

SAMUDERA SHIPPING LINES



THE "SINAR BONTANG": The 932-teu containership is on charter to Samudera Shipping.

Photo: Jonathan Boonzaier

Player staying close to home

Going global is not on the cards for a regional container company.

Jonathan Boonzaier Singapore

Regional container company Samudera Shipping Lines can be considered a hybrid liner operator.

The Singapore-headquartered shipping arm is 64% owned by Indonesia's Samudera Group and operates both as a conventional liner operator, carrying its own cargoes, as well as a large feeder carrier.

Samudera was formed in 1993. It derives 80% of its container volumes from its feeder business and 20% from its own cargoes. In total, container shipping is responsible for approximately 87% of its annual revenue.

Samudera is a major player on the intra-Asian liner trades, where Singapore is its main hub. "We bring cargoes from smaller Southeast Asian ports to Singa-



DHRUBAJYOTI DAS: Executive Director at Samudera Shipping

Photo: Dale Wainwright

pore," said Samudera executive director Dhrubajyoti Das.

Its Indonesian trades are responsible for 51% of its container volumes. The rest of Southeast Asia accounts for 31% with the remainder derived from the Indian subcontinent, Middle East and northern Asia.

Samudera also has an Indonesia-based liner arm, which handles the domestic cabotage trades

using ships under the Indonesian flag.

Das, a 16-year Samudera veteran, says the company is happy to remain a regional player and has no intentions of going global. "That would put us in a completely different ball game but we are exploring feeder opportunities around other hubs in different geographical areas," he said.

Like most feeder operators, Samudera constantly faces pricing pressure as the trade is very competitive. "Our customers, the mainline operators, like to drive rates down as much as possible. The problem is that they have a very clear idea of our cost structure," Das said. He adds that the only way feeder operators can stay profitable is to be operationally efficient and consistently offer good service.

Demand for feeder services in Southeast Asia remains strong and Das predicts container volumes will continue to grow. He says huge post-panamax containerships are coming into the Asia-to-Europe liner trades, which means that they will be concentrating on mega-hub ports, and

that will result in increased feeder activities.

The Asian feeder fleet is ageing and there has been little investment in smaller-size boxships.

"Price levels are always dependent on supply and demand. This is a sector that is not going to be overtonnaged," said Das. He expects future growth will be in increased vessel capacity and the number of ships deployed on existing services, rather than the creation of new routes.

One major headache that most feeder operators in the region face is port congestion. Most Southeast Asian ports are operating at close to full capacity, making it difficult for feeder operators to deploy more ships. Increasing the capacity of vessels deployed on the routes adds to the challenge because of the extra time required to load and unload larger vessels.

Das says these constraints can be an advantage for players as it invariably results in controlled capacity increases. He says trying to cope with bigger demand is a better situation than worrying about how to fill empty ships.

Expanding shipowning stable next for Samudera

Samudera Shipping Lines has traditionally operated a fleet of chartered-in containerships but a recent shift in policy will see it become a more active shipowner.

Today, it operates a fleet of 29 containerships ranging from 115 teu to 1,560 teu. It owns only one ship that trades internationally as well as four small containerships that are used in the Indonesian liner trades.

Although the company appeared content with relying on chartered tonnage in the past, sky-high charter rates have caused a major shift toward vessel owning.

Last year, Samudera's management drafted a new policy to own at least one-third of the vessels it operates. A further one-third will be taken on long-term charter with the remainder taken on short-term charters.

Samudera began building up its fleet of directly owned vessels last September, when it shelled out \$89m for a pair of 1,740-teu newbuildings at China's Guangzhou Wen-chong Shipyard. These vessels are due for delivery later this year.

In January, the company completed a deal to acquire a 1,100-teu boxship under construction at Kouan Shipbuilding in China for \$28.9m. The vessel was delivered shortly thereafter.

Samudera executive director Dhrubajyoti Das says Samudera is still on the hunt for more tonnage. It is looking for vessels in the 1,000-teu and 1,500-teu range.

"We don't necessarily want to buy newbuildings. What we are concerned about is the quality of the tonnage," he explained.

Samudera is also studying the possibility of acquiring tonnage in the 2,500-teu range.

On the chartering side, the company plans to fix three 1,060-teu and two 1,700-teu vessels on long-term charters during 2008.

Apart from containerships, Samudera is involved as a shipowner through its industrial-shipping wing, Foremost Maritime. That division has a fleet of 18 ships consisting mostly of chemical tankers and bulkers. It also has stakes in two LNG carriers currently under construction.