

by Craig Jallal

US SHIPPING ACTIVITY

The Connecticut Maritime Association (CMA) annual conference and trade show is the unofficial national convention of shipping in the USA. With the latest CMA event taking place in Stamford Connecticut commencing on Monday 21 March 2016, VesselsValue takes a look at the value of the US fleet and its activity in the last twelve months.

SHIPBUILDING

According to the No.1 valuation provider VesselsValue, there are currently 160 US-built bulkers, tankers and gas carrier vessels (excluding offshore and passenger vessels) on order or on the water (see Table 1: Value of US-Built Shipping).

Value of US-Built Shipping

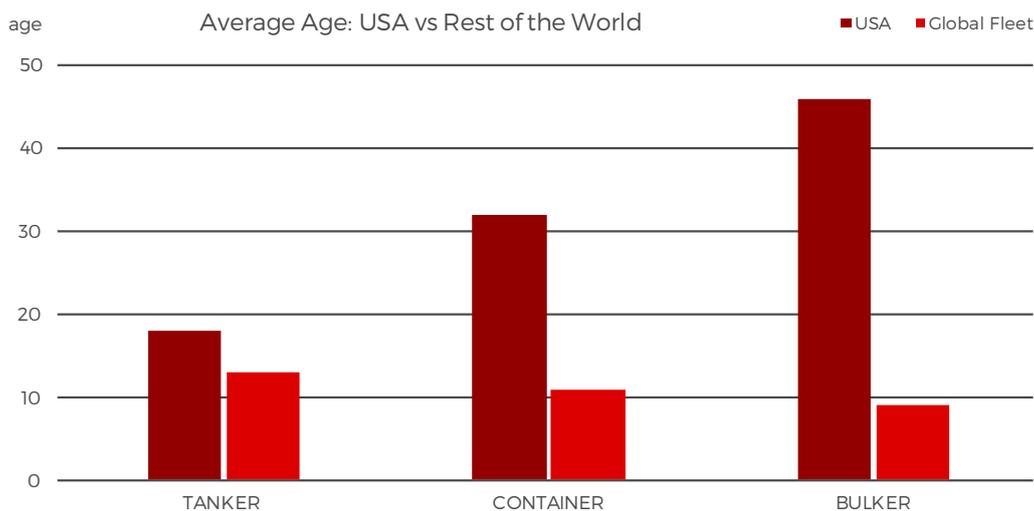
Table 1

VESSEL TYPE	NO. OF VESSELS	TOTAL VALUE (USD M)	TOTAL DWT
Tanker	62	3,953	3,823,300
Container	28	338	850,100
LNG	10	172	728,600
Bulker	43	96	1,800,000
Small dry	17	19	172,000
Grand total	160	4,579	7,374,000

The total capacity of these vessels is just over 7m DWT, with a total current value of USD 4.5bn. Globally, the USA (as a shipbuilding nation) is ranked in 11th place by capacity (DWT) and a respectable sixth place behind the South Korea, Japan, China, the Philippines, Germany and Turkey in terms of the current value of the US-built fleet.

Based on the volume of ships on the water, the most prolific ship builder has been NASSCO, the commercial and naval building subsidiary of General Dynamics Corp. This is the only deep-sea shipbuilding facility on the US West Coast in San Diego, with two other shipyards on the East Coast at Mayport and Norfolk. VesselsValue currently values the surviving output of NASSCO at around USD 900m (this valuation excludes deleted ships). The NASSCO shipyard has just launched the 53,700 DWT MR2 tanker Independence, which VesselsValue currently values at USD 133.45m (this includes a premium for 1920 US Jones Act – see sidebar). The Independence will be joined by two MR2 tankers on order at NASSCO for the Seabulk Tankers. NASSCO also has four MR2 tankers on orderbook for the account of American Petroleum Tankers. Of note is the delivery of the Isla Bella, which is reported to be the first modern LNG fueled commercial ship. The 3,100 teu containership was delivered in November 2015 to Tote Maritime and was earmarked to replace the 1975-built El Faro, which sadly sank in October 2015.

The only other US shipyard with bulker, tanker and gas carrier vessels on its orderbook is Philly Shipyard (formerly known as Aker Philadelphia Shipyard). Philly Shipyard mainly builds product tankers, but has also built four containerships. The Philly Shipyard built fleet is currently valued at just over USD 1bn. It's orderbook consists of eight 50,000 DWT MR tankers and this design has been approved by ABS for LNG fueling, if the owner decides to choose this option.



One widely acknowledged consequence of the Jones Act is that the US-built fleet is considerably older than the global, non-US built fleet (see Chart: Average Age: USA vs Rest of the World). The current US-built fleet has an average age of 33-years old versus 13-years old for the global fleet. The most recent ships produced by US shipyards have been tankers, and the average age of US-built tankers is only five years older than the global fleet. However, there has been virtually no US investment in bulkers (although many work on the relatively benign Great Lakes). Nonetheless, the US-built bulker fleet has an average age of 46-years old, versus nine-years for the fleet. Even a relatively modern ship type, such as containers, are on average 32-years old, positively ancient compared to an average of 11-years old for non-US built vessels.

SHIPOWNERS

According to VesselsValue, the top ten US shipowners ranked by value control around half the capacity (48%) of the US fleet (see Table 2: US Shipowners Ranked by Fleet Value).

US Shipowners Ranked by Fleet Value

Table 2

SHIPOWNER	NO. OF VESSELS	TOTAL VALUE (USD M)	TOTAL DWT	% OF FLEET
American Shipping Co	10	\$829	467,600	18%
American Petroleum Tankers	6	\$574	296,700	13%
ConocoPhillips	5	\$530	708,500	12%
BP	4	\$442	772,400	10%
SeaRiver Maritime	2	\$354	230,000	8%
OSG	2	\$249	93,600	5%
Marathon Petroleum Corporation	2	\$248	100,000	5%
Kinder Morgan	2	\$203	91,600	4%
Matson Navigation	13	\$164	423,200	4%
USA Government	13	\$138	322,200	3%
Grand total	160	\$4,579	7,374,000	100%

The top ten shipowners are tanker companies, or the tanker arms of oil majors. The current most valuable US operated fleet is that of American Shipping Co., a Norwegian public company controlling a fleet of ten MR2 tankers built at Philly Shipyard, and leased out to OSG, which charters them out to Jones Act qualifying companies. VesselsValue estimates this fleet is worth (USD 830m). The second most valuable US fleet belongs to new entrant American Petroleum Tankers, which is a subsidiary of Kinder Morgan Terminals, with its fleet operated by Crowley Maritime Corp. This fleet will be supplemented by the MR tankers currently on the orderbook of NASSCO (see above). However, in the last twelve months the US orderbook has been very quiet, with no bulker, tankers or gas carriers ordered in the last twelve months.

SALE AND PURCHASE ACTIVITY

If there is one area where US shipping has been active, it's in the Sale & Purchase market. The dire dry bulk market is one of the driving forces behind Scorpio Bulker selling 25 vessels in the last twelve months for a combined value (at the time of sale) of USD 878m (where the sale price is undisclosed the VV Value the day of the sale is used). Altogether 88 vessels have been sold by US owners for a combined value (where the sale price is undisclosed the VV Value the day of the sale is used) of USD 3.4bn (see Table 3: Sales by US Owners in the Last Year).

Table 3

Sales by US Owners in the Last Year (Mar 2015 to Mar 2016)

OWNER	VESSELS SOLD	TOTAL SOLD (USD M)
Scorpio Bulkers	25	878.1
Oaktree Capital Management	6	355.6
Scorpio Tankers	6	194.6
Principal Maritime	13	157.3
CarVal Investors	3	108.0
International Shipholding Corp	3	104.2
Seachange Maritime	3	85.7
Apollo Fund	2	77.8
Philly Tankers	4	75.6
York Capital	2	75.0
Grand total	88	3,422.8

Of course, under the US Jones Act, US companies cannot purchase foreign-built vessels to operate in US waters. This reduces the pool of potential purchases, which in the last twelve months have been limited to just eight vessels, including four MR tankers from Philly Shipyard purchased by Kinder Morgan for a reported USD 568m. (see Table 4: "Purchases by US Owners in the Last Year").

Table 4

Purchases by US Owners in the Last Year (Mar 2015 to Mar 2016)

OWNER	VESSELS PURCHASED	TOTAL PURCHASED (USD M)
Kinder Morgan	4	568.0
Genco Shipping and Trading	2	68.5
Scorpio Tankers	1	58.5
Skaarup Shipping Corporation	1	2.4
Grand total	8	697.4

THE JONES ACT 1920

The Merchant Marine Act 1920, generally known as the Jones Act, was designed to ensure there would always be US shipyards, US-built ships and US-trained sailors to ensure security of supply should there be an embargo / sanctions on US trade. The incentive for US shipowners is that trade between US ports is reserved only for Jones Act vessels. The downside is that the ships have to be built in the USA, at a considerably premium over Far East constructed ships. As an economic consequence, the higher newbuilding prices require substantially higher freight rates. There is considerable debate over the merit of the Jones Act, with shippers opposed to the higher non-international standard rates, and owners opposed to change after substantial investments in shipping.