

# RICKMERS MARITIME

RICKMERS TRUST MANAGEMENT PTE. LTD.

## Newsletter

21st Edition,  
OCT 2013



Dear Investor,

Welcome to the 21st edition of the Rickmers Maritime newsletter. 2013 has so far been a satisfactory year for Rickmers Maritime. After raising S\$101.7 million through a highly successful rights issue in May, we have managed to pare down our debt and are now in a much stronger financial position. While we are delighted to embark upon 2014 on a much firmer footing, we remind ourselves that whilst the container industry is showing signs of improvement, it could be a slow

recovery. Fortunately we maintain good visibility with US\$372.1 million (as at 30 September 2013) secured revenue attached to our fleet.

The wider container shipping industry has witnessed what could become one of the most impactful developments in recent time. On 18 June 2013, A.P. Møller - Mærsk A/S (Maersk Line), Mediterranean Shipping Company S.A. (MSC) and CMA CGM S.A. announced that they had agreed in principle to establish an alliance named the P3 Network. Being the three largest container carriers in the world, their joint vessel operating centre will operate an expected capacity of 2.6 million TEU. The formation of this alliance could become a real game changer in the industry. The scope of the P3 Network encompasses the deployment of the carriers' fleet on the Asia-Europe, the Transpacific and the Transatlantic trades. We wish the three carriers the best of luck with their ambitious plans and hope that this can assist in bringing more earning stability to an industry which has experienced excessive volatility in recent years.

On the macro economic front, the global economy is teetering under the prospect of a "tapering" by the US Federal Reserve. The world's largest container shipping company, Maersk Line, has recently reaffirmed its commitment to its long-term growth plans for developing markets from Asia to South America amidst a sell-off by securities investors. We have always believed in taking long-term views, past the cyclical nature of this industry, as we assess the viability of investments. This has always stood us in good stead, and going forward, we believe that it will continue to steer our paths in the right direction.

As we approach the festive season, we bring you our fourth and final newsletter for the year. In this issue, we profile Rickmers Group's expanding presence in Asia as well as investigate the origin and the evolution of containerships. Our series on Ports of the World takes us to the Port of Balboa in Panama, and we conclude our series on crew on board with an interview with Mr Aung Min Myat, an Ordinary Seaman on board the ANL Warringa.

As always, we aim to introduce you to aspects of the shipping and container industries that you may not be aware of. Please feel free to let us know if we are managing that, or send us your suggestions for improvement.

We hope you enjoy this latest edition of our newsletter!

**Thomas Preben Hansen**  
Chief Executive Officer  
Rickmers Trust Management Pte. Ltd.

## RICKMERS GROUP'S PRESENCE IN ASIA



Rickmers Group office

a recovering shipping industry, Rickmers Group has begun expanding its footprint in Asia and has taken the leap to move more functions closer to this key market.

Along with its other subsidiaries, Rickmers Group has recently moved into its new office at 8 Shenton Way. The Group sits on the 42nd floor along with Rickmers Trust Management. The Rickmers Group office, which currently employs more than 50 staff, is expected to augment current staff strength by doubling it in the next 12 to 18 months. Despite the cost of running a business in Singapore being higher than any other geographical location in the region, the Rickmers Group relocated their Global Head of Maritime Services to Singapore on account of the country's proximity to key tenants of the wider container shipping industry.

With the concentration of container shipping activities in Asia, it makes sense for the Rickmers Group, which has a sizable investment in the

region, to move closer to its portfolio. The expansion in Singapore will not only bring the group closer to existing clients in the region, but also closer to potential clients trading within Asia. With the intra-Asia trade being the largest container trade in the world, there is likely to be growing demand for container vessels in the region, particularly on the back of an expected recovery in global trade.

Singapore has established itself as Asia's shipping hub, and with that, a solid representation of all major international ship financiers and legal advisors which will contribute towards Singapore being a location of choice.

As a global maritime player, Rickmers Group actively manages a fleet in excess of 100 commercial vessels.

Source:  
<http://www.worldshipping.org/about-the-industry/global-trade/trade-routes>

Rickmers Group, the sponsor of Rickmers Maritime and a leading provider of maritime services in Europe, has historically maintained a relatively limited presence in Asia. In the face of



## EVOLUTION OF CONTAINERSHIPS

### 1960s: Untested transport technology

The very first containership was a converted World War II tanker, christened as the "Ideal X". "Ideal X" paved the way for the first generation of containerships which were capable of transporting up to 1,000 TEUs. In the early 1960s, because container shipping was an untested transport technology, the least expensive and risky option of converting existing vessels was used to test its viability. Without the benefit of port infrastructure, the first generation of containerships carried cranes on board.



*Pan-Atlantic Steamship Co's Ideal X introduced container shipping in 1956*

### 1970s: Widespread adoption

Once the advantages of container shipping were ascertained, it was widely adopted in the early 1970s and the construction of the first fully cellular containerships began. Cellular containerships offered the advantage of using the whole vessel to stack containers, including below deck. Cranes were removed from the ship designs as specialised container terminals sprouted around the world, freeing up space on vessels to carry more cargo. Travel speed increased from 18-20 knots in first-generation ships to 20-24 knots.

### 1980s: Panamax

The construction of larger containerships in the 1980s was driven by the prospect of lowering transportation cost per TEU, achieved by increasing the number of containers carried on each voyage. Panamax-sized containerships with a capacity of about 4,000 TEU were first constructed in 1985. Panamax containerships were so named because they adhered to the size limit of the Panama Canal.

### 1990s: Post-Panamax

By the late 1990s, the rapid growth of global trade enhanced the prospects for even larger ships. In 1996, full-fledged post-Panamax containerships were introduced and capacities reached 6,600 TEU. Once the Panama threshold was breached, ship sizes grew quickly with capacities reaching 8,000 TEU.

### 2000s: Very Large Container Carriers (VLCC)

By 2006, A.P. Møller - Mærsk A/S (Maersk Line), the world's largest container liner company, introduced M.V. "Emma Maersk", a new ship class with an undisclosed capacity estimated to be around 15,500 TEU. Together with other large ship classes that can handle up to 18,000 TEU, they have been classified as 'Very Large Container Carriers' or 'VLCC.' These ships exceed the expanded Panama Canal specifications and will in effect, be the new 'post-Panamax' size vessels. The size of this new ship class limits it to routes between Asia and Europe.

Currently, the largest container ship in existence is the M.V. "Maersk Mc-Kinney Møller", a 400-metre long, 59-metre wide and capable of carrying 18,000 TEU.

Designs for ships even larger than Maersk's 18,000 TEU have been drawn up. An example of this would be the Malacca Max size, which is slated to carry about 27,000-30,000 TEU. However, such container ships are not expected to be constructed in the near future.



*Maersk's Triple-E container ship*

Sources:  
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## CORPORATE UPDATES

### 26 JULY 2013

Rickmers Maritime reported a firm set of results in 1H2013. Net profit grew 7% from a year ago to US\$18.4 million on charter revenue of US\$70.5 million. For 2Q2013, the Trust reported marginally softer charter revenue of US\$35.0 million due mainly to 37.9 scheduled off-hire days for the dry-docking of three vessels. Finance expenses decreased from US\$9.2 million in 2Q2012 to US\$9.1 million in 2Q2013. The Trust incurred lower interest expenses on outstanding borrowings and interest rate swap contracts totaling US\$1.8 million. This was offset by a one-time incurrence of debt processing fee of US\$1.8 million paid to lending banks in connection with the extension of its value-to-loan covenant waiver.

The Trust continued to successfully deleverage its balance sheet by repaying US\$73.7 million of its outstanding bank loans in 2Q2013, bringing bank borrowings down to US\$476.6 million. As at 30 June 2013, the Trust's cash balance stood at US\$67.1 million. Distributions for unitholders for 2Q2013 remained unchanged at 0.60 US cents per unit.

### 22 OCTOBER 2013

Rickmers Maritime releases its financial results for 3Q2013 ended 30 September 2013. To access Rickmers Maritime's 3Q2013 results announcement and presentation, please visit <http://www.rickmers-maritime.com>.



## MAJOR CONTAINER PORTS OF THE WORLD

### The Port of Balboa

After a visit to Hamburg, we continue our journey to the west, stopping over at the first South American port to be featured, the Port of Balboa in Panama.



The Port of Balboa

#### The Pacific Entry Port

The Port of Balboa is located on the Pacific side of the Panama Canal, opposite from the Port of Colon on the Caribbean side. Situated at the former La Boca French Port on the Panamanian Pacific end, the port was refurbished by the Americans at the beginning of the construction of the Canal into a modern facility called Ancon.

Ranked amongst the top 50 business ports in the world, the Port of Balboa was inaugurated in November 2000. The Port of Balboa is owned by Hutchison Port Holdings (HPH), a subsidiary of the multinational conglomerate Hutchison Whampoa Limited. In the span of six months, the terminal completed the handling of an aggregated 380,000 TEU, exceeding the expectations of its manager, Panama Ports Company (PPC) and clients.

Due to the port's success, the need for expansion was inevitable. The second and third phases of the port's expansion plan, all of which were completed in 2005, started shortly after its establishment. The owners also took the opportunity to modernise the port. This increased the capacity and efficiency of cargo handling in the Port of Balboa.

In 2006, PPC launched phase four of their expansion plans. The US\$300 million expansion program, which was completed in 2010, included a 440-metre marginal wharf and 25 hectares of container yard. This expansion increased berthing and stacking space by almost three times compared to the previous port capacity.

The Port of Balboa also reached a major milestone in the container shipping industry in 2006 – the handling of their millionth TEU. Less than a year later in June 2007, the Port of Balboa received its first post-Panamax vessel call. The 6,500 TEU Maersk Seletar was the first post-Panamax vessel to visit the Port of Balboa and followed a port rotation that saw it call at the Port of Balboa weekly.

#### Asia's Main Route to America and Europe

The Port of Balboa is a key hub for container shipping from Asia-Pacific to the United States.

Containers that travel from Asia and Australia to the East and West coast of North America usually dock at the Port of Balboa before passing through the Panama Canal and out to North America. This is also the main route for shipping between Asia and Europe as well as North America to Europe. The container vessels typically leave Asia, pass through the Port of Balboa through the Panama Canal and make their way to North America. They then receive shipment for their next phase of their journey from North America to Europe.

#### Investment in Technology

The Port of Balboa continues to grow and invest heavily in technology to meet new challenges. One of the key technological additions to the Port of Balboa is the Vehicle Mounted Terminal (VMT), a screen mounted within yard gantry cranes which allows operators to view the lifting and stacking of containers. Though humble, this piece of simple equipment enables greater control over crane movements for operators.

The Port of Balboa, as well as its sister port at Cristobal, are connected by railroad which serves as a one-stop shop for trans-shipment and logistic services in Latin America and the Caribbean. This facilitates both inbound and outbound trade. The Port of Balboa has, to date, invested over US\$800 million towards the upgrading of its facilities.

#### References:

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- <http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports>
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#### Image:

<http://media.lonelyplanet.com/lpi/26387/26387-9/681x454.jpg>



The third set of locks being constructed at the Panama Canal

## PANAMA CANAL EXPANSION PROJECT

The Panama Canal Expansion Project which is currently underway, will double the capacity of the Panama Canal by April 2015, by creating a new lane of traffic, allowing more and larger ships to transit. Since the Canal is essential for all Transpacific routes, it is expected to radically alter the shipping economics of that route.

The process will require for existing channels to be widened and deepened to maximum operating level. In addition, it will require construction crew to build a new lock (a system akin to a large lift, which will raise a ship up to the main elevation of the Panama Canal and down again) on the Pacific and Caribbean end of the Canal.

This expansion will allow larger ships to call at the Port of Balboa and further enhance its reputation as one of the busiest ports in South America.

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## WHAT DOES IT TAKE TO BE AN ORDINARY SEAMAN?

*After learning about the daily duties of an Able Seaman in the previous edition of our newsletter, we talk to ANL Warringa's Ordinary Seaman, Aung Min Myat, to find out what it takes to do his job.*

### 1. What is the role and key responsibilities of an Ordinary Seaman (OS)?

We are primarily members of the ship's crew and are charged with maintaining the deck as per company requirements. We are also required to handle cargo during cargo operations. It is also our responsibility to handle deck gear and ensure safe mooring operations for the vessel when berthing and unberthing.

### 2. What are the qualifications required to become an OS?

All OS would need to have at least served as a deck rating or deck cadet. These are the requirements of the Standards of Training, Certification and Watchkeeping (STCW) for seafarers and the company. Additionally, we must all be qualified for rating, which requires the Navigation Watch Certificate of Competency, Certificate of Efficient Deck Hand and good deck maintenance knowledge.

### 3. What spurred your interest to pursue a career at sea as an OS?

Since I was young, I have had a very strong passion for sailing at sea and I have always wanted to have a career at sea. Although I am now an OS, I wish to work my way up one day.

### 4. What are the daily duties of an OS?

All OS report to the Bosun. The Bosun is in charge of deck maintenance and we receive instructions from him to do various deck maintenance works or operate deck machineries. We also fall under the command of the Chief Officer who overlooks the cargo watch. Aside from that, we also participate in various emergency drills, safety exercises and meetings. Our duties also revolve around gangway watch and maintaining the gangway log during vessel berthing. We also carry out helmsman roles as instructed.

### 5. How many OS are there on one ship and how do you work together?

There are usually two OS on board any one vessel. Most of our duties are assigned separately according to the safety work arrangement plan. We do, however, work together on deck maintenance and mooring operations.



OS Aung Min Myat involved in the mooring operation

### 6. What are the ideal qualities that would make someone an effective OS?

An effective OS should have good seamanship knowledge from the maritime training school and be able to apply that knowledge practically on board the vessel.

### 7. What is the next step in the career of an OS?

The next step is to become an Able Seaman, which can be achieved through the completion of our sea service as required by STCW. After that, we will be eligible to take the Officer of the Watch Exam.

### 8. What are your aspirations for your career at sea?

I want to display my abilities as a qualified OS and gradually gain promotion until I can achieve my dream of becoming a Captain on board a ship.

## GLOSSARY TYPES OF MERCHANT SHIPS

**Container Ship** - A ship designed to handle containerised cargo. A cellular vessel is a container ship specially designed for the efficient storage of freight containers one on top of the other with vertical bracings at the four corners. The majority of vessels operated by maritime carriers are fully cellular ships.

**Feeder Ship** - Feeder vessels or feeder ships are smaller sized seagoing container vessels. Feeder ships collect shipping containers from different ports and transport them to central container terminals where they are loaded to bigger container vessels. In that way the smaller vessels feed the big liners, which carry thousands of containers.

**Dry Bulk Ship** - A bulk carrier, bulk freighter, or bulker is a merchant ship specially designed to transport unpackaged bulk cargo, such as grains, coal, ore, and cement in its cargo holds. Bulk carriers range in size from single-hold mini-bulkers to mammoth ore ships able to carry 400,000 metric tons of deadweight (DWT).

**Tank Ship** - A tank ship is a merchant vessel designed to transport liquids in bulk. Major types of tank ships include the oil tanker, the chemical tanker and gas carrier. Tank ships can range in capacity, from several hundred tons, which include vessels for servicing small harbours and coastal settlements, to several hundred thousand tons, for long-range haulage.

**Multipurpose Ship** - Multi-purpose ships, as the name suggests, carry different classes of cargo. The ships are often specially designed and capable of loading and unloading heavy and bulky items that cannot be loaded in containers. It has cranes of sufficient capacity to accommodate a single lift often in excess of 100 tons.

**Ro/Ro Ship** - Roll-on/roll-off ships are vessels designed to carry wheeled cargo, such as automobiles, trucks, semi-trailer trucks, trailers and railroad cars that are driven on and off the ship on their own wheels. This is in contrast to lift-on/lift-off (LOLO) vessel, which uses a crane to load and unload cargo.