Campbell Johnston Clark
CJC EXCHANGE

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CJC Exchange is a weekly newsletter from **Campbell Johnston Clark**, incorporating with kind permission from **Gibson Shipbrokers** the most recent issue of the Gibson Sale & Purchase Market Report. A blend of market intelligence and relevant industry news, CJC Exchange is distributed free of charge to parties on the CJC mailing list who have given permissions to receive S&P updates from CJC. CJC Exchange is available to new subscribers here.

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Gibson Sale & Purchase Market Report

GIBSON SHIPBROKERS

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DRY CARGO – Equal Earnings

Cape spot rates are continuing their steady slide, albeit to what are still very strong levels in historical terms, while the smaller segments seem to be holding their own. This has led to a remarkable situation in which TCE spot rates across all dry bulk segments now in the range of US$35,000-38,000 across the board. Needless to say, it will take some time for a sustained correction in rates to feed through to S&P activity, but the various S&P market stakeholders will indubitably be casting a weary eye at the spot market over the coming weeks. As it stands, the S&P market continues to be in full swing, with buyers and sellers keeping themselves busy on ships of all sizes and ages.

With all that said, the award for most notable, and likely riskiest, deal of the week should likely be assigned to JP Morgan's purchase of 3 x LNG dual-fuel 210,000 DWT newcastlemax resales for delivery in 2023 ex-Qingdao Beihai from Rio Tinto, with the sellers netting a price of around US$75m per vessel. Crucially, it is understood that the vessels were sold on a straight basis, without charter back to the Brazilian iron ore major. With LNG increasingly coming under scrutiny as a potent source of GHG emissions and LNG fuel prices spiking aggressively in recent weeks, it remains to be seen if the premium required for these vessels will be justified, to say nothing of finding a charter worthy of the price paid for the ships.

RECYCLING – Solid Steel

The shortage of tonnage in the Recycling markets continues keeping prices firm. Although steel prices have been volatile this week, we feel that the long-term view of the majority of cash buyers and ship-breakers remains positive. Alang breakers have been particularly active of late acquiring a fair share of tonnage as local steel demand remains steady.

Bangladeshi buyers have been remarkably quiet this past month, however we expect that buyers should get back into an aggressive buying mode in the last months of 2021. With most dry and container ships being tied up for long term charters or enjoying a firm spot market, and tanker markets finally showing some signs improvement, the lack of tonnage available for recycling is likely continue to support prices. The impending start of the Diwali holidays may pause buying activity in the very short-term, but this will likely only increase the backlog of local steel demand in the subcontinent.

TANKERS – Norwegian Legion

Following an eery quiet of late, this week has seen more encouragement with a mix of lease back transactions and market sales. Representing the former is Norway's Ocean Yield ASA widely reported en bloc acquisition of the six International Seaways modern VLCCs for US$380m en bloc against a 10 year bareboat structure and end-term purchase obligations. Undisclosed Norwegian interests are also linked to the sale of aframax sisters **"ADVANTAGE ARROW" + "ADVANTAGE AVENUE"** (115,804 dwt/blt 2009+2010 Samsung) for an en bloc US$52m including TCs to Shell at U$15.5k pd with an equally split profit share structure attached. As for straight market sales, the older aframax **"ATALANDI"** (105,306 dwt/blt 2004 Daewoo) has been sold much in line with current muted market levels.

Product tanker sales continue to see the smaller MR1 sector well represented, with older teenage units remaining in favour and offering lower exposure. The newbuilding front remains relatively quiet, but it's reported that the Norwegian investment banker Rolf Wikborg-led EuroGreen is poised to pen contracts for upto 12 MR contracts split variously between Hyundai Mipo and three leading Chinese yards, for what will be LNG dual fuel propelled and have hazard grade coatings.

NEWBUILDING – Touting for Tankers

Clients of Eastmed are reported to have signed an LOI for conventional LR2 tankers with a Korean shipyard for end 2023 delivery. No official pricing has been reported, but we believe US$59-60m, depending on specification. A number of Korean yards have been in Athens this week marketing their tanker slots, so we expect more deals to emerge.

As we have highlighted for some time now, there remains a logical path to tanker newbuildings today as we see a rare period of protected fleet supply situation ahead (no fresh tanker slots for 2022/23 delivery) after which follows (in 2023 onwards) the lowest tanker orderbook since the late 1990s. Second-hand pricing remains firm and will likely rise as a tanker market recovery gains momentum and therefore will provide some incentive to instead place newbuildings, as we have repeatedly seen in past market rallies.

Gibson Sale & Purchase Market Report

S&P SALES

Vessel Name	DWT	Built	Yard	Buyers	Price ($/m)	Notes
BULKERS						
CAPE SPRING	180,082	2011	Qingdao Beihai (CHN)	Undisclosed buyer	30	SS psd 8/21.
SEACON SHANGHAI	80,811	2019	Guangzhou Huangpu (CHN)	Undisclosed buyer	38	SS psd 3/20. BWTS fitted.
BEI LUN HAI 9	69,703	1989	Imabari (JPN)	Zhejiang Yihe	4.7*	*Auction sale. SS due 1/22.
KANOURA	61,396	2013	Iwagi (JPN)	Undisclosed buyer	28.4	SS psd 4/21. BWTS fitted.

PACIFIC 08	52,471	2004	Tsuneishi (JPN)	Chinese buyer	15.35	DD due 11/22. No BWTS.
ROYAL JUSTICE	37,000	2012	Saiki (JPN)	Asian buyer	21.5	SS due 12/22.
NINA-MARIE + RENATE	34,860	2012+2013	ZCHI (CHN)	German buyer	17.5+18	SS due 4/22 + 6/23. No BWTS. High Jpn/Western makers list.
NORDIC MALMOE	34,734	2012	Nantong Jinghua (CHN)	Undisclosed buyer	16	SS due 1/22.
GOLDEN BRIDGE	31,877	2000	Hakodate (JPN)	Golden Lotus Oil Gas	10.5	Logger. SS psd 6/20.
LILIAN	24,838	1999	Shikoku (JPN)	Undisclosed buyer	6.8	Logger. DD due 9/22.
TANKERS						
SEAWAYS CAPE HENRY + SEAWAYS HENDRICKS SEAWAYS DIAMOND HEAD + 'LIBERTY + 'TRITON SEAWAYS TYBEE	301,000	both 2016 all 2016 2015	SWS (CHN)	Ocean Yield ASA	380 en bloc	Basis 10 yrs BB back + purchase obligations.
ADVANTAGE ARROW + ADVANTAGE AVENUE	115,804	2009+2010	Samsung (KRS)	Norwegian buyer	52 en bloc	BWTS+Scrubber. Inc. TC to Shell @$15.5k pd to 2023 (50:50 share).
ATALANDI	105,306	2004	Daewoo (KRS)	Undisclosed buyer	13.6	DD due 12/22.
AIOLOS	37,651	2007	Hyundai Mipo (KRS)	Undisclosed buyer	8	Trading DPP. Ice 1A. SS due 3/22.
BAUCI	37,319	2002	STX Jinhae (KRS)	Undisclosed buyer	6.5	Deepwell. SS due 5/22.
ASL TRIBUTE	12,306	2007	Sasaki (JPN)	Singaporean buyer	5.5	Epoxy. IMO II. SS due 4/22.
SOLITAIRE	9,124	2008	Guangzhou Hangtong (CHN)	Indonesian buyer	low-mid 4	Epoxy. IMO II.
GENERAL CARGO / MULTI-PURPOSE						
MARIWIT	12,191	2009	Liaoning Longde (CHN)	Chinese buyer	5.8	Tween. Derricks+Cranes.
CONTAINERS/RO-RO/REEFER/PCC						
SC MARA CSL SANTA MARIA + CITY OF ALEXANDRIA	68,165 67,000	2006 2005+2006	Hanjin Hi (KRS) Hyundai Ulsan (KRS)	MSC	68 each	5050 TEU. Gearless. 5045 TEU. Gearless.
AS FEDERICA	18,350	2007	Zhejiang Ouhua (CHN)	Undisclosed buyer	23 each	1284 TEU. Geared.
GRETE SIBUM + STEFAN SIBUM	13,172	both 2008	SSW (GER)	Undisclosed buyer	20.8 each	1036 TEU. Gearless. Ice 1A.

NEWBUILDING ORDERS

Ordering Client	Vessel Type	Size / No. of units	Shipyard (Country)	Delivery	Price ($m)	Notes
BULKERS						
Chinese Maritime Transport (CMT)	Newcastlemax	210,000 dwt x 2	Qingdao Beihai (CHN)	2023	63	LNG duel fuel + AMP. Tier III. EEDI 3.
ArcelorMittal	Minicape	120,000 dwt x 4	New Times (CHN)	2023	<40	Contracted earlier this year. Tier III. EEDI 2.
CONTAINERS / RO-RO / REEFER / PCC						

H-Line	PCTC	7,000 CEU x 4+8	GSI (CHN)	2024	83	LNG dual fuel. Against TC to Hyundai Glovis.
Namsung Shipping	Containership	2,500 TEU x 2	Hyundai Mipo (KRS)	2023-2024	41	
GAS (LNG / LPG / LAG / CO2)						
MOL	LNG	174,000 cbm x 1	Daewoo (KRS)	2024	197.6*	*Declared option.
K Line	LNG	79,960 cbm x 1	Hudong Zhonghua (CHN)	2023		*Declared option. Against TC to Petronas.

Recycling Prices (US$/LWT)

	Bangladesh	India	Pakistan	Turkey
Tank/Cont/Ro-Ro/Capes/LPG/PCC	615/630	610/620	595/605	295/305
Dry Cargo/Bulk/Tween/Gen Cargo	600/615	600/610	585/595	280/295

Newbuild and Second Hand Values *($ million)*

	Newbuild	5 Year Old	10 Year Old
Tankers			
VLCC	108	70	46
SUEZMAX	75	48	32
AFRAMAX	59.5	40	26
MR	40.5	28	17.5
Bulkers			
CAPESIZE	60.5^	41.5	36
KAMSARMAX / PANAMAX	35^	34.5k/32p	25.5k/24p
ULTRAMAX / SUPRAMAX	33.5^	31u	23.5s
HANDYSIZE	29.5^	26	19

^=Chinese price (otherwise based upon Japanese / Korean country of build)

CJC Market News

Campbell Johnston Clark

Campbell Johnston Clark (CJC) is a medium-sized international law firm advising on all aspects of the shipping sector, from ship finance to dry shipping and *comprehensive casualty handling, and all that happens in between. Today, we have offices in London, Newcastle, Singapore and Miami.*

Digital ship clearance set to be implemented in the Port of Lobito, Angola, as part of IMO-Singapore project

A press release by the International Maritime Organization (IMO) reports that the Port of Lobito in Angola has been selected for a pilot project which aims to establish a digitalised system for the electronic exchange of information for vessel clearance in the port. The IMO-Singapore Single Window for Facilitation of Trade (SWiFT) Project will develop a Maritime Single Window (MSW) system which will enable electronic submission of all information required by the relevant authority through a single portal when a ship calls at the port.

The SWiFT Project was reportedly launched in March 2021 and called for expressions of interest to participate. The call received overwhelming response. The Port of Lobito is now set to be the project's pilot phase before it is subsequently scaled up to be available to more countries.

As reported, under the pilot project, the Port of Lobito will be provided with advice on the requisite legal, policy and institutional requirements for the MSW system to be implemented. It will also be provided with functional MSW software/hardware which may include IT services which are configured to the port's needs. In addition to these, training will also be provided as well as input on policy reforms necessary to implement a successful MSW system. The pilot project is said to be supported by the IMO via the Integrated Technical Cooperation Programme and by Singapore through in-kind contributions.

The MSW concept has been recommended by the IMO in order to meet the IMO's Facilitation Convention which requires electronic exchange of data to support the efficient clearance of vessels. The MSW assists as it would help avoid duplication of effort.

Julian Abril, Head of IMO's Facilitation Section mentioned that, "*Increased digitalization supports greater efficiency which benefits the ship, the port and wider supply chain*". He added that the IMO wishes to support countries which have difficulties in implementing the Facilitation Convention and added that the backing of such a project, "…*will show the way and result in know-how which can then be shared with others."*

It is reported that Singapore has already successfully implemented a MSW system (digitalPORT@SG) and looks forward to partnering with IMO Member States such as Angola.

As reported, the implementation of specific activities of the pilot project will commence by 15 November 2021.

The Port of Lobito is said to be the gateway port for west Africa. It serves containers, dry bulk and mining materials which serves the development of the central and southern regions of Angola. The port also serves countries of the Southern African Development Community that do not have access to the sea.

The full press release can be read here.

INTERCARGO Annual General Meeting

In the latest Annual General meeting of INTERCARGO, both the Executive Committee and Technical Committee met for two days, with the meetings presided over by Chairman Dimitris Fafalios.

The main topic of the agenda was the challenges faced by seafarers as a result of the COVID19 pandemic. Dimitris Fafalios said: 'Universal commitments for collective action are imperative to resolve the seafarers' humanitarian crisis and to keep global trade moving. Coordinating a worldwide vaccination programme for seafarers is an urgent priority. While the efforts of the International Maritime Organization (IMO) and global maritime bodies must permeate every area of the shipping industry, urgent action outside the maritime sphere is needed by government leaders at the highest level, ultimately leading to the recognition of seafarers as key workers. We must hope that the global press coverage that we are seeing will facilitate that'.Other topics that INTERCARGO discussed are the safe carriage of cargoes; bulk carrier design standards; the investigation of bulk carrier casualties; ballast water management; implications of the sulphur limit on fuels; and piracy threats.

Dimitris Fafalios, Chairman of INTERCARGO believes that it is the right time to recognise the commitment of INTERCARGO's members to a safe, efficient, high quality and environmentally sound dry bulk shipping industry. He also highlighted the importance of seafarers in the international supply chain and world trade. "This is a complex global issue but there is no doubt that we are relying on properly vaccinated, mentally and physically fit seafarers to contribute to the solution'.

Secretary General Kostas G. Gkonis said, 'INTERCARGO's badge of quality is widely recognised by the industry. We thank our members – comprising more than 220 forward thinking companies from across 30 different countries – for their continued support of our Association's collective efforts for the benefit of our sector and in the service of societies at large.'

COSCO announces acquisition of a stake in the port of Piraeus

China's largest shipping group, COSCO Shipping Corp, announced earlier this week that it had acquired an additional 16% stake in the Greek port of Piraeus. This marks a further step in the port's journey to becoming a major international hub linking Asia and Europe.

COSCO now have a 67% stake in the port.

Chinese presence in the area remains contentious, however. COSCO maintains that Chinese involvement in Piraeus has helped develop the port, citing increased container traffic. However, locals and even countries, such as the US, have expressed concerns over the possibility of such stake building being for military purposes.

Chairman Xu Lirong stated "The company aims to help the port of Piraeus strengthen its position as a major port in the Mediterranean and become an important bridge of civilization, economy and friendship between China and Greece under the Belt and Road initiative,"

The next step for the port will be to open more shipping routes and railroads to strengthen the port's position. The Greek port already represents a major regionak hub, illustrated by its resilience to the

Covid-19 pandemic. In 2020, Piraeus processed 5.45 twenty-foot equivalent units. Chinese investment, however, will provide the stimulus for Piraeus to become an international hub.

Given the strategic location of Piraeus, being the closest Western port to the Suez Canal, the port now has the capability to become China, and the rest of Asia's, path into Europe.

Pakistan International Airline Corporation (Respondent) v Times Travel (UK) Ltd (Appellant) [2021] UKSC 40; On appeal from: [2019] EWCA Civ 828

Background

The Respondent in the matter is Pakistan International Airline Corporation ("PIAC"), the Appellant is Times Travel Ltd ("TT"). PIAC operated flights to and from Pakistan for which it allocated a number of tickets to be sold by TT in exchange for commission. Dispute arose between the two parties in 2011, when several UK travel agencies brought claims against PIAC for recovery of unpaid commission. Under pressure from PIAC, TT did not join these claims. Nevertheless, on 17 September 2012, PIAC cut the number of tickets allocated to TT to nearly one fifth of its original allocation, as it was contractually entitled to do so. PIAC also gave notice to bring its current business arrangement with TT to a close, giving TT a new "take it or leave it" offer. As losing the ticket allocation entirely would have put TT out of business, it accepted the new agreement with PIAC on the onerous terms that it would waive all right to claim unpaid commission arising from the previous contract.

On 31 December 2014 TT brought a claim against PIAC on the basis that it was entitled to rescind the new agreement due to having entered the contract under economic duress. TT argued that it was also entitled to the unpaid commission due to rescission of the new agreement. The court of first instance found TT to be correct that rescission of the contract was lawful on those grounds, but was not due payment of the unpaid commission. PIAC's appeal was allowed at the Court of Appeal as the company was found not to have acted in bad faith. TT's Supreme Court appeal followed.

Analysis

Ultimately, the Supreme court dismissed TT's appeal as it found that the elements of lawful economic duress were not met. In the leading judgement, Lord Hodge states that lawful act duress does exist in English law, and must be construed narrowly in order to maintain certainty in commercial law. The elements which constitute lawful act duress are discussed, with the panel agreeing on three basic elements.

(1) There must be an illegitimate threat or pressure;
(2) the threat or pressure was the cause of the claimant entering into the contract; and
(3) there was no reasonable alternative for the claimant but to give in to the pressure.

TT's appeal at the Supreme Court fails with regard to element (1). The panel unanimously held that there was no indication that the pressure exerted by PIAC to induce TT to enter the new contract was illegitimate.

What actually makes up an illegitimate pressure was the only point of disagreement within the panel (with Lord Reed, Lord Lloyd-Jones and Lord Kitchin all in agreement, and Lord Burrows giving a concurring judgement).

According to Lord Burrows, an illegitimate pressure requires two elements. First, a "bad faith demand" consistent with that seen in *CTN Cash and Carry Ltd v Gallaher Ltd I* (i.e. the threatening party does not genuinely believe it has a defence, and there is no defence, to the claim being waived). Second, the party making the demand must have acted in some way which made the other party more vulnerable to that demand. In this case PIAC did act in a way which made TT more vulnerable, but in doing so it was simply acting in its own economic interest as a company with significantly more bargaining power than TT, and only did so with a genuine belief that there was a defence to the claim being waived. There was no demand made in bad faith, therefore no illegitimate pressure.

The majority judgement held that an illegitimate pressure has a much narrower definition, and is confined to behaviour which is morally reprehensible, making enforcement of such an agreement unconscionable. What constitutes morally reprehensible behaviour is something for the court to consider on a case specific basis, however the panel was keen to avoid the idea of judges being arbiters of what is morally and socially conscionable.

What is clear from this judgement is that going forward the courts will continue to take a very narrow approach when considering lawful act duress. As Lord Burrows writes in the summary of his judgement, "lawful act economic duress is essentially concerned with identifying rare exceptional cases where a demand, motivated by commercial self-interest, is nevertheless unjustified".

Record Number of Cruise Ship Arrive at World's Largest Shipbreaking Yard

Statistics released this week reveal that between November last year (2020) and October this year (2021), a record 14 cruise vessels arrived at Gujarat's Alang yard in India.

This number equates to the total amount of cruise ships that arrived for dismantling in Alang over the past 10 years (from 2011 to 2020), highlighting the devastating effect that the pandemic has had on this segment of the market. Typically, and pre-pandemic, the yard would receive between one to two cruise ships for scrapping per year.

Cruise operators have struggled to stay afloat over the course of the pandemic. Many have faced bankruptcy without the continued cashflow needed to pay crew salaries, loan interests, insurance costs, maintenance and anchorage charges levied on parked ships. The Ship Recycling Industries Association (SRIA) of India has highlighted that the pandemic has essentially left owners no choice but to sell their vessels.

The Fincantieri-built MV Karnika is the largest cruise ship to have arrived at Alang this year. Having made her debut in 1990, the 69,845 GT ship was most recently owned by Zen Cruises and operated by Jalesh Cruises. She was sold to NKD Maritime in October 2020 for US$ 11.65 million and later beached in Alang for scrap in November 2020. Additional cruise ships scrapped recently include MV Ocean Dream, MV Columbus and MV Marco Polo.

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