

## In this issue

- 01 Moving On From P3
- 02 Corporate Updates | CEO's Message
- 03 The Port of New York and New Jersey
- 04 Watt's Up | Glossary

## Cover Story

# Moving On From P3

The anticipated establishment and subsequent demise of the P3 Network has caused quite a buzz among maritime quarters around the world. What exactly was the P3 Network supposed to be, and where does the industry go from here?

### Hopes and Surprises

The P3 Network was to be an alliance comprising Maersk Line, Mediterranean Shipping Company ("MSC") and CMA CGM, the world's three largest container liner companies in terms of capacity.

Together, they had hoped to deploy 255 vessels, sharing a capacity of 2.6 million TEU. While the plan was well-received by many industry players, others were concerned that the alliance could present antitrust issues. Smaller container liners, in particular, were worried that they would lose leverage when negotiating rates with customers.

The U.S. Federal Maritime Commission and European Commission signed off on the proposal but China's Ministry of Commerce ("MOFCOM") surprised the industry on 17 June 2014 by rejecting the deal, stating that the alliance would restrict competition on the busiest Asia to Europe trade routes.

This came despite members-to-be of the P3 Network stressing earlier that the alliance was operational, and not commercial in nature, with members remaining as competitors with fully-independent pricing policies, as well as sales, marketing and customer service functions.

### Consolidation to Continue

Following MOFCOM's decision, the three liners ceased their preparations for the alliance. This disappointed many who believed that the alliance would have helped to address efficiency issues in an industry that has been battling

overcapacity since the 2008 global financial crisis.

The P3 Network was expected to help the three liners increase fuel-efficiency and cut costs by sharing ships and port facilities. While they still believe that they can deliver these operational improvements, the same results could have been achieved quicker had the P3 Network been approved. Some analysts also suggest that the push to form industry alliances and consolidate will remain an underlying trend.

Already, Maersk Line and MSC have announced on 10 July 2014 that they have entered into a 10-year vessel sharing agreement, referred to as 2M, under which they will pool 185 vessels with an estimated capacity of 2.1 million TEU across 21 trade routes.

Expected to materialise in 2015, the overarching purpose of the agreement is for the two companies to share infrastructure, thereby increasing the efficiency of their networks through better capacity utilisation and economies of scale.

### More Than One Alliance

Moves among container liners to form alliances are not new. In 2011, APL, Hyundai Merchant Marine, Mitsui O.S.K. Lines, Hapag-Lloyd, Nippon Yusen Kaisha and Orient Overseas Container Line formed the G6 Alliance. This was proposed on the basis that the cooperation would "enable product and service features to be easily adjusted to market requirements".

The G6 Alliance was approved, and recently announced expansion plans to cover the Asia to North America West Coast and Transatlantic trade routes, comprising around 240 vessels connecting 66 Asian, American and European ports.



The P3 network was to be an operational alliance between the three largest container liners in the world

Another major industry alliance is the CKHYE Alliance, consisting of COSCO, "K" Line, Hanjin Shipping, Yang Ming Marine Transport Corporation and Evergreen Line. Together, they continuously review services on the Asia to Northern Europe and Asia to Mediterranean trade routes to optimise efficiency and enhance their service quality.

### Towards A New Dawn

With two major alliances already in play and more to come, the very improvements the P3 Network had hoped to bring to the industry may still be enjoyed. If these improvements are indeed achieved, the market may see the dawn of a new era in the container shipping industry – one which is characterised by, hopefully, efficiency and sustainability.

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**Corporate Updates**

**May 2014 – Aug 2014**

**2 May 2014**

Rickmers Maritime reported a stable set of results for 1Q2014. Charter revenue remained steady at US\$33.9 million while finance expenses were reduced from US\$7.0 million in 1Q2013 to US\$5.5 million in 1Q2014 as a result of lower outstanding loan balances and the expiry of interest rate swap contracts. Overall, Rickmers Maritime recorded a net profit of US\$9.8 million, compared to US\$10.7 million in 1Q2013. The Trust achieved a vessel utilisation rate for the quarter of 94.3%, a slight decrease due mainly to the preparation and positioning of Henry and Richard Rickmers for their delivery to Maersk Line, and an unscheduled off-hire for Kaethe C. Rickmers. The Trust's cash balance stood at US\$57.3 million as at 31 March 2014 and it has US\$311.3 million of secured revenue between 31 March 2014 and the expiry of the last charter party contract in 2019. Distributions for unitholders for 1Q2014 were unchanged at 0.60 US cents per unit.

**15 May 2014**

Rickmers Maritime announced the successful issuance of S\$100 million (US\$80 million) of three-year notes bearing a fixed interest rate of 8.45% per annum with a maturity date of 15 May 2017. The issuance marks the maiden drawdown from the Trust's S\$300 million multicurrency medium term note programme established on 19 November 2013.

**6 August 2014**

Rickmers Maritime released its financial results for its second quarter ended 30 June 2014 (2Q2014). To access the results announcement and presentation, please visit <http://www.rickmers-maritime.com>.



**CEO's Message**

**Dear Investor,**

Welcome to the 24th edition of the Rickmers Maritime newsletter. I hope you have been well since our last issue.

During this time, Rickmers Maritime announced a stable set of first quarter financial results, and on 15 May 2014, successfully issued S\$100 million of notes from the Trust's S\$300 million multicurrency medium term note ("MTN") programme. The net proceeds from the issuance are primarily being used to fund repayments of borrowings and secure an extension of the value-to-loan covenant waiver until 31 December 2015, as well as fully repay the convertible loan owed to Polaris Shipmanagement Co. Limited at a 20% discount. On a strategic level, the MTN programme helps diversify Rickmers Maritime's funding sources, and puts the Trust in a better position to capitalise on appropriate growth opportunities as and when they occur.

Moving into the second half of 2014, we noted how the ambitious plans for the P3 Network were abandoned following the decision by regulators in China to rule against the establishment of the alliance. We were supportive of the intended alliance between Maersk Line, MSC and CMA CGM, all of which are charterers of Rickmers Maritime's vessels. The now abandoned plan of pooling more than 250 vessels was geared to improve operational and cost efficiencies in an industry that is still battling overcapacity as well as depressed freight and charter rates. However, we believe it is only a matter of time before further consolidation will occur as industry players continue to seek ways to

resolve inefficiencies. Already Maersk Line and MSC have announced a substantial 10-year vessel sharing agreement.

We remain hopeful that the industry will see signs of a recovery on the back of an all-time high level of scrapping, a slowdown in new vessel orders, and increased cost-cutting initiatives. The global container ship fleet is expected to grow at its slowest rate in over a decade, as a continued surge in scrapping and delivery deferrals help to offset the record level of new ship deliveries originally due in 2014. In the near term though, the market will probably remain oversupplied as demand gradually absorbs the existing overcapacity.

On a more positive note, trade growth is expected to reach 6.0% in 2014, an improvement over last year's 4.7% growth. While market conditions are still tepid, the industry is beginning to show early signs of improvement. International trade looks set to pick up, with much of the impetus coming from developed economies, while emerging markets also continue to contribute substantially to global growth. It is also encouraging that the number of idle container ships has reached a new low since October 2013 and freight rates are gradually rising.

In this issue, we bring you a feature story on the P3 Network and its subsequent cessation. We also continue our Ports of the World series, sailing to the Port of New York and New Jersey in the United States of America. Following that, we conclude our Crew on Board series with an interview with Aung Myint Sein, an electrician on board Kaethe C. Rickmers. A glossary with information on Rickmers Maritime's charterers is also included in this issue to provide you with more insight into the Trust's reputable and reliable charter counterparties.

I hope you enjoy reading this edition of the newsletter!



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

## Ports of the World

# The Port of New York and New Jersey

After a visit to the German twin ports, Bremerhaven and Bremen, we head across the Atlantic Ocean to the bi-state Port of New York and New Jersey.

## Two States, One Port

The storied origin of the Port of New York and New Jersey dates back to the early 1900s, when the Hudson River on the eastern seaboard was already bustling with maritime activity. Located between the two states of New York and New Jersey, the port district was the centre of many disputes over jurisdiction rights, until the Port Authority of New York and New Jersey was established in 1921 to develop and manage the entire area, a region within 25 miles of the iconic Statue of Liberty.

Today, the Port of New York and New Jersey is the gateway to the United States of America ("USA"), one of the most concentrated and affluent consumer markets in the world. It is also the busiest port on the east coast of the USA, and the third largest port in the whole of the country, behind the Port of Los Angeles and the Port of Long Beach, both of which are located in the state of California.

## Vibrant Gateway on the Eastern Seaboard

Strategically positioned along the Hudson River, the Port of New York and New Jersey handles approximately 33% of all cargo that pass through the USA's eastern seaboard. It is also the first port of call for 68% of visiting vessels hailing from many different ports of origin.

The Port Authority of New York and New Jersey manages six terminals and leases most of the terminal space to six private terminal operators. Notably, one of the six terminals, the Elizabeth-Port Authority Marine Terminal made history as the world's first container port terminal when it opened in 1962.

Cargo of all types, from containers to roll-on/roll-off automobiles, liquid and dry bulk, break bulk, and even specialised project cargo, change hands at the Port of New York and New Jersey daily. The handling of container cargo takes place primarily at Port Newark, Elizabeth-Port Authority Marine Terminal, Howland Hook



Port of New York and New Jersey

Marine Terminal, Auto Marine Terminal, ASI Terminal and Brooklyn Marine Terminal.

These terminals cover an area spanning approximately 1,340 acres, and are equipped with 59 modern container cranes that cater to post-panamax and super post-panamax vessels, as well as other state-of-the-art equipment, including 15-tonne to 30-tonne toploaders, rubber-tired gantry cranes, and 80,000-pound yard hustlers, amongst others. With ship berths stretching 6,630 metres, the Port of New York and New Jersey is considered one of the longest natural harbours in the world.

## America's Front Door

Commonly known as "America's Front Door", the Port of New York and New Jersey plays an integral role in the country's supply chain. Handling more than 5.5 million TEU worth of cargo each year, it facilitates the delivery of goods to approximately 80 to 90 million consumers around the world each day.

The port is also an essential part of the New York and New Jersey economies, supporting 279,000 jobs that represent nearly US\$12 billion in annual wages. In addition, it contributes over US\$5 billion in annual tax revenues to state and local governments, and facilitates the entrenchment of the USA's strong position in the global economy.

## Well-Prepared and Poised for Further Growth

Over the years, the port's six terminals have invested in upgrading their own infrastructure, aimed at moving cargo more efficiently through the port and better meeting the needs of all shippers.

In particular, Port Newark is expanding its area of operations to around 300 acres; and the Auto Marine Terminal is increasing in size, putting in wharf extensions and redeveloping the yard into a semi-automated R&D facility.

Nevertheless, container throughput at the Port of New York and New Jersey slid 1.1% between 2012 and 2013, with the slight decrease due mainly to the downturn in the global economy and the glut of capacity in the shipping industry. However, with its strategic positioning, extensive inland reach through its vast network of intermodal transport and impressive efficiency, the Port of New York and New Jersey is well-poised to weather the ups and downs in the shipping industry. Furthermore, with the shipping industry seemingly on the path towards resolving its issues, the outlook for the port and its operations appears favourable.

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Aung Myint Sein, an electrician on board  
Kaethe C. Rickmers

## Crew On Board

# Watt's Up

In this final instalment of our Crew on Board series, we speak with Aung Myint Sein, an electrician on board Kaethe C. Rickmers, to find out more about what life is like as an electrician out at sea.

### 1. What is the role of an electrician and what are your key responsibilities?

The role of an electrician at sea is to facilitate smooth operations on board the ship. Key responsibilities include ensuring that the safety systems in all machinery on the ship are in tip-top working conditions, as well as maintaining a safe working environment for my colleagues.

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

A basic professional qualification such as a certificate or diploma in electrical engineering from a technical university is required. All electricians need to be equipped with the relevant skills pertaining to maintaining and repairing the many electrical systems that one encounters while at work.

Additionally, to be an electrician on a ship, one needs at least four months of workshop service experience at a dockyard. One will also need to pass the Assistant Electrical Officer Exam by the Department of Marine Administration before being allowed to set sail as an Assistant Electrical Officer. After eighteen months at sea as an Assistant Electrical Officer, one may then sit for the Electrical Officer Exam by the Department of Marine Administration to be a certified electrician on board.

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

Wanting to work with the fascinating systems on board spurred my interest to pursue a career at sea as an electrician.

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

An electrician has to work with all the departments on board a ship, and perform various maintenance jobs around the different segments of the ship. Key duties include conducting regular visual checks and maintaining the electrical parts of all machinery on the ship. These include running motors, auxiliary machines and electrical machines on the deck, as well as other equipment on the bridge and in the engine room.

### 5. What is the most complex part of a ship for an electrician to work on?

I feel that the most complex parts of a ship for an electrician to work on are machinery with complicated configurations and elaborate technical settings. In cases where the electrical components of such machinery malfunction and its settings are lost, I have to figure out a way to make it run temporarily, under the guidance of the Chief Engineer. Thereafter, I have to pinpoint where the fault lies, as well as deduce and reinstate the original settings so that full functionality is restored.

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

Ideally, an electrician should be patient, intelligent, and confident, as well as technically knowledgeable about the fundamentals of engineering. Good communication skills, an analytical mind and logical problem-solving abilities are also extremely useful as electricians must be able to work well with crew members that operate the machinery. Electricians must also understand the various instruction manuals for and schematics of electrical components in equipment on board a ship, in order to make repairs when needed.

### 7. What is the biggest challenge you face as an electrician on board a ship?

The biggest challenge I face while at sea is repairing machinery when there are no spare parts available on board. Whenever I encounter such situations, I would need to try and fabricate the required component from scratch, or locate and remove, for the time being, a similar part from other stand-by machinery on board, based on my knowledge and experience, and use it as a temporary solution for the repair job at hand.

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

I aspire to be able to successfully repair any electrical equipment that comes my way on board. That, to me, is the hallmark of an accomplished electrician.

## Glossary

# Charterers of Rickmers Maritime

### Maersk Line

The largest container shipping company in the world, Maersk Line is the global container shipping division of the A.P. Moller – Maersk Group, headquartered in Copenhagen, Denmark. The company employs approximately 25,000 people worldwide and operates a fleet of over 550 containerships with a total capacity of more than 2.7 million TEU.

### Mediterranean Shipping Company ("MSC")

The second largest container liner company in the world, MSC operates a fleet of almost 500 containerships with a total capacity of around 2.5 million TEU. Founded in 1970 in Geneva, Switzerland, the privately held MSC has ships that cumulatively call at 316 ports worldwide via over 200 routes, covering all continents.

### CMA CGM

Founded in Marseille, France in 1978, CMA CGM is now the third largest container shipping company in the world, employing more than 18,000 people globally. With its young and diversified fleet of over 400 containerships, CMA CGM reaches around 400 commercial ports in over 150 countries through its 170 shipping routes.

### Italia Marittima

Headquartered in Trieste, Italy, Italia Marittima is one of the five Evergreen Group ocean carriers that make up Evergreen Line, the fourth largest container shipping company in the world. Evergreen Line operates a fleet of almost 200 containerships with a total capacity exceeding 850,000 TEU.

### Hanjin Shipping

The eighth largest container shipping company in the world, Hanjin Shipping is also Korea's largest, with vessels operating on about 60 routes. Its fleet includes about 100 containerships, with a total container liner capacity of around 600,000 TEU.

### Mitsui O.S.K. Lines ("MOL")

With origins dating back to 1884, MOL was formed through a merger of Osaka Shosen Kaisha and Mitsui Steamship Co. Ltd., formerly known as Mitsui Line. Now the tenth largest container shipping company globally, the group operates a fleet of more than 100 containerships, and is headquartered in Tokyo, Japan.

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