

Measuring freight rates in a changing market



LEN HOCKLEY

IMSF CONFERENCE
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The problem



- **THE DRY BULK MARKET IS FRAGMENTING**
- the arrival of new “eco-ships” operating with significantly lower fuel consumption
- owners ordering larger ships within market segments:
 - 208,000 dwt Newcastlemaxes v. 180,000 dwt standard Capes
 - 82,000 dwt Kamsarmaxes v. standard Panamaxes
 - 64,000 dwt Ultramaxs v. standard Supramaxes
- All of this is posing difficulties for the measurement of freight rates

Comparative vessel economics



Current Baltic standard Cape:

- 172,000 dwt
- slow steaming at 12.0 knots laden/13.0 knots ballast consuming 44 mt/day

New Baltic standard Cape:

- 180,000 dwt
- slow steaming at 12.0 knots laden/13.0 knots ballast consuming 43 mt/day

Eco-Cape (basis Cape America fixture):

- 187,882 dwt
- slow steaming at 11.6 knots laden/12.8 knots ballast consuming 30 mt/day

Voyage calculations



Converting \$/day hire into a \$/mt cargo cost

- Steaming times: distance, ship speed, sea steaming allowance
- Port times: loading/discharge rates, delays
- Voyage time: Steaming legs plus port times
- Bunker consumption: steaming times + port times x fuel cons rates

- Hire costs: hire rate x voyage time
- Bunker costs: bunker consumption x fuel price
- Port costs: loading and discharge ports

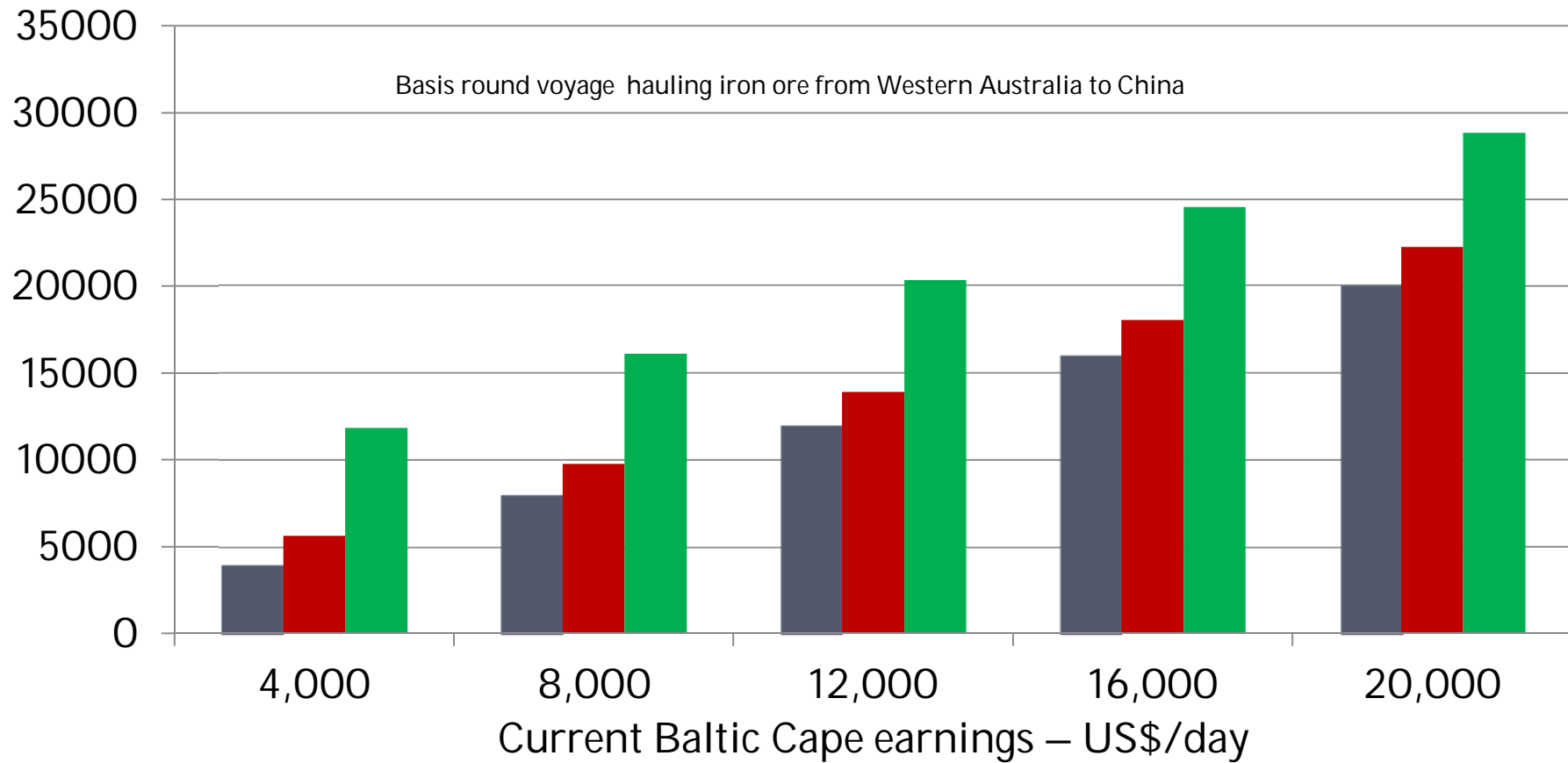
- \$/mt cost: total costs / cargo tonnes

Comparative Cape earnings - \$600/mt fuel



US\$/day

■ Current Baltic Cape ■ Baltic New Cape ■ Eco-Cape

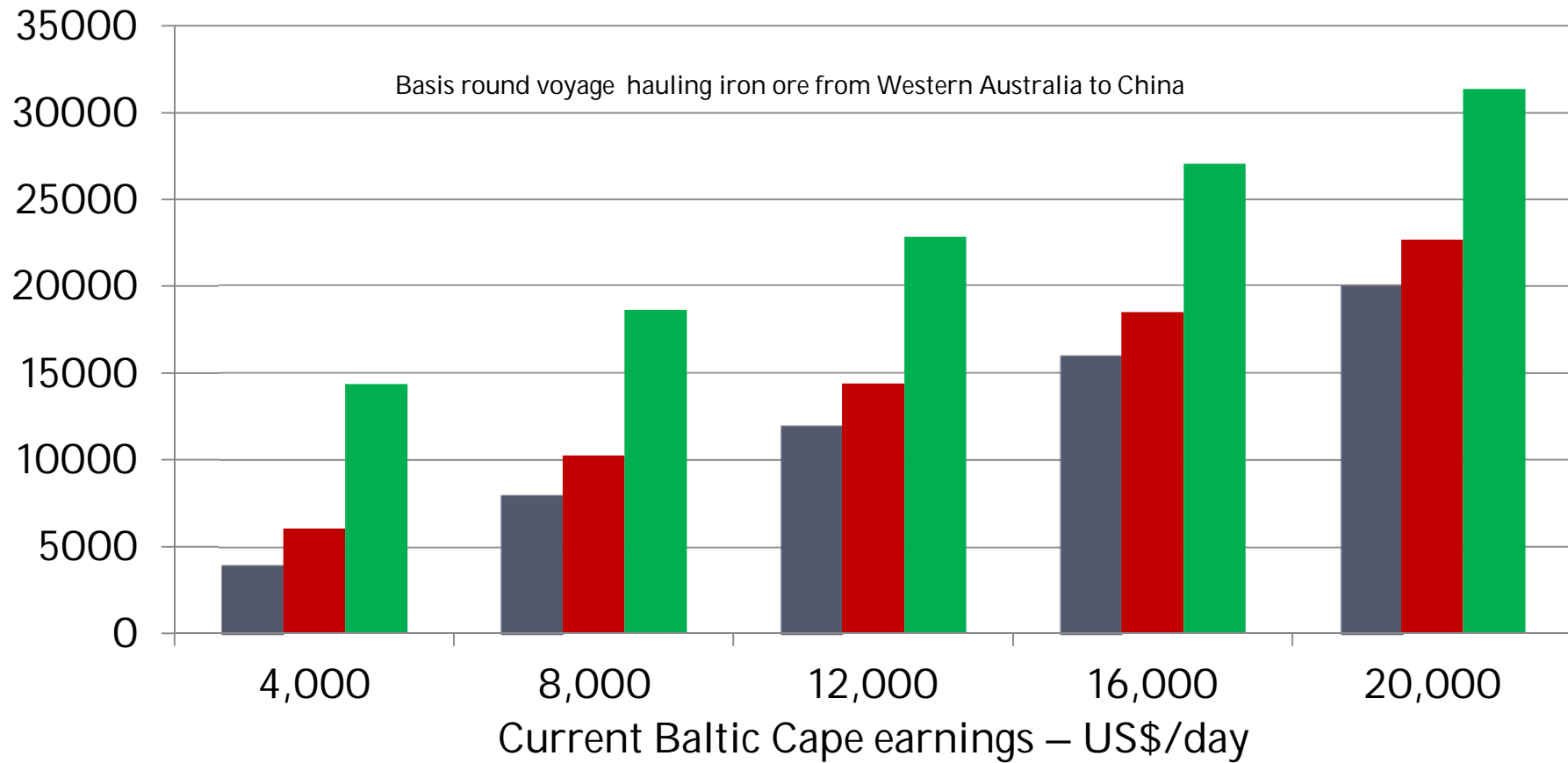


Comparative Cape earnings - \$800/mt fuel



US\$/day

■ Current Baltic Cape ■ Baltic New Cape ■ Eco-Cape

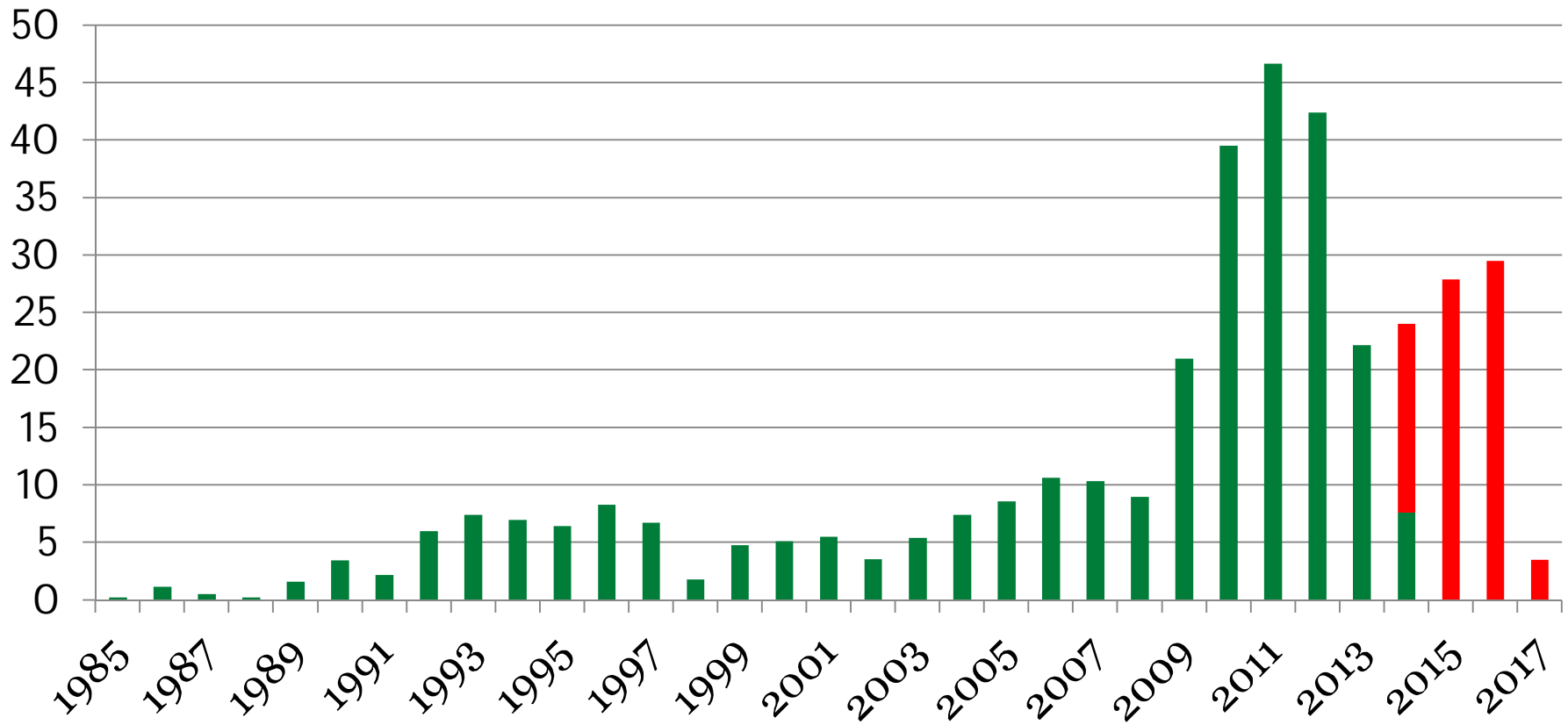


Cape fleet age profile

(includes Braemar data)



■ Existing ■ On order



Baltic Cape route changes



ROUTE	Weighting old	Weighting new
C8 Europe transatlantic r. v.	25%	25%
C9 Fronthaul Europe to China/Japan	25%	12.5%
C10 China/Japan transpacific r. v.	25%	25%
C11 Backhaul China/Japan to Europe	25%	
C14 China to Brazil r. v.		25%
C16 Revised backhaul		12.5%

Note:

the new C16 route allows for a trip from China/Japan via Australia or Indonesia or USWC or South Africa or Brazil to Europe. The Baltic is also adding a new Richards Bay to Fangcheng spot rate assessment

Cape fleet size distribution ('000 dwt ranges)

(includes Braemar data)

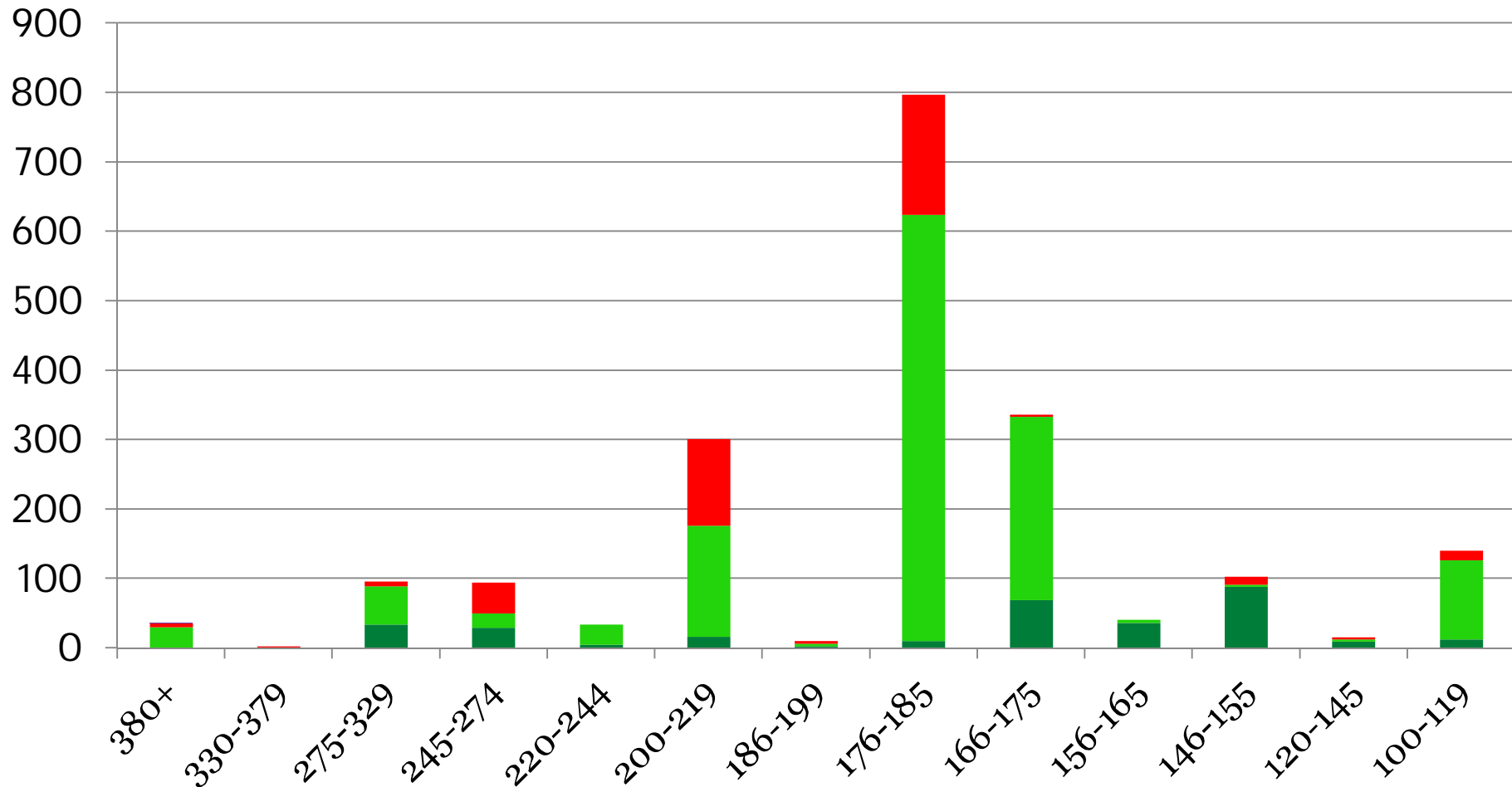


No of ships

■ Built Pre-2000

■ Built 2000-2014

■ On Order

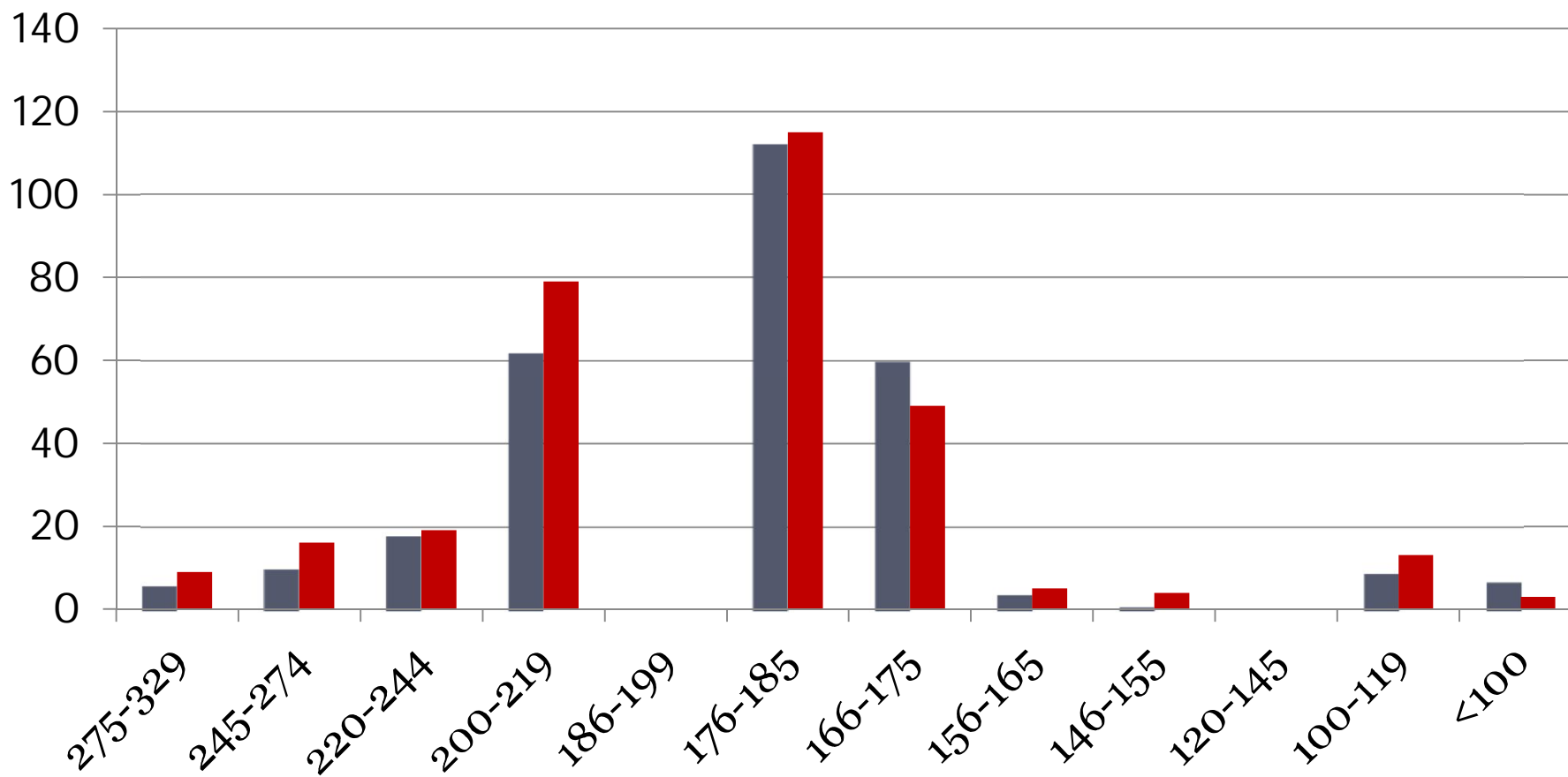


Ships loading iron ore at Dampier, Port Walcott and Port Hedland



No. of ships

■ Oct 2013 ■ Mar 2014



Conclusions



The assessment of “typical” freight rates is becoming more difficult due to:

- The emergence of new eco-design ships creating a two-tier market
- The emergence of new routes and changing trade patterns which is making weighting rates across different routes more complex
- Shifts in fleet size distribution starting to see different ship size classes setting rates in different trades

Not good news for followers of the freight market with the possible exception of shipping market analysts!