

Blueprint for the future?

A 'sea-change' is what Hugh Williams, ceo of Cardiff-based Graig Shipping, believes his new series of boxships will lead to in the highly competitive feeder and intra-regional services sector. Following exclusive interviews with senior management of the company, **John Fossey** explains why this might be the case

The year has been marked by some radical new thinking, and not before time, given the pressures facing the liner shipping industry. As Eivind Kolding argued at the TOC Europe show in Antwerp in early June 2011: 'The industry has to change if it is to make the next leap forward.'

He stressed: 'The container industry and globalisation have gone hand-in-hand. Containers have allowed cargo to be shipped 20 times more efficiently than break-bulk and in a safer and more secure fashion, but little has changed in 50 years and the industry is still transitional and too focused on price.'

'Our customers have become more sophisticated but we remain concentrated on freight rates and not on the total transport costs and adding value to the supply chain.'

Maersk Line, the world's largest container shipping company, has certainly set out its mission for the future. It is backed by massive capital investment, with 20 x 18,000TEU Triple E-class ships worth an estimated USD3.8 billion already contracted (see 'Fleet update', June 2011, pp6-7).

While small in comparison, Graig Shipping's confirmed order for just 3 x 2,000TEU MARLIN 2000 Blue-class super-feeders, with a similar number of options and worth about USD180 million all together, could be equally as significant and potentially as revolutionary.

Indeed, Graig intends ordering up to 26 ships in an initial contracting phase, depending on negotiations with charterers, from the Jin Hai Shipyard in China. The first two units will be delivered in August and September of 2013.

Hugh Williams, ceo of Graig, believes the ship type could become as successful as other series the group has owned (see panel). Indeed, he sees it as filling a 'fundamental gap' in the containership feeder market.

Bold claims

'This tonnage', he declared, 'will lead to a sea-change in intra-regional/feeder operations. I see this ship as being in as much demand by the very biggest global players in the industry as it will be to the rising number of smaller, privately-controlled operators being set up in countries such as China. It is possible that our new MARLIN-class could be among the new workhorses of the container feeder trades.'

He indicated that Graig was in detailed negotiations with several potential charterers and that discussions had proved highly positive thus far.

While it is widely believed that AP Moller-



MARLIN 2000 Blue: Filling a 'fundamental gap'

Maersk Group affiliates, such as MCC Transport (intra-Asia trading) and Seago (intra-European, including the eastern Mediterranean), are among the parties interested in signing deals with Graig, he refused to divulge any names.

The Danish company's interest is perhaps obvious given the consistency of the innovative and environmentally-friendly design features of these feeder ships compared with Maersk's own Triple E-class mainline units (see 'Maersk signs USD1.9 billion ship deal with Daewoo', CI March 2011, p28).

The MARLIN 2000 Blue has sufficient electrical power and sockets to carry up to 485FEU of reefer containers

Instead, the Graig executive preferred to stress the company's sustainable business model and the extensive research and development that had gone into the MARLIN range of designs (see Marlin models).

'The concept has been well-researched and it fully reflects how we do our business. We also have alternatives that suit the changing regulatory environment, ie the extension of emission control areas and use of different

propulsion systems, such as dual fuel and LNG.

'The need for greener ships is approaching and our new class is designed to accommodate the requirement for stricter emission control areas while ensuring maximum loading capacity. The existing fleet of feederships is ageing and fuel inefficient as carriers have concentrated on building bigger and bigger ships.'

Hugh Williams elaborated: 'We take a close look at the fundamentals of the market sectors and invest where we feel there is a gap. Then we come up with designs and concepts that address this need and look for co-operation agreements and partnerships to help carry the project through.'

'Having assets working in a collaborative way is at the heart of our culture and we are very pleased to be working with major global groups, such as Det Norske Veritas and Wartsila on this project.'

In China, Graig has forged a close relationship with the Jin Hai Shipyard.

'Innovation personified'

Chris Williams, commercial director of Graig, pointed to the importance of getting input from potential end-users during the research process and argued that the MARLIN series fully reflected the 'industry's call for innovative and advanced thinking'.

He stressed: 'These ships will deliver much-improved levels of fuel efficiency, be exceptionally friendly on the environment and offer all parties enhanced revenue-earning opportunities.'

According to Philip Atkinson, technical director of Graig, the series will also result in significant per slot savings for the operators. He told CI: 'Based on sailings at 18 knots, the ship

EXECUTIVE SUMMARY

- Feeder ships need to become greener. Marlin 2000 Blue offers up to 30% less emissions per TEU carried
- The delivery of ultra container carrying vessels will drive the feeder sector
- Graig claims to be a well established ship owner and management company

will give charterers a near 30% improvement in fuel efficiency per TEU carried while allowing more options for slow speed steaming.'

Atkinson elaborated; Unusually for ships of this size, their speed can range from 10 knot to about 20 knots and with fuel savings and emissions cut throughout.'

He views the *MARLIN 2000 Blue* as the first in a family of ships that could be developed and whose designs could be pulled down into the smaller size ranges (1,100TEU) and/or pushed up to the bigger 3,000/3,500TEU sectors while featuring different and varying fuel propulsion systems.

The initial *MARLIN 2000 Blue* vessels will be installed with a Wartsila-designed, two-stroke diesel, electronically-controlled main engine.

Commenting on the market opportunities, Nick Hubbard, a consultant at the group's associate company, Graig Investments Ltd, and a former research analyst at the UK shipbroker Howe Robinson, said: 'We have pitched the size of our super-feeder in an area where there are obvious restrictions to the deployment of larger ships.

'While the "Bangkok-max" is not the "be-all and end-all" of the containership feeder market, it might be considered an important benchmark, especially in Asia, where we expect many of these units to trade.'

As Bangkok is a river port those ships calling direct are limited by the overall draught of the Chaoya Phraya river and the turning basins and navigable channels of the waterway. There are many ports like this one in Thailand in where terminal infrastructure is limited and access channels restricted.

The Marlin models

In all, three classes of design have evolved:

- **MARLIN 2000 Blue**, based on the maximum size of ship that can call at Bangkok – intentionally targeted at the current needs of the high growth intra-Asia trades and with a flexible speed range of between 10 knots and 20 knots
- **MARLIN 2500 Jade** is slightly larger and diesel powered but is delivered with either scrubber or SCR emission reduction technology
- **MARLIN 2500 Green** is aimed at the market for feeder vessels in special emission control areas and provides the option for dual fuel and LNG power

The initial *Marlin 200 Blue* comprises:

Length overall:	172.2m
Beam:	27.5
Draught (design):	9m
Dwt:	21,760
Container capacity:	2,083TEU, inc. 1,483TEU on deck

A strong bond with China

The Marlin super-feeder contact with the Jin Hai Shipyard is Graig's first exposure to the mainstream container shipping market, although the Cardiff-based shipowner/maritime services group has had plenty of experience supervising the building of and owning, managing (operational and technical) of multipurpose/container-friendly tonnage.

Indeed, Graig's series of *Confidence*-class vessels first contracted in China with the Zhonghua Shipyard in Shanghai in 1994 and eventually led to 19 ships being delivered, a significant number of which the company managed.

Significantly, the order also resulted in a small quality control team being installed at the yard to monitor and inspect the construction work. This proved to be the forerunner of Graig China Ltd, which now contributes significantly to group revenues and provides third-party ship management,

newbuilding supervision, ship design and finance services for its own and third-party companies.

Based in Shanghai, this group oversees an operation that spans several shipyards in China, including Jin Hai, where the *MARLIN 2000 Blue* feederships will be built, and across Asia.

According to Hugh Williams, ceo of the group, over 100 newbuildings, both for its own account and others, have been supervised to date.

The super-feeders will raise this profile further, while re-establishing the company's traditional shipowning credentials following the sale of its entire fleet prior to the recession in 2008.

Arguably, it will also propel the near 100-year old (it was set up in 1919) company into the higher profile container liner sector and represent a new era of growth for the group.

Hence, the initial ships in the series will all be geared, with three cranes capable of lifting 40 tonnes at an outreach of 29.5m installed.

Hubbard stressed that the *MARLIN 2000 Blue* might be seen as a replacement for traditional charter market tonnage, such as the BV-1700 and BV-1800 series, which are ageing and increasingly expensive to operate given their high fuel consumption.

Sizing up the opportunities

Chris Williams took this argument a stage further. There is a shortage of new orders, with virtually no growth in the 1,500TEU-2,500TEU size sector in the next few years due to the main German KG funding market either not available or severely reduced in capacity.

'Moving up the size range, we identified that feeder vessels had generally not been built in the 2,500-2,700TEU sector, for instance, with the specifications and dimensions of such tonnage dominated by the long-haul trades,' he said. 'Yet intra-regional trades, especially in Asia, can support bigger ships.'

'It is clear to me that liner companies are focusing on larger and larger ships and there is limited scope for cascading bigger vessels from east-west trades down to many feeder routes due to port limitations.'

Hubbard also said that new feeder markets were opening up. He alluded to significant opportunities emanating from liner companies establishing hub-and-spoke networks in South America and the potential afforded by the commissioning of the third set of locks on the Panama Canal in 2014 which will mean ships of 12,000-13,000TEU transiting the isthmus.

Elsewhere, the industry analyst sees additional trading opportunities in Europe,

the Mediterranean basin and Africa, believing that the *MARLIN*-class could well become 'a workhorse' of the intra-regional markets.

The *MARLIN 2000 Blue* is a compact ship with a wider beam, shorter overall length and shallower draught compared with many other ships in its size category (see panel).

Meanwhile, Chris Williams pointed to the better visibility from the bridge. 'With these ships there are "no line of sight issues" from containers being loaded several tiers high on the weather deck in front of the wheel house and this should enhance safety and reduce the risk of accidents.'

'This is another plus point of the series, especially as feeder/intra-regional ships are often trading to/from the busiest ports in the world.'

The financing package for the newbuilds involves the Export-Import Bank of China and an unnamed European bank. Graig will provide pre-delivery newbuilding supervision and full ship management services.

Hugh Williams concluded: 'This is a step change for the feeder sector of the container industry and it could mark the beginning of a two-tier market for intra-regional tonnage with the top level represented by clean and fuel efficient ships like the *MARLIN 2000 Blue*, which in this field offer economies of scale similar to those of the mega ships.'

'This is a much better ship for the job (feeder/intra-regional services) than you can find anywhere today and it is ready to go as a package. We have a high capacity shipyard contracted, finance in place and employment models worked through.'

Graig's new super-feeders also have potential to shake up the liner industry. **CI**