Mostly positive outlook for LPG

A Dutch bank's latest LPG report is upbeat but sounds a word of caution.

Geoff Garfield London

The long-term outlook for the "perfect" LPG market remains positive but, in the meantime, owners and operators should remain cautious.

This is the conclusion of German-Dutch transport bank DVB based on projections that volumes traded could increase almost 50% by 2010.

But DVB notes that freight rates will "feel the pressure" as the market tries to absorb what looks like an "invasion" of LPG newbuildings over the next three years.

The orderbook stands at 45% of current fleet capacity. A record 2.9 million cbm will be added to the fleet in 2008 and another 2.2 million cbm in 2009, with more to come in 2010.

Ships have been ordered in expectation of new exports mainly from the Middle East Gulf and West Africa. LPG has become commercially more attractive because it is regarded as a greener, cleaner fuel.

DVB first described the "perfect" LPG market in an outlook report one year ago. Subsequently, 2006 saw earnings in most sub-sectors reach all-time highs.

The very large gas carrier (VLGC) spot market (70,000 cbm-plus) peaked at record levels last June and July, when vessels fixed on the benchmark 43,000-tonne Ras Tanura/Chiba route secured over $60 per tonne.

But after two years of climbing, VLGC spot rates tumbled almost daily as inquiries fell away against the background of declining crude prices, the high cost of LPG and a relatively mild winter in the northern hemisphere. Last month saw Baltic VLGC spot rates at an all-time low of $20 per tonne.

The one-year time-charter market for VLGCs also came under pressure, ending 2006 at a 15-month low.

VLGCs ended up suffering "miserable" returns, although other segments went on to perform at still healthy levels, albeit below their peaks. Overall, average LPG earnings for the whole of last year were the highest ever.

Looking ahead, DVB concludes that while the boom may have ended, especially for VLGCs, it is "not all gloom".

Increased growth in developing countries means market fundamentals are in place for "increased tonne-mile demand".

And although the rush to order newbuildings has narrowed supply/demand differentials, the market can mitigate the downward pressure on rates by reducing the average age of the fleet.

High freight markets in 2006 saw only four LPG carriers scrapped, two VLGCs, one midsize ship and one vessel of less than 8,000 cbm.

This may soon change if owners are to keep freight markets buoyant, says DVB, which draws on raw data from various sources including Clarkson, Drewry Shipping Consultants and Lloyd's Maritime Intelligence Unit.

VLGCs account for 60 of the 202 LPG newbuildings on order but a huge 72% of cbm capacity. Some have been ordered at "astronomical" prices of $95m-plus.

They already account for 56% (110 ships/8.8 million cbm) of LPG fleet capacity. Ominously, DVB does not expect any ships of this size to be among those going for scrap between now and 2008.

Prosperity for VLGCs should return, however, once increased volumes of LPG hit the market. Qatar does not come fully on stream until 2010 but then "we expect 10 million tonnes of LPG to be produced from their associated LNG production", says DVB.

Drewry forecasts a 30% increase in world seaborne LPG trade from 76.4 million tonnes in 2005 to around 102 million tonnes by 2011. It has also forecast a 30% rise in tonne-mile demand over the same period.

DVB concludes in its LPG Carrier Market Outlook that "projected demand for LPG cargoes in the long run is expected to absorb new tonnage entering the market" but adds that this will not be "at the freight levels seen in 2005 and 2006".

Hong Kong outfit finally sells cruiseship

Jonathan Boonzaier Singapore

Hong Kong-based cruise operator Asia Cruises has finally managed to sell its unwanted 18,500-gt cruiseship *Omar III* (built 1972).

Sources at the cruise line confirm to TradeWinds that a deal to sell the vessel has been struck. Cruise-industry sources say it has been acquired by Singapore-based cruise operator Asian Cruise Pte Ltd, which has had the vessel on charter since September 2005.

Market rumours suggest the ship may have been sold at a substantial discount to the initial $20m asking price. Some sources say the ship could have gone for as low as $13m, despite the company having received several offers in the region of $17m.

Some brokers point out that the deal could have taken into account the value of the charter-hire payments Asian Cruise has been coughing up since first taking the vessel on charter.

Asia Cruises, which is controlled by Macau-based gambling king Stanley Ho, has been trying to offload the *Omar III* for the past two years. The company paid $10.2m for the ship, then called the *Pongnae*, in 2003. It subsequently invested a small fortune in upgrades.

Initially operating in the Hong Kong casino-cruise trade, the vessel was replaced in July 2005 by the even more luxurious, 20,300-gt *Asia Star* (built 1992). Since then several deals to sell the *Omar III* to both South Korean and US-based operators have failed.

Asian Cruises currently operates the *Omar III* on short cruises between Singapore and ports in Malaysia.

Chellaram affiliate in legal action over grounding

An affiliate of Hong Kong's Chellaram Shipping is taking Australian charterer Getax to arbitration in Singapore for $4.5m over a grounding at Nauru.

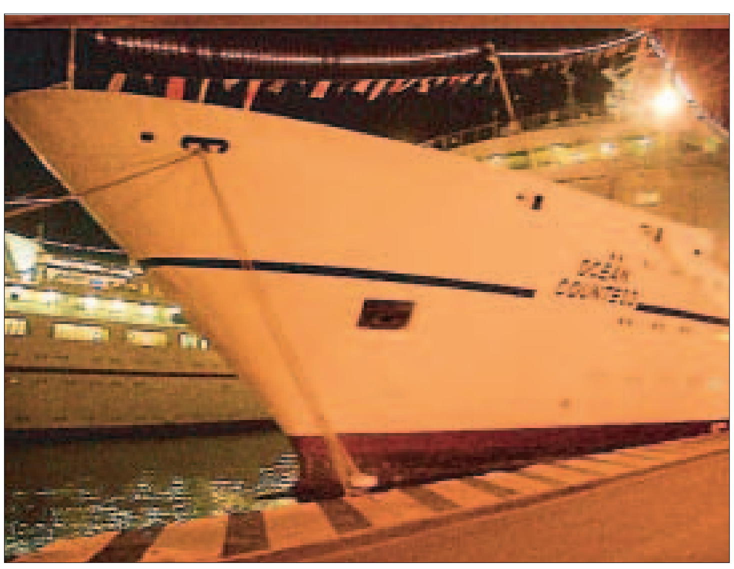
Last September Getax chartered the 30,000-dwt bulker *Darya Yog* (built 1995) to carry a rock-phosphate cargo from Nauru to Vizag in India. The bulker grounded during loading. Significant damage to the hull and rudder cost $1.3m to repair and further work is expected to add some $400,000.

Lost earnings ran up another $1.6m, while the rest of the claim is interest and lawyers' fees.

The ship's registered owner, Yog Shipping Ltd, is suing Singapore-based Getax Ocean Trades in New York to secure the eventual outcome of a Singapore arbitration.

Yog blames the charterer for causing the ship to call at an unsafe port or berth.

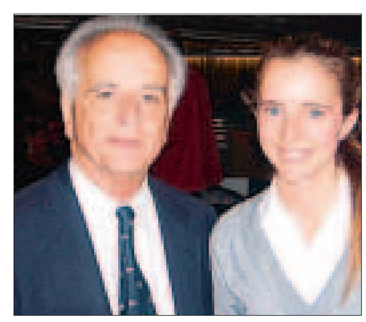
In October, Chellaram was said to have sold the *Darya Yog* for $22m but the Indo-Hong Kong company and public sources still list it as in the Chellaram fleet.



The "Ocean Countess" at Piraeus port

Photos: Gillian Whittaker

Michael Lambros, president of Monarch Classic Cruises, with Lou Kollakis



Andreas Potamianos with Alexandra, the youngest of his three daughters

Maria Prevezanou of Evmar Marine Services with Stefanos Kollakis

Monarch toasts upcoming Aegean cruise launch

Gillian Whittaker Athens

The newest player on the Aegean cruise scene, Monarch Classic Cruises, threw a party in Piraeus recently to introduce the company and its ships to the travel trade as the season nears.

The company's 16,795-gt *Ocean Countess* (built 1976) was the venue and hosts included shipowner Lou Kollakis, Monarch president Michael Lambros and Greek cruise guru Andreas Potamianos, who acts as advisor to the company.

Monarch, established in mid-2006, next month will launch its three, four and seven-day cruises in the Aegean, making the classic calls at the Greek islands of Mykonos, Patmos, Rhodes, Crete and Santorini as well as the Turkish port of Kusadasi. The seven-day itinerary will also give cruisers a whole day in Istanbul.

In addition to the 850-passenger *Ocean Countess*, brought in to replace the smaller *Ocean Monarch* that had originally been planned, the company will also be fielding the 11,400-gt *Blue Monarch* (built 1966).

For Andreas Potamianos, the whole operation must have a certain feeling of deja vu since both ships sailed in the fleet of Royal Olympic Cruises. Kollakis bought the *Ocean Countess* at auction as the *Olympia Countess* and the *Blue Monarch* was also purchased at auction as the *World Renaissance* by South American owner Ultrapetrol and managed by Elysian Cruises.

Monarch will find itself competing head-to-head with Louis Hellenic Cruises, which is offering the same three, four and seven-day packages to the same destinations, while Sir Stelios Haji-Ioannou's EasyCruise is also putting its *EasyCruise 1* into Greece this year.