



Åland Maritime Day 15th May 2014

# Short Sea RoRo Market

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# The Short Sea RoRo Market

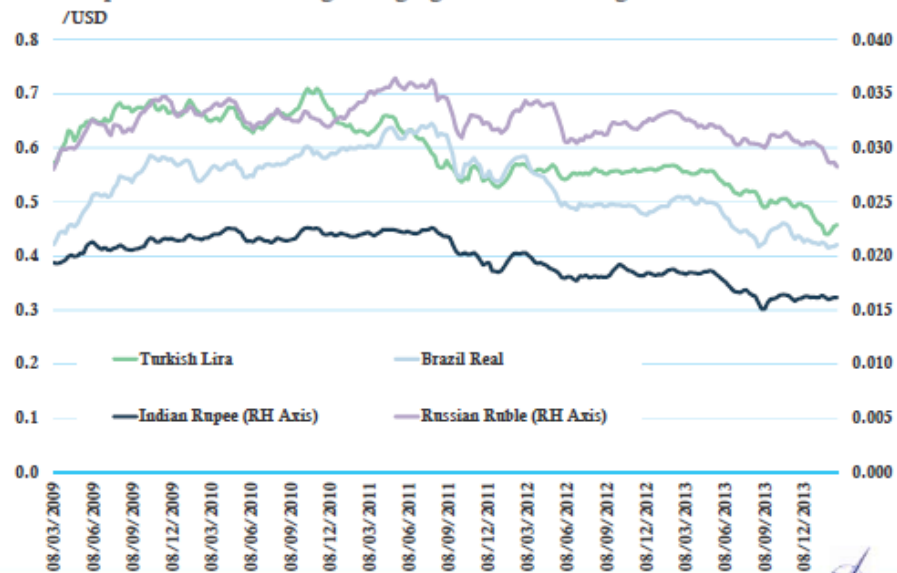
- State of the economy
- RoRo Fleet
- Market today
- Future

# The Economy



## What's Happening?

- Emerging markets are being battered by another round of volatility as investors continue to withdraw capital. Many economies have experienced sharp exchange rate falls, particularly those considered most dependent on external capital, such as Turkey and South Africa. The trigger for this latest round of risk on/risk off behaviour appears to have been a combination of (apparently) soft Chinese data and heightened political risks in eastern Europe, South America and Asia. Unlike the currency falls six months ago when the Fed first mooted tapering its quantitative easing, this time around US yields have been falling rather than rising – so by implication the risk premium for holding emerging markets is rising.



# Europe – Improving Slowly

The Euro area is turning the corner from recession to a weak recovery that remains uneven and fragile. Growth resumed in the second quarter of 2013, and recent indicators suggest that activity will continue to expand at a very modest pace.

Euro area growth has been largely export-led, while domestic demand turned positive for the first time since the recession for the area as a whole as well as several major members. Germany has continued to expand at a solid pace, output in France has expanded by more than expected, and Spain is tentatively exiting recession.

However, the recovery will remain fragile, as balance sheet repair and financial fragmentation continue to weigh on economic activity notwithstanding stronger export performance. Despite a modest revival of activity, inflation is currently well below the ECB's medium-term price stability target and has slowed further in recent months.

# Europe

- The typical periphery/core division of the Eurozone is deteriorating
- Some of the countries worst affected by the regional debt crisis are now outperforming more solid regions
- Core countries such as France and the Netherlands will experience very sluggish growth this year. In contrast, some of the peripheral countries that have seen deep recessions in recent years are benefiting as world trade gathers pace
- Bond spreads for peripheral countries have been relatively stable despite the uncertainty in emerging markets
- Supporting these dynamics are a reduction in fiscal drag and improvements in competitiveness versus countries like France
- Deflation in the Eurozone is a current concern, particularly with recent data showing a sharp drop in prices. ECB needs (and likely will) be aggressive in countering this threat

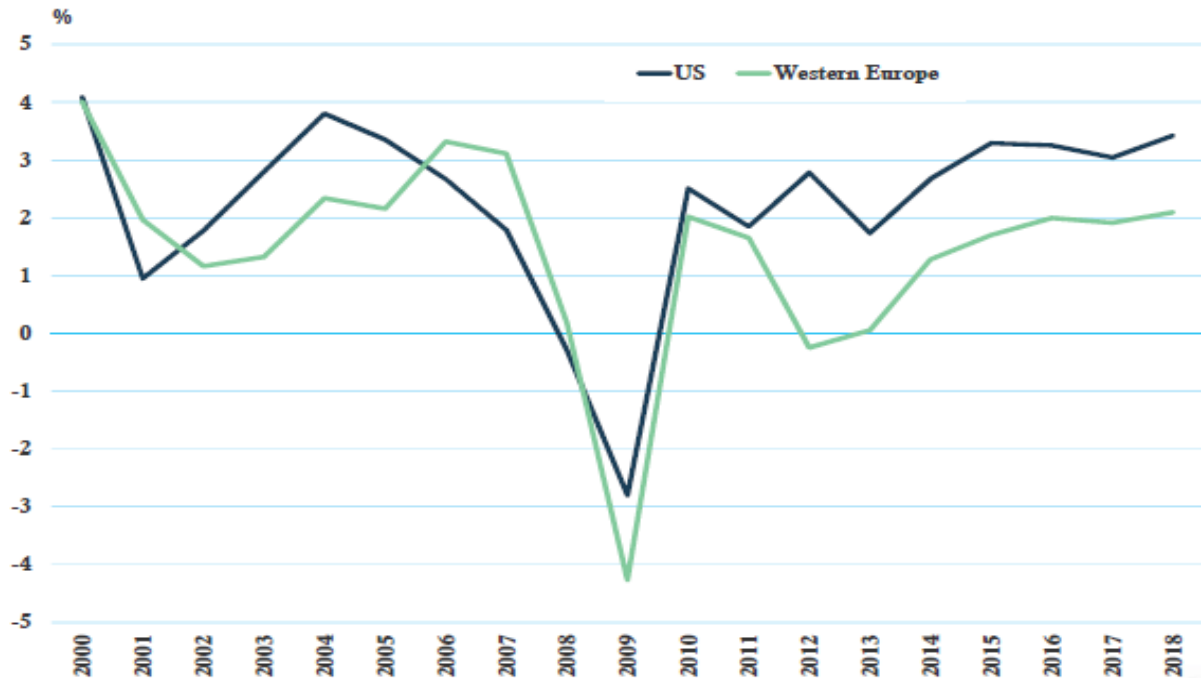
Source: MSI

# US & Europe growth



## US and Europe

- US and European growth still expected to accelerate under our Base Case
- Downside risk to this outlook is clear



Source: MSI



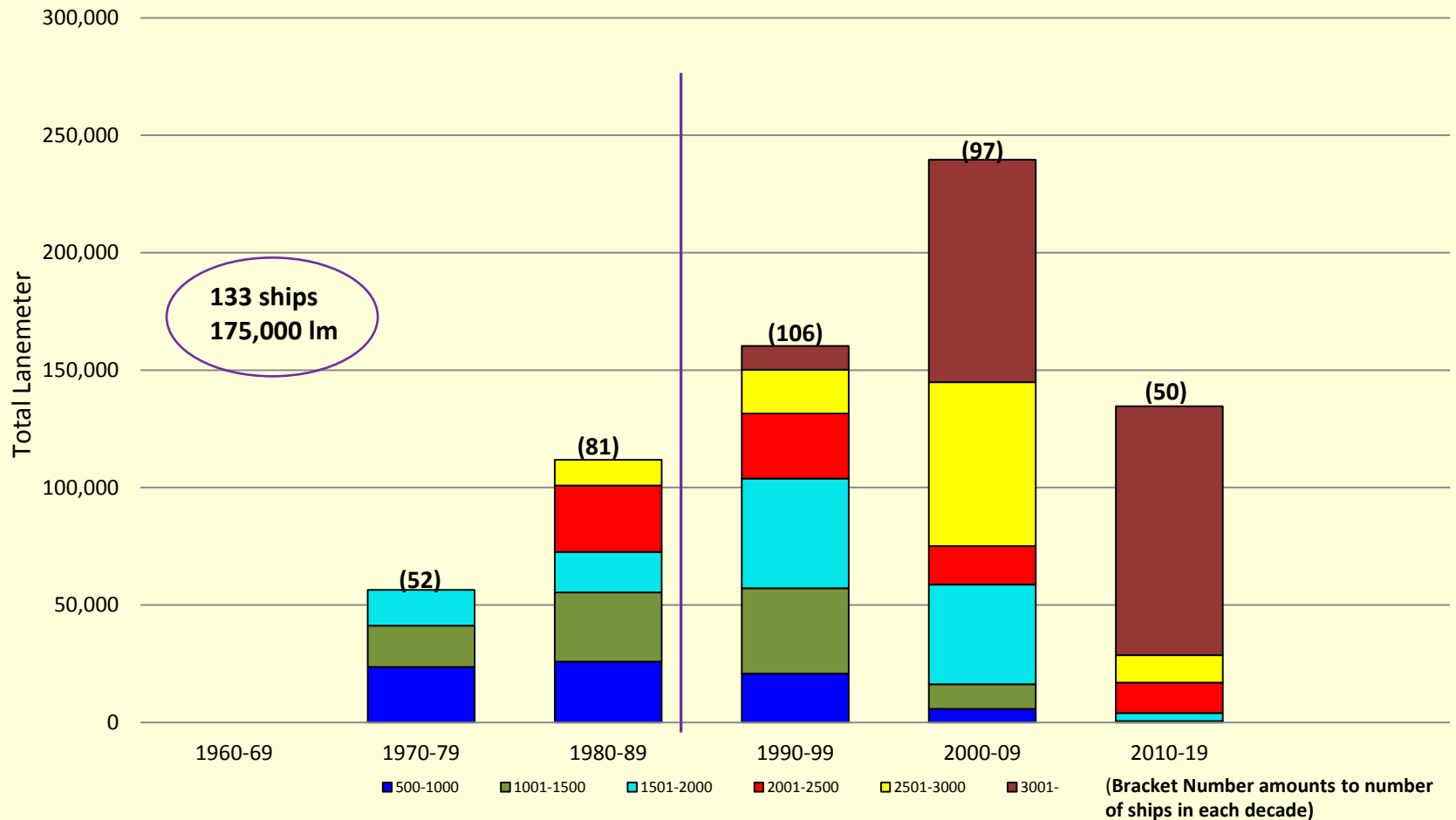
# Existing fleet

	Size	500-1000		1001-1500		1501-2000		2001-2500		2501-3000		3001-		Total Fleet	
Key Figures	Year	No	LM	No	LM	No	LM	No	LM	No	LM	No	LM	No	LM
Existing Fleet	2009	163	128 060	133	165 511	102	177 518	57	127 625	45	123 735	28	107 540	528	829 989
	2010	128	102 441	115	142 804	93	161 957	50	112 036	42	116 381	35	133 439	463	769 058
	2011	118	95 735	111	133 936	91	158 641	46	102 895	43	119 281	47	178 127	456	788 615
	2012	108	85 514	98	121 820	85	150 038	45	98 359	43	119 423	54	192 473	433	767 627
	2013	105	82 048	88	108 233	75	126 898	41	85 306	43	119 423	59	219 263	412	747 812
	2014	98	77 221	74	93 512	72	124 977	38	85 271	45	124 963	59	219 263	386	725 207
Average Age	2009	25,8		24,5		19,5		21,2		12,6		4,6		21,5	
	2010	25,6		24,3		19,6		21,0		10,3		4,5		20,6	
	2011	26,2		24,9		20,4		21,9		11,0		4,2		21,4	
	2012	26,7		24,8		20,2		19,9		11,3		4,4		19,9	
	2013	27,5		25,7		18,3		16,8		10,9		4,8		19,6	
	2014	28,9		25,0		19,3		18,8		10,9		5,9		19,3	
Percent of Total Fleet - for segment	2009	30,9 %	15,4 %	25,2 %	19,9 %	19,3 %	21,4 %	10,8 %	15,4 %	8,5 %	14,9 %	5,3 %	13,0 %	100,0 %	
	2010	27,6 %	13,3 %	24,8 %	18,6 %	20,1 %	21,1 %	10,8 %	14,6 %	9,1 %	15,1 %	7,6 %	17,4 %	100,0 %	
	2011	25,9 %	12,1 %	24,3 %	17,0 %	20,0 %	20,1 %	10,1 %	13,0 %	9,4 %	15,1 %	10,3 %	22,6 %	100,0 %	
	2012	24,9 %	11,1 %	22,6 %	15,9 %	19,6 %	19,5 %	10,4 %	12,8 %	9,9 %	15,6 %	12,5 %	25,1 %	100,0 %	
	2013	25,5 %	11,0 %	21,4 %	14,5 %	18,2 %	17,0 %	10,0 %	11,4 %	10,4 %	16,0 %	14,3 %	29,3 %	100,0 %	
	2014	23,8 %	10,6 %	18,0 %	12,9 %	17,5 %	17,2 %	9,2 %	11,8 %	10,9 %	17,2 %	15,3 %	30,2 %	100,0 %	
12 Months Fleet Development	2010	-21,5 %	-20,0 %	-13,5 %	-13,7 %	-8,8 %	-8,8 %	-12,3 %	-12,2 %	-6,7 %	-5,9 %	25,0 %	24,1 %	-12,3 %	-7,3 %
	2011	-7,8 %	-6,5 %	-3,5 %	-6,2 %	-2,2 %	-2,0 %	-8,0 %	-8,2 %	2,4 %	2,5 %	34,3 %	33,5 %	-1,5 %	2,5 %
	2012	-8,5 %	-10,7 %	-11,7 %	-9,0 %	-6,6 %	-5,4 %	-2,2 %	-4,4 %	0,0 %	0,1 %	14,9 %	8,1 %	-5,0 %	-2,7 %
	2013	-2,8 %	-4,1 %	-10,2 %	-11,2 %	-11,8 %	-15,4 %	-8,9 %	-13,3 %	0,0 %	0,0 %	9,3 %	13,9 %	-4,8 %	-2,6 %
	2014	-6,7 %	-5,9 %	-15,9 %	-13,6 %	-4,0 %	-1,5 %	-7,3 %	0,0 %	4,7 %	4,6 %	0,0 %	0,0 %	-6,3 %	-3,0 %

Criteria: min 500 lm, min 4,5 m Free height, straight stern ramp

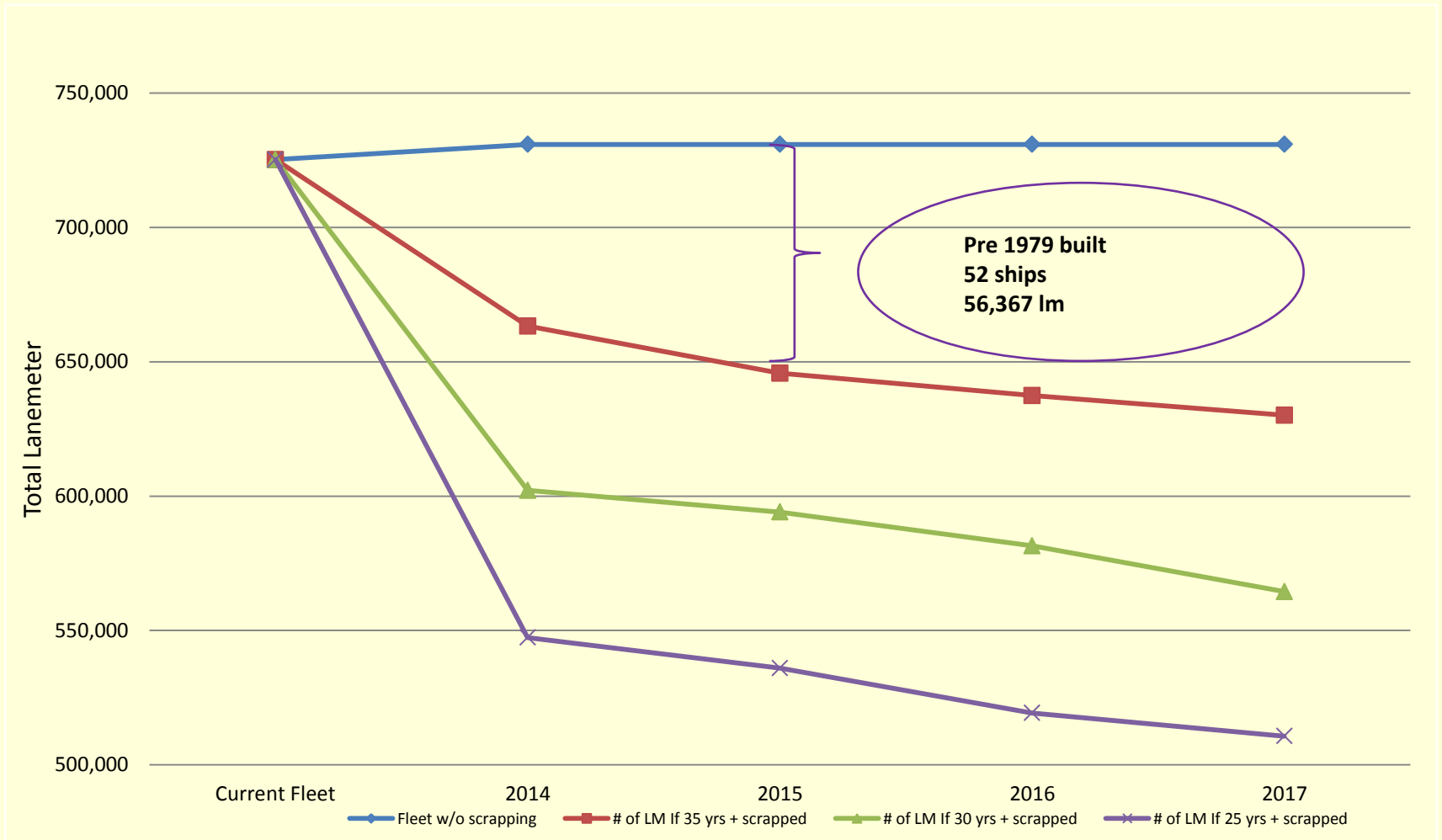
# Sailing fleet

Sailing RoRo Fleet Composition by Decade built

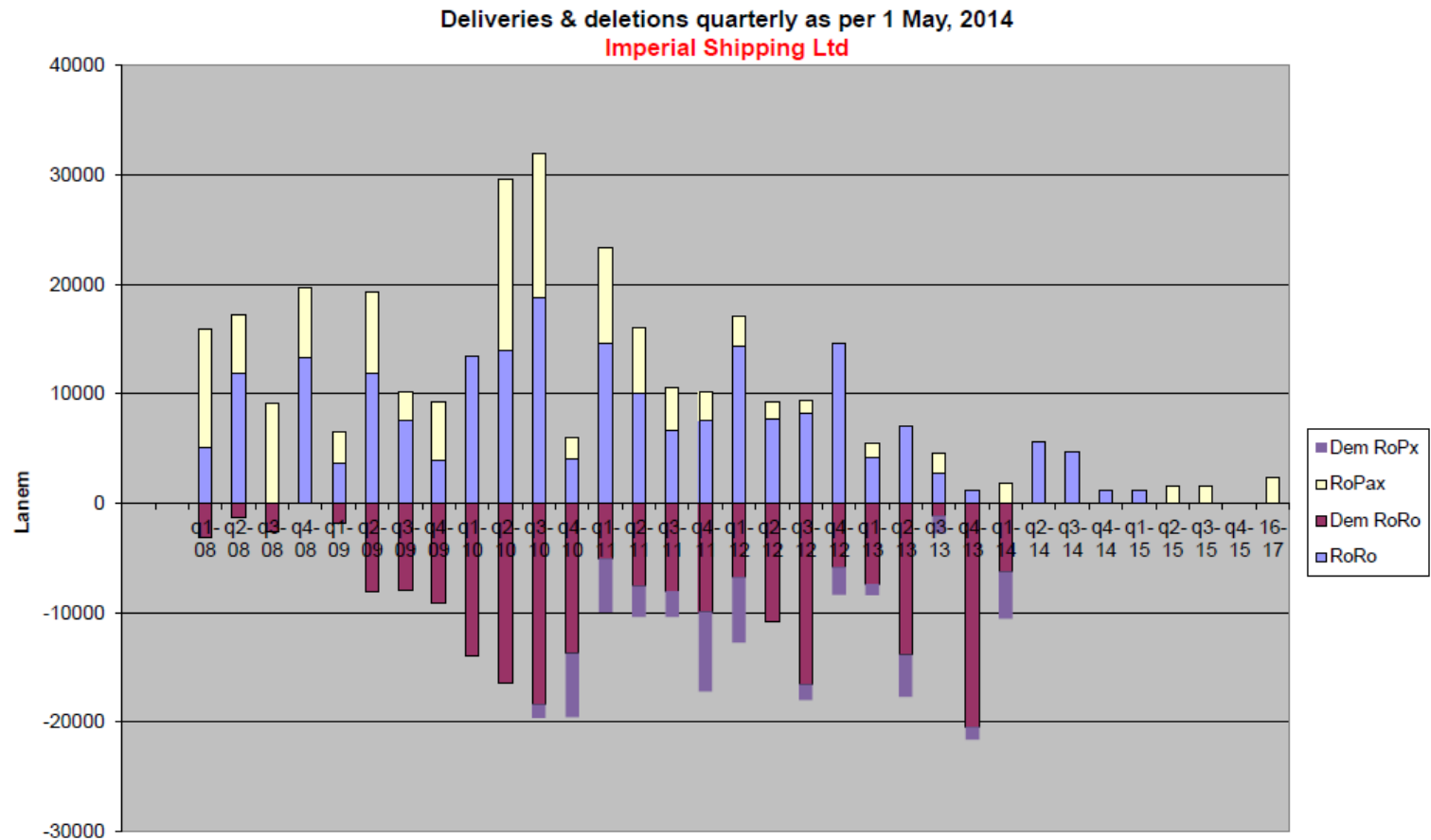




# Fleet projection ttl LM



# Deliveries/Deletions



# Orderbook

	Size	500-1000		1001-1500		1501-2000		2001-2500		2501-3000		3001-		Total Fleet	
Key Figures	Year	No	LM	No	LM	No	LM	No	LM	No	LM	No	LM	No	LM
Existing orderbook	2010	4	2 000	2	2 300	0	08	17 464	3	8 700	24	88 463	41	118 927	
	2011	1	500	2	2 300	0	08	17 464	3	8 900	13	48 246	27	77 410	
	2012	2	1 800	2	2 300	1	1 700	3	6 566	4	11 400	7	26 730	19	50 496
	2013	2	1 800	1	1 500	0	00	04	11 450	0	07	14 750			
	2013	2	1 800	1	1 500	0	00	04	11 450	0	07	14 750			
	2014	2	1 800	0	00	00	00	00	00	02	1 800				

# The Market - Today

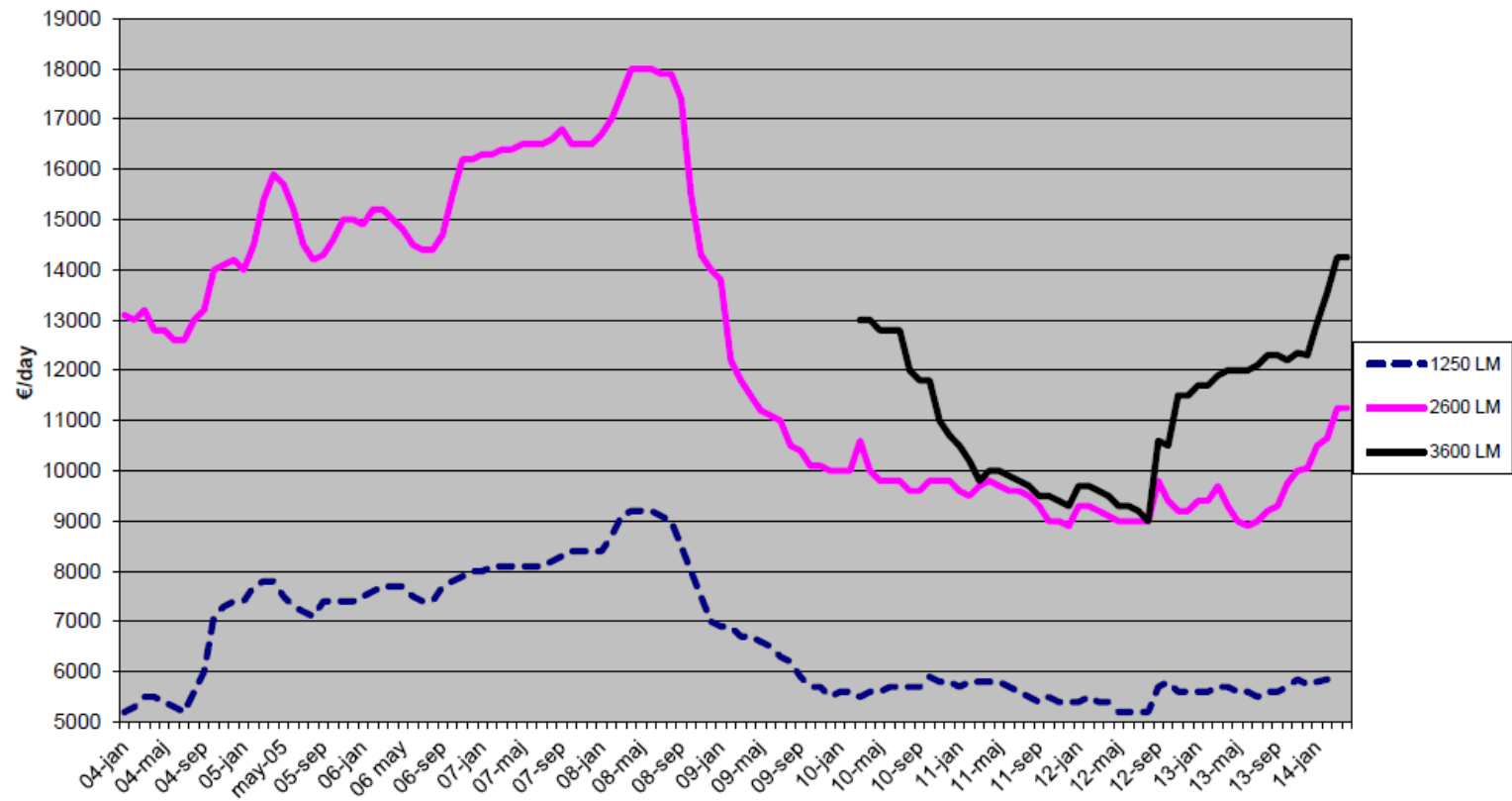
- Consolidation
- Large S&P deals
- Forest companies exiting "own shipping"
- Reduced paper volume **STRONG** impact on roro market
- Ships less interchangeable

# The Market - Today

- Upswing autumn 2013
- More activity
- Higher rates
- Basically all ships employed
- Signs of shortage of large ships +3300 Im
- Lack of small quality ships arnd 1250 Im
- Mid size ships of abt 1800 Im hurting
- Continued scrapping
- No ships in orderbook

# Rates

Est T/C rates RoRo abt 6-12 months period  
European trading  
Imperial Shipping Ltd - 1May, 2014



# The Market – Future

- New sulphur emission rules
- Look at RoRo and RoPax as one market
- Slow steaming (MGO) VS Scrubber
- Cost increase -> modal shift?
- Routes closure / Operators forced out
- Slow steaming -> lack of ships ?

# The Market – Future

- Cargo will not increase but will find its way
- Routes where there are alternative ways likely to suffer
- Shorter high frequency routes appear better off
- Abt 270 roro/ropax ships in North Europe
- Less than 30 ships will be fitted with scrubber 2015
- 2016 this figure more than doubled
- Route specific ships i.e. less interchangeable
- Two tier market "Jones Act" decrease



# The Market – Future

- Drop trailer increase vs accompanied
- On RoPax the driver is the stevedore
- RoPax operation require less area in port
- Cargo Owners flexible on mode of transport
- Consumer / Industrial goods -> different need
- Company owned trailers VS driver owned trucks
- Salaries, road tax, legislation

# The Market – Future

- Bigger ships +400 trailers
- Small ships ousted by mid size
- Fewer operators
- Fewer routes
- Fewer ships
- Ships will become more expensive to;
  - Build
  - Operate
- Who will invest ??

# Summery

- Consolidation
- Less ports
- Bigger ships / less interchangeable
- Optimized speed
- Increased costs (in N.Europe)
- Two tier market



Shipowner

Charterer



# We tie the knot!

Shipbroker



Shipowner

Charterer