROA) and return on equity (ROE). In the individual categories, the Group was placed first in ROA as well, with a figure of 52.6%. For ROE, it clinched the ninth place, with a figure of 64.2%.

In the individual categories, the group topped the rankings in terms of credit rating, interest coverage and debt to capitalisation.

This demonstrated how successfully the group has managed its operations, securing contracts at the best dry bulk shipping rates available and maintaining excellent fleet utilisation rates of over 90%. In addition, its tight rein on costs and gearing levels has helped Courage Marine rake in enviable profits. In the last financial year, the group's eight vessels brought in

revenues of US\$90.4m and net profits of US\$60.4m.

Said Mr Hsu: "All in all, the results were extremely gratifying as they clearly validate our business model. Even though our fleet is made up of older ships, they are well-maintained and efficiently deployed.

At today's prices, it is certainly feasible to extend the life of our vessels to maximise on the current boom in commodities, as long as the payback is swift and the debt burden is light.

"Currently, we are riding the boom by focusing on the spot market, with some contracts of affreightment thrown into the mix as well for longer-term revenue. We have been securing excellent spot rates for coal and iron ore. Even our COA rates have been favourable too"

Mr Hsu added: "Courage Marine's ability to maintain top-notch profits over the past few years proves that we have one of the better business models in the industry and that our long-standing relationships across the region have stood us well. After all, this award is not the first time that Money Marine has recognised our achievements. It ranked us 10th in overall performance, third in financial strength and fifth in dividend yield for 2006, when the rankings covered only 86 companies."

Noble is the largest global supply chain manager operating from Asia. The company operates from Japan to China, Thailand to India, Vietnam to Indonesia and Myanmar to Singapore.

From the world headquarters in Hong Kong, Noble manages its global franchise by coordinating the Group's finance, risk, legal, tax, audit and human resources functions. The office also houses the head office for its chartering and technical ship management operations.

From its regional office in Singapore, Noble manages the Asia grain and edible oil businesses, clean fuel, fuel oil, petrochemical products and coal and coke which represent another growing business with coal mining operations in Indonesia.

In both China and India, the Group owns 3 soybean crushing plants, forming the front end of supply chain services originating in South America.

Other main activities in Asia include grains and coal from Japan and grains, edible oil, iron ore, aluminium and ferro alloys from China and grains, edible oil, pulses, sugar, coffee and coal from

India and coffee from Vietnam and cocoa, coffee, coal and sugar from Indonesia. An independent ship management company belonging to the Noble Group, Fleet Management is geared to provide a totally client-driven service. Sophisticated control systems and communications network provide owners with information about their vessels at any time.

Offering the highest level of ship management service, Fleet Management emphasises safety, pollution prevention and shipboard maintenance at competitive, cost-effective rates.

Technical crew administration, vessel inspections and superintendence of projects are all performed by the company's highly skilled professionals, who between them have the equivalent

of hundreds of years of shipping experience with various owners and many different types of vessels.

Fleet Management has the capacity to operate all types of cargo and tanker vessels. All crew of the ships hold the necessary STCW certification. Great care is exercised in staff selection and only capable and experienced staff are sent on the ships.

Ships are inspected at regular intervals of three months by the technical superintendent to ensure a very close follow-up of shipboard activities.

Computer based systems are used to monitor vessel performance. Data sent by ships is analysed ashore to optimize a vessel's speed and consumption performance.

Fleet Management has the flexibility to meet all owners' needs for periodic technical and accounting reports. We are geared to provide you with any information you require - at any time.

Operating costs of the vessels are closely monitored to ensure expenses are kept within budget at all times.

Fleet Management has the capability to arrange afloat repairs by experienced riding gangs where necessary. ■

JURONG BENEFITS FROM NICHE MARKET

Since its opening in 1965, Jurong Port has grown to become a major and thriving gateway for multi-purpose cargo in Singapore and in the region.

The port is equipped with facilities and services to handle containers and a variety of cargo including different types of bulk, breakbulk, palletised and project cargo. Last year, it handled 6.6m tonnes of conventional cargo and just over 10m tonnes of bulk cargo.

Its conventional and bulk cargo-handling terminals are the hubs for steel products, cement and project cargo, among others. In addition, there are ample warehouses and open yards to support cargo storage, packing, consolidation and distribution activities in its Free Trade Zone. A number of warehouses have also been approved by the London Metal Exchange (LME) for the storage of LME-traded metals.

Jurong has been a key gateway for dry and liquid bulk cargo such as cement, sugar, cement clinkers, chemicals and copper slag since it was opened.

To ensure high productivity and efficiency, the port has in place an extensive network of pipelines and conveyor systems, including common and dedicated unloaders.

With these unloaders operating at a maximum rated capacity of up to 800t/hr, bulk commodities are speedily discharged from vessels at the berths directly to the nearby storage facilities of customers. This translates into faster vessel turnaround, more shipment deliveries and cost-savings on stevedoring charges.

According to a spokeswoman, the port handled 6.2m tonnes of cement traffic last year, due to the building boom in the region. This amounted to almost half of the port's total throughput.

The decision by PSA to move all its conventional cargo operations to Jurong will generate a further 2-3m tonnes but growth is being constrained by a severe shortage of land for expansion.