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Singapore Shipping Forum 2016: Shipping in Turbulent Times

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Thursday, 21st April 2016
Suntec City Convention & Exhibition Centre

Shipping capacity, technology, commodity prices, particularly oil, China's Maritime Silk Road and new financial regulations, especially Basel III, are some of the key factors that will impact the maritime industry in the years ahead. This was the conclusion reached at the Singapore Shipping Forum 2016.

This event, hosted annually by Moore Stephens, and organized in conjunction with co-sponsor BNP Paribas, was held at the Suntec City Convention & Exhibition Centre on 21 April 2016, in conjunction with the Singapore Maritime Week 2016, an event supported by the Singapore Shipping Association (SSA) and organised by the Maritime and Port Authority of Singapore.

The session was well-attended by more than 250 attendees.

(L) to (R): Mr. Terrence Tan, Director, Transportation Sector, Investment Banking Asia Pacific, BNP Paribas, Mr. Yaseen Anwar, Senior Advisor, ICBC Singapore, Mr. Robert Stenvik, Chairman and Senior Partner, Via Mar AS, Mr. Anthony Zolotas, Group CEO, Eurofin Group, Mr. Mick Aw, Senior Partner, Moore Stephens LLP, Mr. Lucien Wong, Chairman, Maritime and Port Authority of Singapore, Mr. Arnold Wu, Co-Head, Transportation Sector, Investment Banking Asia Pacific, BNP Paribas, Mr. John D'Ancona, Director - Dry Analysts, Clarksons Platou Asia, Mr. Arnaud Lambotte, CFO, BNP Paribas Singapore and Mr. Venkatraman Sheshashayee, CEO, Miclyn Express Offshore.

Mr. Esben Poulsson, President, Singapore Shipping Association delivering the opening address at the Forum

Opening Address

This year's forum was opened by Mr. Esben Poulsson, President of the SSA, who in his opening address, highlighted the rapid technological changes that the industry faces, to which industry players must embrace and adapt. Mr. Poulsson noted that these changes, which include big data, cybersecurity, and the "smart shipping toolbox", have the potential to reduce costs and improve productivity. However, Mr. Poulsson also cautioned these are merely tools, and that business acumen and commercial judgment must continue to prevail.

Singapore Shipping Forum 2016: Shipping in Turbulent Times

2016: The Future of Traditional Shipping; Time to Invest or Disinvest in the Shipping Markets?

Mr. Robert Stenvik, Chairman and Senior Partner of Via Mar AS, spoke on the developments in the various shipping markets, and demonstrated how a comprehensive professional analysis of shipping markets can serve as insurance to achieve the best investment outcomes. Mr. Stenvik opined that an effective analysis must consider world economic development and its impact on demand, domestic consumption and production, the volume of ship building and ship scrapping, as well as price developments in the freight rate and second hand vessel markets. Based on this analysis, Mr. Stenvik anticipated that a general increase in seaborne dry bulk trade, in conjunction with a shrinkage of the bulker fleet between 2016 and 2017, presents a positive outlook for dry bulk vessels. Smaller containerships also present attractive opportunities. However, tankers, gas carriers and larger containerships appear less attractive. In concluding, Mr. Stenvik cautioned that investment decisions require a further analysis of downside risks and other factors

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Mr. Arnold Wu congratulating Mr. Venkatraman Sheshashayee post-presentation

Mr. Robert Stenvik, Chairman and Senior Partner, Via Mar AS

Delegates at the BNP Paribas - Moore Stephens Singapore Shipping Forum 2016 - Shipping in Turbulent Times

The Future of the Offshore Industry: Will There Ever be a Recovery?

Offshore asset owners and financiers share responsibility for the current crisis in the offshore oil and gas industry, and must avoid past mistakes in order for the industry to navigate out of the downturn, said Mr. Venkatraman Sheshashayee, Chief Executive Officer of Miclyn Express Offshore. Mr. Sheshashayee cautioned that both financiers and asset owners must understand that offshore is a cyclical business. Sound business plans in the industry must reflect such cyclicality, avoid over-leveraging and speculative asset building, incorporate stress-testing, and plan for worst case scenarios. Mr. Sheshashayee warned that creative financing is not a solution to excessive leverage and will not help financiers to avoid credit issues in the longer term. In order to navigate out of the downturn, Mr. Sheshashayee stated that reduction of capacity through scrapping of vessels, cancellation of new builds, and industry consolidation will be required. The industry is already heavily over-supplied, and any further vessel building will only add to the industry woes.

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"One Belt: One Road", Concept and Impact on Shipping

Besides oil prices, the other key influence on world trade stems from China. According to Mr. Yaseen Anwar, Senior Advisor of ICBC Singapore, China's plans to build the "One Belt One Road" (OBOR) represents an excellent remedy to restore trust in the global economy. Today's fragile economy has become increasingly susceptible to global equity, interest rate and other market shocks, and OBOR offers a solution by harnessing the Asian potential through regional and global integration. Asia must move beyond being just a factory to the world, and become an integrated economic platform that creates jobs, imparts skills, creates new markets, and drives global growth. Mr. Anwar highlighted that CITIC Group Corporation has announced plans to invest in 300 projects extending from Singapore to Turkmenistan, involving various infrastructure assets such as railways, highways, oil & gas pipelines, and power grids, which will enhance China's connections to Europe and Africa. These infrastructure projects will be well-supported by the Asian Infrastructure Investment Bank ("AIIB") led by China. Despite the contentious issues, Mr. Anwar noted that 57 countries including key OECD countries have become signatories to the AIIB charter, and opined that this represents a global collective effort to energize the global economy and bring about a more balanced, multi-polar, and multi-currency world economy that cushions and reduces vulnerabilities. Mr. Anwar concluded that OBOR represents an opportunity to stimulate inclusive growth, generate employment, and provide prosperity.

Mr. John d'Ancona, Director - Dry Analysts, Clarksons Platou Asia

Mr. Yaseen Anwar, Senior Advisor, ICBC Singapore

Mr. John D'Ancona, Director - Dry Analysts at Clarksons Platou Asia, elaborated on the maritime implications of OBOR. Supported by detailed statistics, Mr. D'Ancona pointed out that Chinese steel consumption has been increasing rapidly up to 2013, however it has started falling in 2014 and at a faster pace in 2015. Going forward, Chinese steel consumption is likely to experience slower growth, although demand will continue to come from continued development in inland and Western China. Chinese steel production, on the other hand, has been growing at a rapid pace, and in 2015, China accounted for 50% of the world's steel production.

On this basis, further growth in Chinese net steel exports is anticipated, and an outlet will be needed for the excess steel. Over the past 10 years, Chinese steel exports have been expanding into new Steel markets such as in Southeast Asia, Far East and Europe. Recent growth in such exports have helped China mitigate weak domestic demand, supported growth in new economies, and allowed the Chinese to invest in new overseas infrastructure projects in return for a secure supply of raw materials such as oil, iron ore, coal and grain. According to Mr. D'Ancona, this new arrangement is generating a massive expansion in trade between the Southern hemisphere countries which are becoming an important part of the Southern Silk Route.

Mr. D'Ancona went on to provide detailed examples of China's massive investments. These included US$48b of investments in Pakistan's energy, power plant, port, roads and rail infrastructure; US$36b of investments in Myanmar's energy, pipeline and railway infrastructure; US$22b in Indonesia's steel infrastructure; US$15b Bangladesh's ports; and other investments in Nepal, Malaysia, Sri Lanka, Brunei, Vietnam and Thailand ranging from US$2-7b. According to Mr. D'Ancona, these infrastructural investments will create shifts in future trade as the maritime transport requirements of developing countries change to support the construction and operation of the new resource infrastructure.

Singapore Shipping Forum 2016: Shipping in Turbulent Times

Mr. Arnaud Lambotte, CFO, BNP Paribas Singapore

Delegates at the BNP Paribas - Moore Stephens Singapore Shipping Forum 2016 - Shipping in Turbulent Times

The Impact of Basel III on Ship Financing

Mr. Arnaud Lambotte, CFO of BNP Paribas Singapore, spoke on banking regulatory developments and its impact on ship finance. Specifically, the new regulatory framework, Basel III, will create challenges for banks to extend substantial long-term loans, which are the type of loans required by the capital-intensive shipping industry.

Mr. Lambotte explained that Basel III is a set of international standards that determine the amount of capital that banks need to hold to manage their risk exposure. The aim of these standards is to remove the need for governments to bail out large banks again if they get into financial difficulties, as was the case during the last financial crisis with banks in Europe and elsewhere. Basel III requires banks to ensure that predefined thresholds are met in respect of critical financial ratios that measure sufficiency of capital, risk exposure, leverage, and liquidity. Examples include the Tier 1 (Core) Ratio, Leverage Ratio, Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

The LCR, which is already effective, requires banks to hold high quality, liquid assets that are at least 100% of net cash outflows over the next 30 calendar days. This has the effect of incentivizing banks to hold liquid assets, and reduce cash outflows associated with short-term liabilities. Accordingly, banks have less scope to invest in riskier and longer-term loans such as those characteristic of the maritime sector.

The NSFR, effective from 1 January 2018, requires banks to maintain a certain level of "stable funding" (which includes the bank's equity, long-term liabilities and limited types of short-term liabilities), based upon the characteristics of assets held by the bank. More stable funding is required for longer-term, less liquid, and higher risk assets. Accordingly, the bank has to provide more capital and long-term funding (which tend to be more costly), in order to support the longer-term, less liquid, and higher risk loans that are typical in maritime industry.

Mr. Lambotte went on to highlight how banks can work together with the industry to overcome the regulatory challenges and provide a solution for future ship finance. These potentially involve tapping other sources of capital and liquidity such as equity and debt capital markets and private debt/ equity investors.

Singapore Shipping Forum 2016: Shipping in Turbulent Times

Panel Discussion

The above topics and other shipping issues were examined in more detail in a panel discussion led by Mr. Mick Aw, Senior Partner of Moore Stephens LLP.

As an introduction to the panel discussion, Mr. Aw highlighted that a successful investment strategy in shipping needs to be predicated on a longer-term, rational analysis that looks beyond current positive or negative sentiments in specific shipping sectors.

Drawing inspiration from Clint Eastwood's film", Mr. Aw classified the various shipping sectors into "Good", "Not so good", "Bad", and "Ugly", and noted that in the long and volatile history of the shipping industry, the performance of each shipping sector has always varied significantly from one year to the next, and no sector has remained the best or the worst performer for continuous prolonged periods.

According to Mr. Aw, there is always money to be made from business cycles and shipping is no different. Mr. Aw also touched on OBOR and noted that China's willingness to spend and invest in the maritime sector has been clearly demonstrated by its massive investments, such as those in Piraeus, Bagomoyo, and Gwadar. The billion-dollar question for both Singapore and the maritime sector is how to leverage on this expansion plan.

In addition to the above speakers, other panelists included Mr. Arnold Wu, Co-head, Transportation Sector, Investment Banking Asia-Pacific at BNP Paribas, as well as Mr. Anthony Zolotas, Group CEO of Eurofin Group.

Panel discussion and polling session led by Mr. Mick Aw, Senior Partner Moore Stephens LLP and Mr. Dimitris Belbas, Managing Director, EMS Partners Pte Ltd (most right)


Delegate casting her vote through the real-time polling device

Mr. Mick Aw, Senior Partner, Moore Stephens LLP

The panel discussion was enlivened by real-time audience polling made possible with interactive real-time polling solutions from Complete Corporate Services. Participants were anonymously polled on issues ranging from the state of various shipping sectors, to Singapore's role in OBOR, and expected future developments in ship finance. Results of the poll indicated that:

- Bulker prices are most likely to recover in the near term;
- Investment in the shipping sector through debt and equity securities is preferred over direct vessel acquisition;
- In respect of vessel acquisitions, bulkers are the preferred choice;
- RMB is not expected to become one of the world's dominant trading currencies in the forseeable future;
- Singapore is best able to support OBOR as a key financial and maritime services center; and
- Ship lending by banks will continue to dominate ship financing going forward, but it will be even scarcer than today, and available only to top tier clients.

Singapore Shipping Forum 2016: Shipping in Turbulent Times

Closing Remarks

In closing, Mr. Terrence Tan, Director of Transportation Sector and Investment Banking - Asia Pacific at BNP Paribas summarized the key points highlighted by the speakers, and noted that the current shipping downturn differed from past downturns in that it coincided with a banking crisis, which has impacted the availability of capital and hence the recovery process.

The seminar concluded with a presentation of plaques to speakers and sponsors, and was followed by a lively networking session.

Mr. Terrence Tan, Director, Transportation Sector, Investment Banking Asia Pacific, BNP Paribas delivering the closing remarks at the Forum

Mr. Lucien Wong, Chairman, Maritime and Port Authority of Singapore presenting token of appreciation to Mr. Yaseen Anwar, Senior Advisor, ICBC Singapore


(L) to (R): Mr. Anthony Zolotas, Group CEO, Eurofin Group and Ms. Tan Beng Tee, Assistant Chief Executive (Development), Maritime and Port Authority of Singapore


Mr. Mick Aw, Senior Partner, Moore Stephens LLP presenting token of appreciation to Mr. Martin Green, Partner, Stephenson Harwood (Singapore) Alliance


(L) to (R): Mr. Rene Piil Pedersen, Managing Director, AP Moller Singapore Ptd Ltd, Mr. Anders Wurtzen, Head of Group Public Affairs at A.P. Moller - Maersk Group, Mr. Jonathan Boonzaier, Asia/Middle East Correspondent, TradeWinds and Mr. David SS Chin, Executive Director, Singapore Maritime Foundation

Singapore Shipping Forum 2016: Shipping in Turbulent Times

Panel discussion: (L) to (R): Mr. Robert Stenvik, Chairman and Senior Partner, Via Mar AS, Mr. Arnold Wu, Co-Head, Transportation Sector, Investment Banking Asia Pacific, BNP Paribas and Mr. Venkatraman Sheshashayee, CEO, Miclyn Express Offshore

(L) to (R): Mr. Peter Illingworth, Managing Director, Head of Shipping Asia, Deutsche Bank, Mr. Michael Simms, Partner, Moore Stephens LLP and Mr. Devanrajan M, Consultant, HSM Ship Management Pte Ltd

Mr. Aaron Sen, Head of Ship Finance Asia Pacific & Deputy Global Head of Ship Finance, NORD/LB, discussing his views during the panel discussion

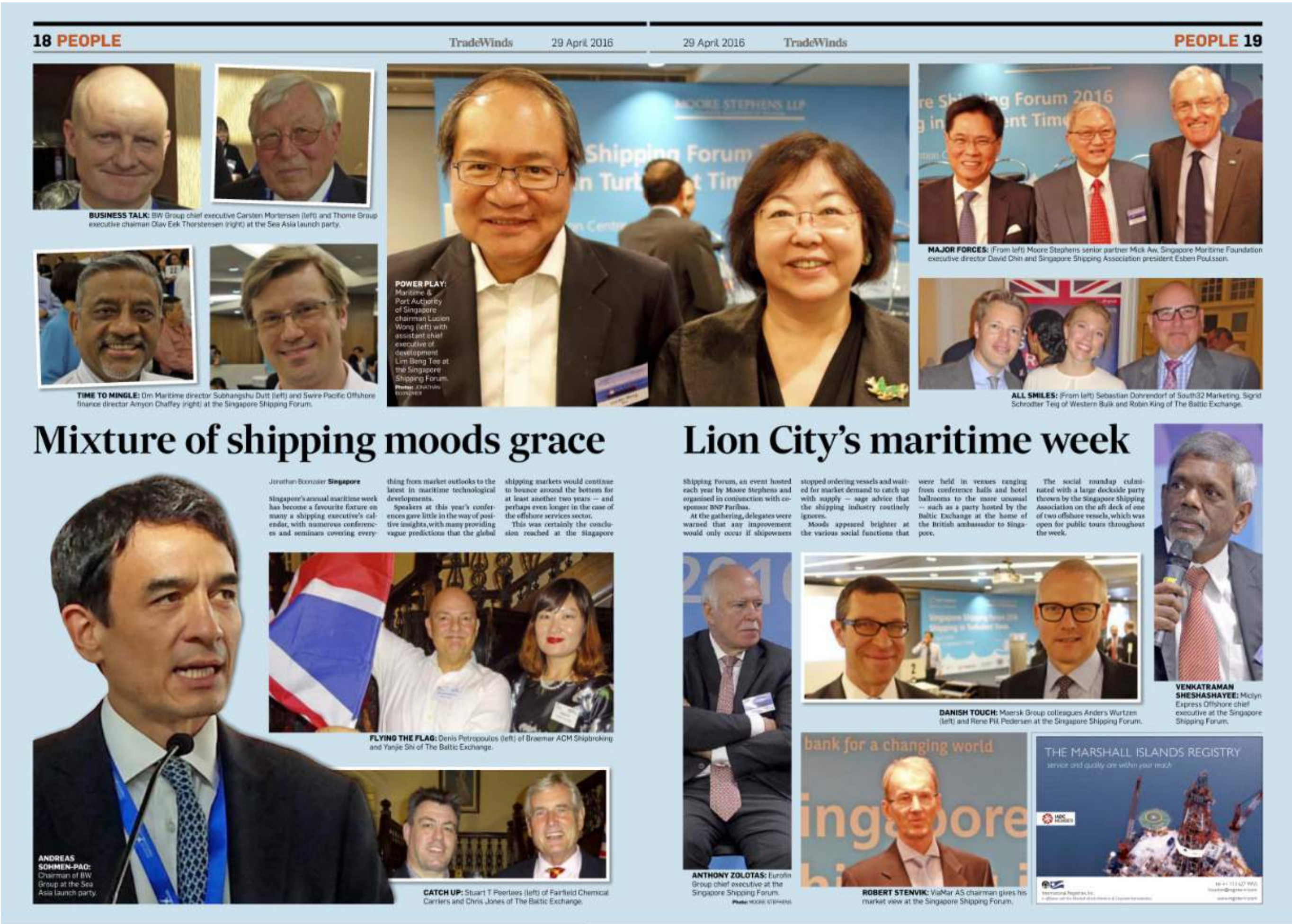
(L) to (R): Mr. Anthony Zolotas, Group CEO, Eurofin Group, Mr. Mick Aw, Senior Partner, Moore Stephens LLP, Mr. David SS Chin, Executive Director, Singapore Maritime Foundation, Ms. Bernice Yeoh, Director (International Maritime Centre Division), Maritime and Port Authority of Singapore and Ms. Claire Choy, Manager (International Maritime Centre), Maritime and Port Authority of Singapore

(L) to (R): Mr. Mark Koen, General Manager - Global Operations and Mr. Mark Atwell, General Manager, Head of Freights, Grindrod Shipping Pte Ltd

(L) to (R): Mr. Philip Pfeiffer, CFO, Asiatic Lloyd Maritime LLP and Mr. Dimitris Belbas, Managing Director, EMS Partners Pte Ltd

Singapore Shipping Forum 2016: Shipping in Turbulent Times

Press Report - TradeWinds



18 PEOPLE TradeWinds 29 April 2016

29 April 2016 TradeWinds PEOPLE 19

BUSINESS TALK: BW Group chief executive Carsten Mortensen (left) and Thome Group executive chairman Olav Eek Thorstensen (right) at the Sea Asia launch party.

TIME TO MINGLE: Dm Maritime director Subhangshu Dutt (left) and Swire Pacific Offshore finance director Amyon Chaffey (right) at the Singapore Shipping Forum.

POWER PLAY: Maritime & Port Authority of Singapore chairman Lucien Wong (left) with assistant chief executive of development Lim Beng Tee at the Singapore Shipping Forum. Photo: JONATHAN BOONZAIER

MAJOR FORCES: (From left) Moore Stephens senior partner Mick Aw, Singapore Maritime Foundation executive director David Chin and Singapore Shipping Association president Esben Poulsson.

ALL SMILES: (From left) Sebastian Dohrendorf of South32 Marketing, Sigrid Schrodter Teig of Western Bulk and Robin King of The Baltic Exchange.

Mixture of shipping moods grace Lion City's maritime week

Jonathan Boonzaier **Singapore**

Singapore's annual maritime week has become a favourite fixture on many a shipping executive's calendar, with numerous conferences and seminars covering everything from market outlooks to the latest in maritime technological developments.

Speakers at this year's conferences gave little in the way of positive insights, with many providing vague predictions that the global shipping markets would continue to bounce around the bottom for at least another two years — and perhaps even longer in the case of the offshore services sector.

This was certainly the conclusion reached at the Singapore Shipping Forum, an event hosted each year by Moore Stephens and organised in conjunction with co-sponsor BNP Paribas.

At the gathering, delegates were warned that any improvement would only occur if shipowners stopped ordering vessels and waited for market demand to catch up with supply — sage advice that the shipping industry routinely ignores.

Moods appeared brighter at the various social functions that were held in venues ranging from conference halls and hotel ballrooms to the more unusual — such as a party hosted by the Baltic Exchange at the home of the British ambassador to Singapore.

The social roundup culminated with a large dockside party thrown by the Singapore Shipping Association on the aft deck of one of two offshore vessels, which was open for public tours throughout the week.

ANDREAS SOHMEN-PAO: Chairman of BW Group at the Sea Asia launch party.

FLYING THE FLAG: Denis Petropoulos (left) of Braemar ACM Shipbroking and Yanjie Shi of The Baltic Exchange.

CATCH UP: Stuart T Peertaes (left) of Fairfield Chemical Carriers and Chris Jones of The Baltic Exchange.

ANTHONY ZOLOTAS: Eurofin Group chief executive at the Singapore Shipping Forum. Photo: MOORE STEPHENS

DANISH TOUCH: Maersk Group colleagues Anders Wurtzen (left) and Rene Piil Pedersen at the Singapore Shipping Forum.

VENKATRAMAN SHESHASHAYEE: Miclyn Express Offshore chief executive at the Singapore Shipping Forum.

ROBERT STENVIK: ViaMar AS chairman gives his market view at the Singapore Shipping Forum.

Singapore Shipping Forum 2016: Shipping in Turbulent Times

Press Report - The Business Times

Maritime sector agrees that going smart is best way into the future

Participants discuss digitisation and automation at industry events ahead of an anticipated upswing

By Tan Hwee Hwee
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Singapore

EVEN as most maritime sub-sectors are still wilting under the heat of an unfavourable macro-environment of lower commodity prices and slowing trade, industry players in a sector accustomed to historical cycles are preparing for the next upswing.

At the recent Singapore Maritime Week (SMW) 2016, delegates drew up a digital roadmap for the maritime sector.

One speaker imagined port operations of the future to be run from remote locations outside the control room with a single touch on a smart watch or a pair of digital glasses.

A panellist at the Singapore Maritime Institute (SMI) Smart Ships 2016 seminar said that this scenario could well materialise if the industry pulls together and works at going "smart" by 2030. Singapore has already planned for its next-generation port to be one that incorporates multiple information and communication technology (ICT) solutions (see BT infographic on Page 4).

But there are still hurdles to cross.

Mining of big data is a major one. This calls for a common pool of shared data, and the development process is akin to "building a trust machine", said a speaker from major ocean-carrier company APL at the seminar.

Industry players have to buy into the idea of sharing data that can be deemed competitively sensitive.

Investments will be needed to beef up cybersecurity, a concept that may not appeal to bottomline-driven business leaders.

A key finding from a report conducted by cybersecurity firm Tanium and the Nasdaq, highlighted at SMW 2016's Maritime Cyber Security Seminar, was that 40 per cent of 1,500 surveyed executives did not feel personally responsible for the repercussions of hacking or for protecting their customers' data.

Sceptics would argue that convincing shareholders and bankers to support investments in new technology is an uphill task in a market downturn, let alone doing this for the area of cybersecurity.

Margins in most key maritime sub-sectors are facing pressure from slowing demand and developing supply glut.

Offshore marine players – among the worst hit by the collapse of oil prices – may look to a recovery in contracting activity only in 2018, said Kristian Siem, chairman of Siem Industries and Subsea 7, at the 10th Singapore Maritime Lecture (SML 2016).

At another event, Keppel Offshore & Marine (O&M) chief executive Chow Yew Yuen spoke on the importance of right-sizing the organisation to manage costs. Keppel O&M is looking for non-oil and gas projects that utilise its offshore equipment, such as that in the power sector, to ride through the storm in the oil-and-gas sector, he said.

However, cost-cutting in this O&M downturn has fed investment in digital technology.

Maersk Oil, for example, is incorporating a digital tool-kit on offshore platforms – a move that will yield more than US$10 million in savings from the Culzean gas project off the UK, the company said at a steel-cutting ceremony held in Singapore early this month.

In the containership sub-sector, an APL speaker, responding to a query on the benefits of smart-ship technologies, said the company's data shows between 25 and 30 per cent fuel savings from using digital technology, subject to the design of the ship.

Beyond cost savings, safety has emerged as another key driver behind digitisation and automation. For instance, drones can inspect ship hulls to reduce safety hazards.

Those who support the use of automation and technology argued at SMW 2016 that this is the way to go to draw more young talent into the sector. The consensus is that youth entering the job market have the capacity to handle what will be demanded in the digital evolution of Singapore's maritime sector of the future; software programming has already been introduced into the curriculum in Singapore secondary schools to make the young future-ready, an SMW speaker noted.

But automation has attracted complaints about manpower redundancy, although this is a bigger threat to those already in the trade. A panellist said, however, that incumbents would be given time to adjust to changes in work scope, on the assumption that digitisation and automation are rolled out in phases.

Going smart has to be a priority for maritime players if they want to strive to stay relevant through to 2030 and beyond. The sector will not stay low for too long.

If the results from a poll at SML 2016 are anything to go by, the beleaguered dry-bulk sub-sector may take the lead in the road to recovery.

Via Mar chairman Robert Stenvik, speaking at an event organised by accounting firm Moore Stephens, said he expects the sub-sector to benefit from a general increase in China's total seaborne dry-bulk trade and significant fleet rationalisation, which will be a boon to all vessel types in the market. It remains to be seen whether the dry-bulk sub-sector would indeed lead the pack in the march to a smarter future.

☛ Singapore Port 2030, Page 4

Singapore Shipping Forum 2016: Shipping in Turbulent Times

Press Report - Seatrade

One Belt, One Road driven by Chinese steel exports

By Marcus Hand from Singapore

The origins of China's massive One Belt, One Road (OBOR) plan lie in finding export markets for its excess steel production according to Clarskons Platou analyst John D'Ancona.

Speaking last Thursday, D'Ancona, director –dry analysts for Clarksons Platou Asia, argued that the skeleton of OBOR connecting China with emerging markets in regions such Africa and Southeast Asia had been in place for quite a number of years.

"I think in essence the bones and structure have been in existence for quite a while, we may not have known it as the One Belt, One Road, but we've certainly already started to experience it so it's a very real thing," he said at the BNP Paribas and Moore Stephens Singapore Shipping Forum 2016.

He noted that China had "massively overshot" in terms of steel production versus domestic demand. In 2014 China produced 822.7m tonnes of steel and accounted for roughly 50% of global production.

As a result of its over production of steel China became a net exporter of steel in around 2006.

While much of the focus in the media has been on cheap exports to Europe and the US, which have drawn political ire, D'Ancona, argued that these exports were not what was important, but instead steel that was going to new markets.

"Lots of it was starting to help projects all over the world often in return for something the Chinese wanted," he said.

The growth in shipping trade is being seen on what was described as the south – south routes, or Southern Silk Route. One such example was West African countries supplying China with crude oil, while in return China ships steel in supramaxes to these countries.

In terms of future growth it will come a large number of different developing countries, with trade enabling these countries to develop.

"Where is the next growth coming from? I don't believe its one country like a China, I think it is a group of countries, and that is where the new shipping trade is," D'Ancona said.

As these countries development infrastructure and increase exports with China spurring economic growth, which will in turn create new consumer demand.

"For me a see it like a skeleton framework to help the development going forward," he said.

In terms of shipping demand the industry will need to understand which type of vessels will be required because as D'Ancona noted not every country would need capesize bulkers full of iron ore.

Singapore Shipping Forum 2016: Shipping in Turbulent Times

Press Report - Seatrade

Dry bulk shipping market hits bottom, but is it time to invest?

By Marcus Hand from Singapore

The dry bulk market has hit bottom, but whether it is set to significantly improve is another question.

Speaking on a panel at the BNP Paribas – Moore Stephens Singapore Shipping Forum 2016, John D'Ancona, director – dry analysts for Clarksons Platou said it was difficult for the market to get any worse, "but the issue is we've had a very difficult time in dry bulk".

"It could be at the bottom, but how long does it stay at this level?"

A poll of the audience as to which markets had hit bottom showed that 51% thought that dry bulk has had hit that point.

The Baltic Dry Index hit an all time low of 290 points in February, but in recent weeks has rebounded to 669 points, although this is still below operating cost levels.

Robert Stenvik, chairman and senior partner of Via Mar agreed that the market was at a low point with capesizes at below operating costs. However, while the market would enjoy a seasonal boost in the second half of 2016, in the first half of 2017 the market could plateau and end up at levels "as bad as today". As a result it would take till the second half of 2017 for real market recovery as steel demand picks-up.

Both D'Ancona and Stenvik urged the industry to continue scrapping more vessels.

As to whether it was the time to buy dry bulk ships a question mark remains. Anthony Zolotas, group ceo of Eurofin Group said: "Obviously the Greeks would buy as prices are at a very low level, but whether they are right is another question."

D'Ancona said he was optimistic about dry bulk, but it needed to be defined what a "good market" was compared to the past. "We need to be more realistic in what we expect."

He also warned, "There is still a huge amount of risk in dry bulk".

Citing a possible example of such risks Stenvik said there was the possibility that China could decide to ban all imports of coal.

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Singapore Shipping Forum 2016: Shipping in Turbulent Times

Press Report - Marine Money Asia

Singapore Maritime Week

On Thursday 21st April, Marine Money attended the Singapore Shipping Forum 2016 – Shipping in Turbulent Times, jointly organised by BNP Paribas and accounting firm Moore Stephens LLP. The well attended forum attracted over 150 people from the Singapore maritime community and some senior speakers who discussed pressing issues affecting the shipping markets during these “turbulent times.” The forum was held as part of Singapore Maritime Week 2016, which saw numerous industry events being held in Singapore in celebration and commemoration of Singapore’s vibrant maritime cluster.

After the welcome address by President of the Singapore Shipping Association (SSA) Esben Poulsson, the first presentation was ‘2016: The Future of Traditional Shipping; Time to Invest or Disinvest in the Shipping Markets?’ and was delivered by Chairman and Senior Partner of Via Mar AS, Mr. Robert Stenvik. Taking each shipping sector in turn, Mr. Stevnik pointed to 2016 as the lowest year of the market and expects Capesize and Supramax asset prices to begin to rise as of 2017. He advised 2016 as possibly a good time to invest but warned that bulk carrier owners will have to face a negative cashflow for the next 18 months although asset price increases will eventually more than cover cashflow losses. On containers, Mr. Stevnik said that the EU-Asia trade routes are expected to see a 7-8% demand growth until 2020 and slow steaming will reduce supply levels. He advised small containers are a good bet at the moment, whereas if you are already owning large container vessels, now would be the time to sell. On tankers, Chinese imports will continue to rise by 3.5% until 2019 as a result of stock building and increased refining capacity. However, despite the solid demand in the market, tanker vessel supply in the VLCC and product tanker segments will see supply outgrowing demand creating downward market pressures.

Looking at the LPG markets, Mr. Stevnik pointed to a massive 35.8% VLGC orderbook that is expected to severely over supply the market that is only expected to witness a 7% demand increase over the next few years, an even bigger 38.1% orderbook increase in the mid-size LPG segment which will likely see the market crash and pull freight rates substantially lower over the coming years while in the small LPG segment demand is expected to grow by 4- 5% over the next couple years, which should be in line with expected supply. Following the market outlook presentation and a few brief cautionary warnings made by Mr. Venkatraman Sheshashayee, CEO of Miclyn Express Offshore, on the current state and future expectations of the ailing offshore industry, next to take the stage was the highly intellectual and charismatic Mr. Yaseen Anwar, former Governor of the State Bank of Pakistan and currently senior advisor to the Industrial and Commercial Bank of China Limited (ICBC). Mr. Anwar’s presentation focused on China’s ‘One Belt, One Road’ initiative to revive the ancient Silk Road trade route that connects 56 countries from the Far East to Central Asia, Middle East and Europe, with a focus on how the project will impact the shipping industry.

Mr. Anwar began by explaining that in January 2016 there was $2.2 trillion in global capital destruction while February this year has witnessed $1 trillion capital destruction worldwide pointing to extreme instability in the markets and eroding public trust in the financial system. Low oil prices, negative interest rates in the EU and Japan, diverging monetary policies in major economies are all factors threatening the global economy and creating uncertainty in global markets. China’s ‘One Belt, One Road’ (‘OBOR’) initiative attempts to shine some optimism by investing over $1.8 trillion over the long-term to reform existing global supply chains and establish OBOR as an engine of global growth. While 65% of the global economy currently comprises of OECD countries, by 2060 the OBOR initiative aims to reverse that number so as China and India will contribute 65% to the global economy and the ASEAN economies combined to be the 4th largest economy by 2050.

The OBOR initiative, according to Mr. Anwar, aims to boost infrastructure projects in Asia by exporting China’s excess infrastructure capacity to at least 43 nations that rank China as their number one export partner. Concluding, Mr. Anwar mentioned connectivity, trade, financial integration, political integration and people-to-people integration as the major attributes of the OBOR project and stated that he expects the project to increase the prosperity and connectivity in the region and the world whilst eliminating poverty. Mr. Anwar’s presentation was echoed by Mr. John D’Ancona, Director and Dry Analyst of Clarksons Platou Asia, in his presentation that followed adding that a lot of the markets that the OBOR will provide for will be additional capacity and not detract from the prosperity of other major economies, in other words, the pie will grow. Mr. D’Ancona also referred to China’s excess steel capacity that needs to be exported and showed that last year Africa accounted for 32% of Chinese steel exports, the Middle East accounted for 28% and South America for 46%, proving that much of China’s exports are heading to developing or under-developed economies rather than Western markets. The conference closed with all the previous presenters in a panel, also joined by Co-Head of Transportation Sector, Investment Banking Asia Pacific at BNP Paribas, Mr. Arnold Wu, Eurofin Group CEO, Mr. Anthony Zolotas, and Mr. Mick Aw, Senior Partner at Moore Stephens LLP, who discussed questions put to the audience by Poll Master, Mr. Dimitris Belbas of EMS Partners, allowing the audience to electronically vote their answer of choice in multiple choice questions. Below are the results, as voted for by the audience, of some of their more interesting questions:

* Please note that audience could pick more than one answers

Which sector has hit rock bottom?
Dry Bulk – 51% Offshore – 29%
Container – 10% Tankers – 4%
All above likely to decline further – 24%

Where would you invest $200 million today?
Shares/Debt – 447% Dry Bulk – 41%
Tankers – 25% Container – 6%
Offshore – 6%

RMB will become one of the world’s dominant trading currencies:
Not in foreseeable future – 47%
Very near future – 29%
Already one – 15%
Never – 9%

Singapore Shipping Forum 2016: Shipping in Turbulent Times

Press Report - ShippingWatch

The Silk Road could hold opportunities for shipping

BY TENNA SCHOER Published 25.04.16 at 09:50

Drastic times call for drastic measures as well as the need for alternative solutions to keep business afloat. For the portion of the shipping industry which is located in Asia, China's revival of the classic "Silk Road" could be one of these solutions.

SINGAPORE

Although this is the year 2016, one way out of the crisis in the shipping industry could be found in a network more than 2,000 years old. In recent years, China has been reviving the Silk Road under the name "One Belt, One Road," and this is an opportunity that the shipping industry should seize, note analysts. "One Belt, One Road, or the Southern Silk Road as I call it, is one way for the Chinese to utilize the current years of overcapacity in the heavy industry, as a way to help other countries grow in the same way which China itself has done in past decades. New trade and new shipping demand can be created all at once," John D'Ancona, divisional director and senior dry cargo analyst at Clarksons Platou Asia, tells ShippingWatch during the Singapore Shipping Forum. He is backed up by senior consultant at ICBC Bank in Singapore, Yaseen Anwar, who encourages the shipping industry to view this as the light at the end of the tunnel. "It's important for a cyclical industry like shipping not to lose hope during a downturn. There are pockets of opportunity connected to the overall initiative. So the industry should identify the possibilities country by country, project by project," says Anwar.

Demand for all sectors in time

The Silk Road was originally established during the Han dynasty 200 years before the beginning of the Western calendar. At the time, the purpose was transporting material from China to the Mediterranean region. But in the fall of 2013, the Chinese government relaunched One Belt, One Road as a strategic development project, mainly between China and the rest of the Eurasian continent. The initiative aims to strengthen the region's infrastructure and, therefore, first of all constitutes a possible lifeline for the crisis stricken dry bulk industry: "Because this is about infrastructure, and thus creating increased demand mainly for steel, the projects will at first be advantageous for dry bulk. But then a demand will emerge for transport and refrigerators, and this will benefit the container industry. This will then lead to a need for plastic, which benefits LPG. All of this creates a foundation for the auto industry because people want cars, and that is good for the tanker sector, etc. etc!," D'Ancona explains. China has injected USD 1.8 billion in the One Road, One Belt project, according to Anwar. In 10 years, this amount will have increased to USD 2.8 billion. Add to this come injections and loans from banks and other countries. He also points out that although the initiative was formally launched about three years ago, it has been ongoing for several years. Some projects in Pakistan and Sri Lanka have for instance already been finished, while others are underway and ready to be seized by the shipping industry: "In Pakistan for instance, coal power plants are being built worth USD 3 billion, and the country will import coal over the next 20 years from South Africa and Indonesia. This is a fact because they do not produce coal themselves," he explains, referring to the fact that he used to serve as head of Pakistan's central bank and thus knows the details of these projects.

Not the solution to overcapacity

D'Ancona and Anwar both urge the shipping industry to look at smaller nations, instead of getting caught up in the Chinese slowdown. For example, 45 percent of the population in Southeast Asian countries in ASEAN currently live in cities, but that number will reach 60 percent in 25 years, and this will generate more demand for roads, railroads, airports and residential buildings. However, they both stress that the industry should not view this as a solution to the overcapacity that weighs down a majority of the industry these years. Because One Belt, One Road is not for the short term: "This must be considered for the long haul, because these projects are long term by nature. So you have to start planning a long time beforehand," Anwar says, and D'Ancona concludes: "We should not count on demand to solve the problems we created ourselves. There are other methods to handle the problems of overcapacity than hoping that demand will fill the gap."

Singapore Shipping Forum 2016: Shipping in Turbulent Times

Press Report - Maritime News Agency

One Belt, One Road to Create shipping opportunities

CHINA'S One Belt, One Road initiative to create a modern trade route through significant investments in infrastructure will present opportunities for the shipping industry.

According to MANAB, it given the broad scope of the globe-spanning project,shipowners will need to target and identify key geographical regions where such growth takes place and also the trade flows that are generated, said ICBC senior advisor Yaseen Anwar at the Singapore Shipping Forum organised by BNP Paribas and Moore Stephens UP during Singapore Maritime Week.

An example is countries within the Association of Southeast Asian Nations undergoing urbanisation, which present an opportunity for intra-Asia trade for smaller vessels. Another example is Chinese state-owned investment company CITIC Group Corporation's plans to invest in 300 projects extending from Singapore to Turkmenistan.The projects include railways, highways, oil and gas pipelines, power grids and other infrastructure links spanning central, west and south Asia to Greece and Russia, which will upgrade China's connections to Europe and Africa and vice versa,and will require building materials to be shipped to those places.

Mr Anwar said that with the shipping industry facing overcapacity issues, shipowners should not only look at trading opportunities in existing maritime routes, but also consider potential new links created by the One Belt One Road initiative. Vital land routes could also generate shipping opportunities for areas such as Rotterdam in the Netherlands,Piraeus in Greece,Gwadar in Pakistan,and Uthuania,among others. One Belt, One Road's Silk Road Economic Belt includes countries along the original Silk Road through Central Asia, West Asia,the Middle East and Europe.

"From Gwadar,the Middle East and Africa become more cost effective for transhipment to western China and central Asian republics," he said. The port at Gwadar is one of the points along the One Belt,One Road initiative where the land and maritime routes intersect. China helped to build and complete its first phase of development in 2006 as one of the projects under the China Pakistan Economic Corridor. The corridor is a range of projects being undertaken worth around $46bn to enhance infrastructure in Pakistan and increase economic links with China.

Uthuania has been one of the Baltic region's largest recipients of outbound direct investment in recent years due to its container port. It provides a key maritime and distribution link to the western markets within the European Union and Scandinavia,as well as to the eastern markets of Russia and the former Soviet Union. State-owned China Casco Shipping this month clinched its purchase of a majority ownership stake in Greece's largest port, Piraeus. Piraeus has been identified as a key gateway to European markets under China's One Belt, One Road plan.

The Port of Rotterdam in October last year signed a memorandum of understanding with the Bank of China for a strategic long-term business alliance to jointly explore business opportunities in Chinese president Xi Jinping's ambitious One Belt,One Road project. Rotterdam is one of the key points along the One Belt, One Road project's Silk Road Economic Belt land component.

Another possible opportunity for shipowners is to identify One Belt, One Road-supported projects that could generate trade flows from the import and export of certain materials needed for the schemes.

"For example severalmega-coal fired power plants costing more than $3bn in Pakistan would result in increased coal imports from South Africa and Indonesia," said Mr Anwar,who is also a former State Bank of Pakistan governor. ''This highlights new and incremental opportunities for ships."He also noted that the slump in prices of commodities such as crude oil,steel and concrete is a major boon to the One Belt One Road initiative as "this will further lower costs,accelerate implementation and in turn stimulate much needed growth and other shipping opportunities".

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