

In this issue

- 01 An Era of Ultra Large Containerships
- 02 Corporate Updates | CEO's Message
- 03 The Port of Durban, South Africa
- 04 Hands on Deck | Glossary

Cover Story

An Era of Ultra Large Containerships



Maersk Mc-Kinney Moller was the largest containership in the world for almost 1.5 years

A crowd of people descended upon Geoje, South Korea in January 2015 to witness the unveiling of MSC Oscar, the gigantic vessel that stretches four football fields long. At 19,224 TEU, it is also the biggest containership in the world.

MSC Oscar marks a new record in containership size, which has increased phenomenally since the first containership with a capacity of just 96 TEU was introduced in 1956.

Move Towards Larger Containerships

In the 1980s, container liners began to push for larger ships to be built in order to achieve economies of scale. This led to the founding of the Panamax standard, where containerships cannot exceed 5,100 TEU in order to accommodate the 32.3 metre width of the Panama Canal. Eventually, Post Panamax and Post Panamax Plus standards were inceptioned and more ships with capacities of around 6,600 TEU and 8,000 TEU respectively began to traverse the seas.

Boundaries continued to be pushed in the mid-2000s, and Maersk Line astounded the world in 2006 with the delivery of the 11,000 TEU Emma Maersk. By 2013, Maersk Line had taken delivery of the colossal Maersk Mc-Kinney Moller, with a capacity exceeding 18,000 TEU, marking the start of the Ultra Large Containership ("ULCS") era.

Largest Containerships in the World

MSC Oscar is the largest containership in the world right now and the first of twelve 19,224 TEU ships to be built by Daewoo Shipbuilding & Marine Engineering, three of which are for Mediterranean Shipping Company ("MSC"). As part of its 2M alliance with Maersk Line, MSC Oscar sails along the Far East – Europe route. The ship has an overall length of 395.4 metres, a breadth of 58.6 metres, and a draft of 16.0 metres.

Coming in second is CSCL Globe, which was

briefly the world's largest containership for just under two months. It is the first of five 18,980 TEU containerships ordered by China Shipping Container Lines ("CSCL") to be built by Hyundai Heavy Industries. The ship has an overall length of 399.7 metres, a breadth of 58.6 metres, as well as a draft of 16.0 metres; and plies the Asia – North Europe route offered by the Ocean Three ("O3") alliance, of which CSCL is a member.

The pioneer ULCS, Maersk Mc-Kinney Moller, was the world's largest containership for almost 1.5 years before being displaced by CSCL Globe. Currently in third place, the ship plies the Asia – North Europe route; and has an overall length of 399.2 metres, a breadth of 59.0 metres, and a draft of 16.0 metres.

Benefits and Challenges

The underlying rationale for having larger ships is economies of scale. More containers can be transported on larger containerships, with less than proportionate increases in fuel and manpower. These translate to lower shipping costs per container.

However, filling up these huge vessels is challenging. Alliances such as 2M and O3 pool resources together to better balance supply and demand, allowing member companies to offer customers more frequent services to a wider range of port destinations.

Another challenge is that not all ports can dock ultra large containerships which require deep harbours. These vessels also need huge cranes, large yards, and excellent connectivity to highways and rail terminals for unloading, storing and transporting their cargo to their next destinations. This limits the route options for these large ships.

Looking Forward

Nevertheless, given the possible benefits of ultra large containerships, more orders for them are expected. Already, some are speculating that the UASC Barzan, scheduled

to be delivered to United Arab Shipping Company in April 2015, may eclipse MSC Oscar in capacity. UASC Barzan is set to have an overall length of 400.0 metres, a breadth of 58.6 metres, and a draft of 16.0 metres. Although she is currently listed as having a capacity of 18,800 TEU, it is believed that the figure will be adjusted upwards closer to delivery.

Some even believe that there may soon be containerships with capacities in the range of a whopping 30,000 TEU – the maximum size 'permitted' by the geography of the Strait of Malacca, one of the world's most important shipping lanes. The industry may well need to categorise such ships in a class of their own, if they do materialise.

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Corporate Updates

Nov 2014 – Feb 2015

4 November 2014

Rickmers Maritime reported a stable set of results for 3Q2014. Charter revenue came in at US\$33.0 million, 10% lower year-on-year, mainly as a result of reduced charter rates on two vessels which began new charters in the first quarter of 2014. As a matter of prudence, the Trust recognised a US\$44.4 million provision for vessel impairment for six vessels, as well as an US\$18.6 million provision for goodwill impairment during the quarter. Excluding the impact of the combined non-cash vessel and goodwill impairment of US\$63.0 million, Rickmers Maritime would have recorded a profit of US\$10.0 million in 3Q2014. During the quarter, the Trust repaid US\$20.2 million of secured bank loans, reducing its outstanding secured bank loans to US\$377.7 million as at 30 September 2014. Rickmers Maritime ended the quarter with a healthy cash balance of US\$66.8 million. The Trust's fleet of 16 containerships enjoyed a high utilisation rate of 99.7% for the quarter. Distributions for unitholders for 3Q2014 remained unchanged at 0.60 US cent per unit.

3 February 2015

Rickmers Maritime announced that its Trustee-Manager will have a new Chief Executive Officer at the helm in June this year. Mr Søren Andersen, who is currently APL's head of global network and alliance, will succeed Mr Thomas Preben Hansen who has tendered his resignation. In the interim, Mr Thomas Preben Hansen has given his commitment to the Board that he will continue to manage Rickmers Trust Management Pte. Ltd. and will facilitate a smooth transition to the new leadership up to 31 May 2015, his last day of service. Mr Thomas Preben Hansen has served as CEO of Rickmers Trust Management Pte. Ltd. since December 2006.

26 February 2015

Rickmers Maritime releases its financial results for 4Q2014 and FY2014 ended 31 December 2014. To access the results announcement and presentation, please visit <http://www.rickmers-maritime.com>.



CEO's Message

Dear Investor,

Welcome to the 26th edition of our Rickmers Maritime newsletter. From everyone in the Rickmers Maritime team, we would like to wish you and your family a Happy New Year and a prosperous year of the Goat.

Since our last newsletter, we announced our third quarter results on 4 November 2014, reporting a healthy cash balance and high fleet utilisation rate of 99.7% amid initial signs of a recovery in the charter market. We can look back at a satisfactory year, despite the continued challenges facing the industry. In 2014, we witnessed the successful maiden drawdown of our S\$300 million multicurrency medium term note programme. With the net proceeds from the first issuance, we were able to pare down our debt, and as a result obtain an extension of the value-to-loan covenant waiver with our lending banks until the end of 2015.

There was a gradual improvement in the container shipping industry in 2014, with the charter market ending the year on a positive note. This was especially so for modern Panamax vessels, which saw charter rates almost double, although this is still significantly below historical average rates. The global idle fleet remained low at 1.3% at year end, possibly due to muted levels of new vessel capacity delivered in 2014, offset by the relatively high levels of vessel scrapping. The orderbook-to-fleet ratio as at the end of the year also stood at one of the lowest levels since 2000, a good indication of an improvement in the market's supply and demand imbalance.

A major development towards the end of 2014 – the sharp dip in oil prices – does not directly impact the Trust, but will no doubt have a number of indirect effects in 2015. Increased consumer spending in the US as a result of lower pump prices should have a positive effect on importing of goods which

in turn will require more shipping capacity. However, it may also mean that the economic benefits of slow steaming are beginning to erode. The positive impact should outweigh the negative though, with the reduction in bunker fuel bringing significant cost savings that will contribute to improving the bottom lines of liner companies.

Moving into 2015, the year has started off with the newly formed alliances, 2M and O3, launching their respective new service networks. With this, the total capacity on these trade routes will increase by 4%, and a fresh round of freight rate reductions could occur as the alliances battle for market share. Scrapping could reduce in 2015 as the pool of potential scrap candidates has shrunk from the high levels of yesteryear, but the final outcome will be determined by scrap prices and global economic health. The numerous vessel deliveries slated for this year, coupled with the slower pace of scrapping activity, could result in a level of supply growth higher than 2014.

As we journey on, we see many market factors affecting how the industry will take shape in 2015. With moderate growth expected in the world economy and a further gradual improvement in market fundamentals, we look forward to seeing a measured lift in charter rates and vessel values in the container shipping industry, with a subsequent steady and sustainable recovery.

We kick off the new year with a cover story on the largest containerships in the world, exploring how the need for them arose, as well as their impact on the industry. Following that, we bring you to the first African port in our 'Ports of the World' series, the Port of Durban in South Africa. Further along in this issue, our glossary section takes you on a journey to find out more about the initial stages of shipbuilding, from the signing of the contract, to the steel-cutting phase, before continuing onto the second portion in the next issue. Finally, in our 'Hands on Deck' series, we suss out the strongest, most cheerful and most disciplined crew members on board CMA CGM Onyx.

I hope this edition of the newsletter will be an insightful and enjoyable read for you. Have a great year ahead!



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

Ports of the World

The Port of Durban, South Africa

This edition, we sail across the Indian Ocean to the Port of Durban, the first South African port in our 'Ports of the World' series.

From Sandy Lagoon to Leading Port

A mere sandy lagoon in the mid-1800s, the modern Port of Durban has come a long way since its discovery by explorers. Development of the rare natural harbour began in 1855. With the rapid containerisation of cargo, traffic passing through the Port of Durban had grown steadily by the late 1970s, establishing the port as one of the foremost terminals in the region. Modern dredging techniques in the twentieth century allowed sufficient inroads to be made to the narrow entrance of the port, enabling the Port of Durban to receive larger vessels. Since then, the Port of Durban has been able to position itself as the premier port hub in the region due to its excellent road and rail linkages from the coast to the hinterland.

Strategically positioned along the east coast of the African continent, the Port of Durban is an international commercial gateway to South Africa. It is one of the few ports in the world located in close proximity to the central business district, and sits in the centre of South Africa's second most important area of economic activity after Johannesburg. Its ideal geographic location close to a major thoroughfare enables the easy movement of goods from the industrial sector to the international market and vice versa, and facilitates export traffic of local produce, as well as locally manufactured goods. The port handles more than 80 million tons of cargo annually, with over 4,500 commercial vessels calling at the port each year, making it one of the busiest ports in Africa.

Multiple Terminals in One Port

Covering a total area of about 1,800 hectares, the 59 berths at the Port of Durban are operated by more than 20 terminal operators including Transnet Port Terminals ("TPT") and other private terminal operators. The port has four business units under TPT including the Durban Container Terminal, the Multi-Purpose City Terminal, the Durban Car Terminal and Maydon Wharf Terminal.



Port of Durban

Several other specialised terminals such as Island View Oil and Petroleum Complex, Bluff Coaling Terminal, the Fresh Produce Terminal, the Sugar Terminal, Wood Chip Terminal and SA Bulk Terminals are also amongst the facilities privately operated at the Port of Durban.

The Port of Durban's container terminal, Durban Container Terminal ("DCT"), is the fourth largest container terminal by capacity in the Southern Hemisphere, hence the port's reputation as a major container gateway. Established in July 1977, DCT occupies a space of 102 hectares, and operates as two terminals. With a container stacking area of 26.3 hectares, and an ideal location to serve as a pivotal hub for containerised cargo for the whole Southern African region of the Indian and South Atlantic Oceans, the terminal handles 65% of South Africa's container volumes and serves trade routes linking North and South America with the Middle East, India, Asia, and Australasia.

In addition to its status as a key container port, the Port of Durban is also an important entry point for bulk raw materials, capital goods, and industrial equipment. Exports include minerals, sugar, grain, oil, and coal. Besides conventional everyday port operations, the port also boasts the award-winning Durban Car Terminal, the country's largest import and export facility for the motor industry, handling two-thirds of the country's vehicle trade.

Moving Forward amidst Headwinds

An emerging market supported by a large and

diversified economy, the Port of Durban's central city has in recent years suffered economic decline on the back of increased crime and pollution. Despite these setbacks, the Port of Durban is working to revitalise the Durban Metropolitan Area, including projects to enhance the waterfront in a bid to stimulate an economic turnaround in the city of Durban. Billions of dollars have been set aside for DCT's re-engineering and boosting of its existing equipment, and work is in progress to deepen the terminal draft to 16 metres, signifying the port's determination in the face of obstacles to prevail as a modern, resilient trans-shipment hub.

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Hands On Deck

CMA CGM Onyx



1. Liu Zuquan
Strongest crew member



2. Zeng Yusheng
Most cheerful crew member



3. Li Chaozhou
Most disciplined crew member

In this second instalment, we ask the captain of CMA CGM Onyx to introduce the strongest, most cheerful and most disciplined members of his crew to our readers.

1. The strongest crew member: LIU ZUQUAN (Able Seaman)

Able Seaman Liu Zuquan was not very strong in his formative years, but is now recognised as the strongest man on board CMA CGM Onyx.

When he was 18 years old, he decided to serve on board a fishing vessel for several years and the heavy workload on board the vessel eventually made him the strong and able-bodied man he is today.

His formidable strength, coupled with an impressive height and weight of 1.86 metres and 90 kilogrammes respectively, certainly casts an imposing stature. His strength enables him to carry heavy objects like engine spare parts and cans of paint without difficulty, making him handy to have around.

During his free time, Zuquan likes to exercise, counting push-ups and sit-ups among his regular training regime. He encourages crew members to train with him and takes pride in helping them build up their fitness levels the right way. He also enjoys light-hearted games of table tennis after a long day of work.

2. The most cheerful crew member: ZENG YUSHENG (Ordinary Seaman)

As a seafarer, Ordinary Seaman Zeng Yusheng is unable to spend as much time with his loved ones as he craves for. He misses his friends and family very much, but does not let this affect him. Whenever an opportunity to contact them arises, he always makes the best out of it.

Not being able to be with his loved ones has led Yusheng to regard his crew mates

on board as his family. He relishes keeping his family on board happy with jokes and interesting stories, and takes pleasure in sharing and communicating with his fellow crew members.

He also treats everyone with respect and care, and they enjoy his jolly company. Whenever he is feeling down, Yusheng will occupy himself by watching television programmes such as variety shows and similar to Zuquan, table tennis always lifts his spirits.

All these attributes, together with his infectious laughter, have made him the most cheerful man on board CMA CGM Onyx.

Yusheng quips, "I am proud to be recognised as the most cheerful man on board and even more delighted to be able to bring joy and laughter to many people."

3. The most disciplined crew member: LI CHAOZHOU (Fitter)

Fitter Li Chaozhou is regarded by his peers as the most disciplined seafarer on board CMA CGM Onyx. His crew mates know him to be extremely conscientious and punctual. He also completes his tasks in a timely manner, with immense pride and dignity.

Chaozhou believes that being disciplined increases unity and harmony amongst the crew, and also improves their quality of work and efficiency.

He explains, "On board a ship, discipline is crucial. It helps ensure everyone's safety, and rids our jobs and relationships of unnecessary complications. It also fosters solidarity, and increases our synergy. If everyone cooperates, we will be able to do a better and safer job together."

Glossary

Stages of Shipbuilding (Part 1)

Signing of Contract

The first step in shipbuilding is the signing of the contract to signify that the shipyard may begin its shipbuilding process. Often, the first payment is also paid once the contract has been signed. A ceremony will usually be held at the shipyard where the ship is officially given a unique identity – a hull number, as well as an International Maritime Organization (IMO) number – that will follow the vessel throughout its lifespan.

Production Design

In this stage, the detailed vessel design information that was put together by naval architects is organised into categories in line with the ordered vessel's components. This enables the field staff to manage a large amount of components on-site at the shipyard and develop the ideas into actual products before making the relevant modifications.

Material and Equipment Purchase

Once the design of the ship has been finalised, the shipyard starts to purchase all the materials and equipment needed to build the vessel. As a tremendous volume of materials is needed to build a ship, it is vital to manage and supervise the delivery dates of these materials to ensure that procurement is efficient and accurate.

Production Plan

This step involves the careful planning and coordination of the job assignments, work volume, flow of materials, and subsequent progress of the shipbuilding process at the shipyard. Due to the enormous amount of components, and the large number of workers involved on-site, it is crucial to ensure that the production plan has been meticulously put together as it has a critical impact on manufacturing efficiency.

Steel Cutting

Steel plates are cut into the parts that will form the hull and deck sections of the vessel by heating and bending them into curved shapes. It is a very important part of the shipbuilding process, and thus requires sophisticated skill, technique, and workmanship. Usually, the second payment for the vessel is made at this stage.