

Hong Kong counts the real cost of easy money



► **PARAKOU GROUP:** Founder and chairman Liu Chengchan (CC Liu). Photos: TRADEWINDS EVENTS

The first TradeWinds Shipowners' Forum held at Hong Kong's Maritime Museum coincided closely with this newspaper's 25th anniversary, and some of the remarks of the invited speakers could make even a blue paper blush

Bob Rust Hong Kong

Sabrina Chao, chairman of Wah Kwong and vice-chair of the Hong Kong Shipowners' Association (HKSOA), opened last week's TradeWinds Shipowners' Forum by confiding to the delegates that some of her elder colleagues still remember seeing the newly launched TradeWinds in 1990 and doubting it would survive long.

But the attention of the room soon turned from the interesting topic of survival in the shipping news industry to the more crucial one of survival in the shipping markets themselves.

When prompted to comment on the outlook for and comparative merits of private equity, public equity, debt and asset leasing, shipowners and financiers soon found themselves debating whether too-easy money is the root of all over-capacity.

Are new sources of funding what the industry needs, or have easy equity and easy debt distorted the market? asked Watson Farley & Williams chairman Frank Dunne.

"Well sure, that's what the owners who already have their ships financed are going to say. Stay away," DVB Bank managing board member Bart Veldhuizen told the finance panel. "But in fact the easy money will always come back and we'll have the same problems all over again."

The financiers' panel had divergent views to offer on whether private equity has lost interest in shipping, on the suitability of the public markets for shipfinance, on the place of export credit agencies, on lease finance — and on whether the problem is with the shippers.

On public money, for example, Veldhuizen and Pareto Securities' Erik Stromso agreed that the markets are usually good at punishing and rewarding investment, while Standard Chartered Bank shipping boss Nigel Anton, as a veteran lender, was less enthusiastic.

On lease finance, while it was being touted from the podium, one shipowner on the sidelines made an informal analogy from his cross-country skiing experience:

"Sale and leaseback is like peeing your pants. Seems hot at first but then it gets very, very cold."

On private equity, Stromso denied funds have lost interest in shipping but said that, in many cases, they have already made their play and are developing that investment rather than finding a new company to invest in, so the urgency of the trend is over.

Shipowners Sham Chellaram of KC Maritime from the floor and Jack Hsu of Oak Maritime on a later shipowners' panel put the blame for depressed markets less on the funders than on the fundees.

Chellaram called out the yards with their almost indestructible physical capacity and the help of political sponsors.

Hsu drew on the inevitable Hong Kong analogy of real estate.

An intrinsically fragmented market like dry bulk is always open to a new player. "I speak of it as similar to apartments. Can it be consolidated? The answer is no," Hsu said. "The barrier to entry is just the amount of money you have."



► **NICOLAI HANSTEEN:** Lorentzen & Stemoco research.



► **TRIBINI CAPITAL:** Boxship owner Thomas Soderberg.



► **NOBLE CHARTERING:** Hong Kong-based Michael Nagler.



► **TUNG CHEE-CHEN (CC TUNG):** Chairman, chief executive and president of Orient Overseas Container Lines (OOCL) and Orient Overseas International Ltd (OOIL), as well as chairman of the board of the Hong Kong Maritime Museum, where the forum was held.



► **UNIQUE SHIPPING:** Director of shipmanagement Anil Arora (see also page 18).



► **TIM HUXLEY:** Shipowner chairman of Mandarin Shipping and chief executive of Wah Kwong.



► **CARAVEL SHIPPING:** Managing director Mudit Paliwal.



► **ON HAND:** From left, Olivia Davidson of Taylor Maritime; Chris Hall of Shipowners Claims Bureau (SCB) and managing director — Hong Kong, the American Club; with American Club chief executive Joe Hughes, who is also chairman and chief executive of club manager SCB.



► **SHIPOWNERS:** Sham Chellaram of KC Maritime and Sabrina Chao of Wah Kwong.



► **ERASMUS SHIPINVEST:** Chief executive Su Zhongyi (John Su).



► **CLARKSONS PLATOU:** Sale-and-purchase broker Tang Bing.



► **DELEGATES:** Huang Wanting of Infospectrum and general manager Vinod Sehgal of Fleet Management.



► **ARTHUR BOWRING:** Managing director of the Hong Kong Shipowners' Association (HKSOA).



► **PANELISTS:** From left, Nigel Anton, global head of shipping, Standard Chartered Bank; Erik Stromso, managing partner, Pareto Securities Asia; and Bart Veldhuizen, board of managing directors, DVB Bank.



► **CAPTAIN CHI YINGUAN:** Deputy general manager of Associated Maritime (China Merchants Group).



► **LISTENING:** Shipowner Jack Hsu (in focus) of Oak Maritime and KC Maritime chief executive Vikrant Bhatia.



► **ASIA MARITIME PACIFIC:** Shipowner Yang Xintian (Mark Young).



► **WILLIAM PENG:** Shipowner of Chinese Maritime Transport (CMT).



► **THREE'S COMPANY:** From left, Tom Boardley, marine director at Lloyd's Register; executive chairman Peter Cremers of Anglo-Eastern Univan Ship Management; and Simon Doughty, chief executive of Wallem Group.



► **UNIVAN:** Chairman Richard Hext.