

d'Amico Group to mull a new scheme for its fleet buildup



Cesare d'Amico and Luciano Bonaso

Two top executives of blue-chip Italian ship operator d'Amico Societal di Navigazione granted a Kaiji Press request for an interview on Sept.14 and talked about the group's business showing and close relationships it has had with Japanese companies. In the interview, Cesare d'Amico, CEO of the d'Amico Group, and Luciano Bonaso, CEO of the Group's dry bulk unit, d'Amico Dry Limited, revealed that they are set to mull establishing a new scheme of chartering of bottoms through collaboration with Japanese financial institutions, shipbuilders, shipowners, trading houses and other entities concerned, which have all supported the Group in consolidating its fleets in the past. As the reason for their interest in structuring a new scheme for future cooperation with Japan, they cited the increasing difficulty in maintaining the traditional long-term charter scheme with Japanese shipowners. The d'Amico Group's fleet has traditionally been composed of own ships with tankers as the core, and its bulker fleet is also made up about 70% of own ships partly because of aggressive acquisition of ships via exercising purchase options with domestic shipowners. About the group's fleet consolidation going forward, they pointed out that "We have many young vessels in the fleet and don't need to build up our fleet through buying secondhand vessels. We are interested in tapping chances to purchase newbuildings with such features as a shallow draft and high environment-friendliness from the standpoint of realizing high fuel efficiency." Basically, d'Amico is set to prioritize securing newbuildings rather than secondhand vessels or resale newbuildings. Salient remarks made by Cesare d'Amico and Luciano Bonaso in the interview are summarized below:

d'Amico Group's shipping business is made up of two pillars, namely tanker and dry bulk.

The tanker division operates about 40 product carriers (PCs), which are all MR-type and Handysize PCs. The mainstay type is the IMO II/III chemical tanker, which is capable of hauling not only petroleum products but also easy chemicals. Meanwhile, d'Amico Dry Ltd., the group's the dry bulk division, operates ships from Handysize to Panamax. As to a business diversification, the group "always has it in mind as a study agenda", but for the time being, it is poised to do its best within the current frame of business activity.

d'Amico Dry's fleet had traditionally consisted of long-term chartered vessels mainly from Japanese owners, and at one time about five years ago the ratio of own ships to chartered ones stood at 30:70. However, the company "had already changed policies", and "its own ships currently account for about 70% of the fleet as we exercised purchase options to acquire vessels, some of which were owned by Japanese shipowners." The PC fleet consists of 22 own ships and 18 chartered ships. "In recent years, Japanese owners have been less enthusiastic than previously about continuing to expand their owned tanker fleets against the backdrop of ever-tightening of regulations on tankers. Going forward, our tanker fleet will see an increasing share of own ships."

As for their tanker business, they stressed that the importance of shipmanagement is increasing in part in response to severe standards of major oil companies, d'Amico's principal customers. About shipowners from whom d'Amico charters ships, "we consider it necessary for such shipowners to have a track record (of leasing out their tankers as tanker owners) and at the same time to be able to guarantee us high level of shipmanagement as we normally lease them out to oil majors." d'Amico has the technology division responsible for ships' safety and security and takes pride on the ability to offer a shipmanagement system as firm as a rock.

The d'Amico Group has fostered very deep relationships with Japanese maritime-related enterprises. It has chartered ships from Japanese shipowners, placed newbuilding orders from domestic (Japanese) shipyards through joint ventures with Japanese-affiliated trading houses and so forth. The group has long shown its understanding of the difficult situation in which Japanese shipowners have found themselves in. "Amid today's languid economic condition, even Japanese shipowners are faced with a hard time. They need to have more of own funds than before when they order ships, and subsequently, their chances of ordering newbuildings are on the decline. As matters stand, when d'Amico pushes forward with a newbuilding project, it "will study a new scheme which will feature the cooperation from all concerned parties such as financial institutions, shipyards, shipowners and trading companies."

Touching on the privately-operated Japan Ship Investment Fund (JSIF) established in April this year by Japanese shipbuilders to boost receiving orders for export ships, the d'Amico

executives called it "a very serviceable scheme," and showed the perception that "it (JSIF) will help the Japanese shipbuilders hone international competitiveness in terms of finance cost, and consequently narrow the price gaps that exist between them and their South Korean and Chinese counterparts."

d'Amico has recently ordered two 40,000-dwt PCs with two more on option from South Korea's Hyundai Mipo Dockyard (HMD), and also six Handysize bulkers plus six more on option from Chinese yard Yangfan Group. d'Amico will decide on whether or not to exercise their options by the year-end.

The two PCs to be built by HMD will be of a shallow-draft type and "Eco-ships" with a very high fuel efficiency feature. For the ships, d'Amico has already concluded a five-year time-charter contract with an oil major. As for future investment in acquiring PCs, the company is always "groping for a good chance, and is playing safe while paying attention to both business viability (of investing in PCs) and feasibility of finding a charterer (on favorable terms). "The average age of our tankers is relatively low, and we don't have much enthusiasm to invest heavily in PCs, and the company is poised to consider a future fleet buildup program with discretion while moving ahead keeping a close watch on real demand."

About d'Amico's prospect for advancing into the large LR I- and LR II-type PC market, the executives said, "We consider that the MR-type and Handysize PCs, which have more versatility of operation, will bring us a steadier income source and a less susceptible market." "Shipowners have become more speculative on the MR- and Handysize sectors than on the LR I and LR II type PCs. In the long term, while navigation distances for petroleum products will grow, the bottoms scale will remain moderate, which means that owners of LR-type PCs will benefit from this. However, d'Amico will remain steadfast to its policy of focusing on MR-type and Handysize bulkers for the time being."

Referring to the string of MR-type PC newbuildings ordered since last year, the d'Amico executives said that MR-type PC completion volume was smaller than scheduled due mainly to construction delays in the past 2-3 years, and that there is only a limited number of shipyards well equipped to build MR-type PCs. They also said that demands for MR-type PCs will grow as demands for long-distance transportation will surge as oil refineries in the U.S. and Europe will close. They gave their forecast that "market recovery will begin from 2013 with a full-fledged recovery coming from mid-2013 toward 2014."

