



Profitable idleness

Ports in the right climate with the right facilities could make money out of unemployed vessels. **Andrew Lansdale** reports on this fast-growing activity

Two more ships are expected to join the five car carriers and three box ships already laid up in the Fal estuary

German shipowner Claus-Peter Offen has predicted that a quarter of the world's container ship fleet will be laid up by 2011. He told the eighth annual German ship finance forum that the market will not pick up significantly until 2014. With about 1M teu of capacity already idle, Offen has forecast that this number will double this year and triple in 2010.

When *Ports & Harbors* approached ports and asked about the volume of vessels anchored in their port area, officials were often reluctant to describe the ships as laid up, being prepared to confirm only that a certain number of ships are at anchor.

Anchorage off Hong Kong and Singapore are filling up fast, but with the typhoon season in the South China Sea starting this month, owners are looking elsewhere to park their unemployed vessels.

Subic Bay in the Philippines is one option and already holds 30 ships in layup, with more expected in the coming months. The sheltered waters off Piraeus in

Greece are also hosting ships. At time of writing, more than 200 vessels were visible on the AIS receiver. While this figure does include ships that are trading and inter-island ferries, many of this number are known to be laid up.

AP Møller-Mærsk has admitted that 25 of its medium-range container ships of about 6,000teu capacity have been taken out of trade. Active trading is also over for numerous other types of vessel hit by the world's economic problems, such as bulk carriers. Specialised vessels such as car carriers have been particularly affected.

There are, of course, different stages of layup. The first is that of being an idle ship. During a market downturn, too many ships are likely to be chasing too few cargoes. A vessel is instructed to go to a convenient anchorage such as Singapore or Hong Kong and wait for a suitable cargo to appear. The ship will have a full complement of officers and crew on board. All the usual onboard facilities will be working.



Photo: Krispen Aikinsen

The next stage is designed for longer periods. The vessel's generators are kept running, but a proportion of the crew will be sent home and many of the usual facilities shut down. The vessel is kept on a certain period of notice.

This occurs during a prolonged spell of poor market conditions. The Port of Truro, in the west of England, has several ships in this condition. Container ships *Santa Giuliana*, *Santa Giulietta* and *Santa Giovanna* of Claus-Peter Offen share one master, one chief engineer and a handful of engine-room and deck crew between them. For of a ship of this size, the charge is about £2,328 (\$3,490) a month. Alongside in Southampton the monthly costs are about \$6,000. Offen has also laid up four container ships in Kiel, Germany.

Truro harbormaster Captain Andy Brigden outlined how the system works. The owner's agent – in this case Denholm Barwil in Falmouth – advised Claus-Peter Offen of layup berth availability in up-river Truro. Historically, it has afforded refuge for ships to be laid up at mooring buoys already in position. The port authority pays about £10,000–£12,000 (\$15,000–\$18,000) every few years in buoy maintenance. The port also benefits from the promity of the Falmouth repair yard for commissioning and decommissioning of ships.

At this port there is a strict code of conduct to which ships must adhere, to help reduce any impacts on the environment. If complaints of noise or pollution are received from the local community, the harbor

authority could insist that a quiet, environment-friendly portable generator be installed. "We would like our ships in layup to be good neighbours rather than bad ones," Brigden told *Ports & Harbors*.

In Bremerhaven, Germany, shipowners with under-employed car carriers and container ships on their hands are waiting for the good times to return. Some, such as Wallenius Wilhelmsen Logistics, believe that suitable market conditions are unlikely to occur soon. The Scandinavian operator has two vessels that were moored in Bremerhaven for three months, but have since been moved to a fjord near Lyngval in the south of Norway. The company's chief executive officer, Arild Iversen, told the press that the company did not anticipate any upturn in the market until next year, so they will start putting more ships into what he termed 'cold layup'.

This is the most radical layup stage. The vessel is placed at an anchorage or alongside and all machinery is shut down. All the officers and crew are sent home. There are then two alternatives. Either the ship is placed in the care of a management company, which ensures the vessel's safety – three car carriers in Truro are in this category. Or a watchman is placed on board.

In reaction to an increase in enquiries, ports around the world are making efforts to attract vessels into their harbors. In Truro, Capt Brigden told *P&H* that Loch Striven, off the River Clyde in Scotland, and the huge harbor of Scapa Flow, in the Orkney Islands, are both busy marketing their facilities.

Malalag Bay is also looking to capitalise on its location in the Davao Gulf off the southeastern part of Mindanao, southern Philippines. Port chairman Edgardo Gualberto said that the area is typhoon-free all the year round and that there is a complete layup service on offer. Other areas in the Philippines, such as Manila Bay and Balayan Bay, do suffer from the threat of typhoons. Nevertheless, they too are attracting idle ships, at costs of between \$14,000 and \$16,000 a month for ships with minimal crews on board.

German ports are also capturing some of the layup business. At time of writing there were berths available in Hamburg, according to its harbormaster, Captain Jörg Pollmann. He told *Ports & Harbors* that they have two berths alongside and nine at dolphins (structures not connected to the shore). To maximise capacity, ships can be doubled-up at berths, providing room for up to 20 vessels in total. The port authority charges €3.00 per 100gt a day for berths out in the stream and €6.69 alongside. The port only permits 'warm' layup, ie manned vessels.

More than 20 ships are lying idle within port limits of Emden, in northwestern Germany. Applications have been made for berths in Geltinger Bay, off the coast of Schleswig-Holstein – a popular place for layups during the 1970s tanker downturn.

The resurrection of this Baltic layup hotspot and Claus-Peter Offen's words of caution both suggest that the layup trend could continue for another five years. During this time suitably located ports with the right facilities could find themselves profiting from unwanted tonnage. **PH**