

## NEWS

# BBC sticks to heavylift programme

German player BBC Chartering plans to still take delivery of 22 giant heavylifters 'despite rates falling short of expectations'.

Geoff Garfield

Leer

BBC Chartering says it remains on target to take delivery of 22 multi-purpose (MPP)/heavylift new-buildings with lift capacity above 500 tons, although it is prepared to adjust the size of its overall fleet depending on how the market develops.

The German-based company shifted up a gear with delivery this year of the *BBC Everest* and

*BBC Amber*, which have a combined lift capacity of 700 and 800 tonnes, respectively.

Previously, BBC's largest capacity vessels were its BBC Europe-type with twin 250-ton cranes (500 tonnes combined).

Senior vice-president Raymond Fisch says that despite rates in the market still falling short of expectations, BBC plans to take delivery of six more sisters to the *BBC Everest* by the end of 2013.

Including the delivered *BBC Fuji* (built 2011), it takes the series to eight newbuildings from China.

Also pencilled in for delivery by the end of 2013 are a total of 14 ships of the *BBC Amber*-type, each with 2x400-tonne capacity cranes.

The second, still to be handed over, will be the *BBC Amethyst*, possibly around the end of December.

BBC refers to the 22 newbuildings as ultra heavylift, although they are not at the top end of the heavylift market where Jumbo, for

example, has ships of up to 1,800 tonnes combined crane capacity.

Leer neighbour and majority shareholder in BBC, Briese Schifffahrts, is responsible for supplying a large proportion of vessels chartered by the operator. BBC currently has a fleet of around 140 ships, of which Briese has supplied between 70 and 80. Many others are chartered from Bockstiegel.

Fisch describes BBC's move into heavier lift-capacity ships as a natural expansion of the company's portfolio. It has also led to the establishment of a new project division.

The senior vice-president says BBC is still seeing "some healthy orderbooks" but rates in the project-cargo market remain under pressure from both dry-bulk ships and containerships.

Overcapacity remains an issue, with the sector characterised still by a lot of older tonnage. BBC is sticking with modern, fuel-efficient tonnage because it believes



THE "BBC EVEREST": The 'ultra heavylift' vessel was delivered in Xingang, China, in March.

Photo: BBC Chartering

that is what its customers want, says Fisch.

At the same time, the company will remain "flexible" in tailoring the size of its future fleet to what makes sense commercially.

Meanwhile, BBC has launched the Skysails kite on its former Beluga vessel *BBC SkySails* (ex-Beluga *SkySails*, built 2007).

The 9,775-dwt ship was en route across the Atlantic to Durban, South Africa, in late September.

The kite was only used for a short period because of conditions and BBC has yet to assess its fuel-saving possibilities.

Fisch says BBC is to investigate the extent of interest from cargo owners and shippers in using the technology. Potential propulsion support from the 320-square-kilometre (123-square-mile) kite has been put at up to 2,000 kw.

(Leer celebrates Gallimarkt, pictures on page 41.)

## Outlook mixed for handymax segment with bankruptcies likely

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Owners of handymax bulkers purchased at high prices face negative cash flows for the next two years, although earnings are expected to remain above operating expenses (opex), says German bank DVB.

It warns that unlike the situation in 2008, when some owners had significant cash reserves enabling them to survive low earnings, the current slowdown could significantly increase the number going bankrupt due to cash-flow difficulties.

DVB quotes the daily break-even for a vessel ordered in 2010 for \$32.8m as \$18,782 per day and for one contracted in 2008 at \$46.9m as \$24,587 per day.

Its break-even calculation as-

sumes 100% finance over eight years at 5% and an opex of \$5,000 per day.

DVB said in a new market outlook report: "The break-even reduces to \$13,655 per day and \$12,252 per day for 15 years and 20 years tenure, respectively. These break-evens are much higher than what these vessels are expected to earn until 2014."

On the upside, DVB says demand fundamentals for handymaxes (which it categorises as 40,000 dwt to 60,000 dwt) remain strong and demand for geared ships will continue to grow as new ports in emerging countries, including Africa, develop.

The bank pinpoints the biggest risk, as in other dry-bulk subsectors, as vessel supply continuing to outpace growth in demand.

"Even after allowing for slippage, postponement and cancellation of 40%, the fleet will expand by 5.4 million dwt in the rest of 2011 and 11.1 million dwt in 2012," said the bank's research and strategic planning shipping division. "This is an increase of 15.4% over the existing fleet."

Despite a recent pick-up in

earnings, DVB says as a consequence it expects time-charter rates to decline to \$9,500 per day in 2012, as compared with \$20,800 per day in 2010 (an almost 55% decline).

It then expects rates to flatten or even trend upward, although much will depend on the impact of financiers selling distressed assets, plus

the availability of liquidity.

DVB, which uses both its own data and sourced material, puts the handymax orderbook at 598 vessels of 33.3 million dwt, some 31% of the current fleet.

For 2012 alone, the orderbook stands at 333 vessels of 18.5 million dwt. It describes the net addition of 200 ships after allowing for 40% slippage as "a phenomenal increase" over the existing handymax fleet of 2,073 vessels (of which 1,273 are below 10 years of age).

Scrapping, however, has increased significantly since last year, when only five vessels of 200,000 dwt were recycled. DVB says as of September 2011, some 27 handymaxes totalling 1.3 million dwt had been sold for demolition.



HANDYMAX BULKERS: DVB Bank says demand fundamentals for handymaxes remain strong.

Photo: TradeWinds archive



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