Contenemar under siege as creditors chase debts

Spanish group trades under court umbrella as ports lodge interest

Brian Reyes

SPANISH state-owned ports are among a long line of creditors chasing multi-million-euro debts from the Contenemar group, one of Spain's oldest family-owned shipping businesses now teetering on the edge of collapse.

Contenemar and several of its subsidiaries entered into self-administered receivership last month and are drawing up a repayment proposal to satisfy creditors and remain in business.

But the group is plagued by a messy litany of problems over unpaid bills that include overdue wages, taxes, social security payments and port charges believed to run into tens of millions of euros.

Contenemar has now been effectively banned from at least one key Spanish port, Barcelona, and at least three of its ships have been paralysed by angry crews who have not been paid for months.

The group employs around 1,500 workers across its many different companies, but hundreds now face being laid off.

Seafarer union STMM CGT said Contenemar was using the situation to rid itself of longstanding workers at the expense of their rights and with the aim of hiring cheaper personnel.

Contenemar was hit hard by a drop in cargo and passenger volumes on its main routes and by the economic downturn, which dried up its credit lines.

But several industry sources in Spain said the company's woes had been piling up for years, not just months.

The group, which operates cargo terminals and cabotage services between the Iberian peninsula and Spain's island territories, has been accused of dumping on key routes, undercutting rivals by leaning on ever-increasing debt.

In an unusual step last month, Anave, the Spanish shipowners' association, complained publicly that by not paying its dues, Contenemar and its associated companies had been able to offer freight rates below those of its competitors.

The debt to port authorities alone could run into "dozens of millions of euros", Anave said.

Spanish trade magazine Transporte XXI fixed the group-wide debt — including companies that are not in receivership — at €293m ($440m). According to the publication, ports are owed €35m.

Among the ports most affected are those where Contenemar also operates terminals, including the Balearic Islands, Barcelona, Valencia, Vilagarcía and Santa Cruz de Tenerife.

Official documents show that Contenemar and three subsidiaries — Terminales del Turia in Valencia, Estibadora de Ponent in Barcelona and Terminal de Contenedores de Vilagarcia in Vilagarcia — have sought court protection to avoid bankruptcy and resolve debt problems. Another sister company, Iscomar, is also said to be about to enter that process.

Creditors are now lodging their interest, with the Madrid commercial court handling the case, while the company continues to trade under the court's umbrella, using charted vessels and cargo space on some routes.

"The company will have to put forward a repayment schedule to be agreed with its creditors," said Carlos Perez, a partner at shipping law firm Perez Albors & Co, which is acting on behalf of several creditors. "But we are at the very early stages and this will probably take a few months."

Under Spanish law, the agreement with creditors would normally involve a reduction in the level of debt.

Contenemar declined to comment. However, a source close to the group said Contenemar was trying to resolve its problems and get on a new footing.

"What Contenemar is trying to do is use this process in order to a find a way forward," the source said.

Contenemar and its sister companies are owned by Asmar Corporación Logística, which belongs to the well-connected Segui family in the Balearic Islands.

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Royal brace Carnival mulls Princess order

Carnival is reported to be in advanced talks with Meyer Werft for the order of two Princess brand cruiseships. James Morgan

US-BASED cruise giant Carnival is in advanced talks with German Meyer Werft for an order of two new cruiseships for its Princess brand, Italian and German shipping sources have said, *write John McLaughlin, Patrick Hagen and Rajesh Joshi.*

"We are in talks with several customers about new orders," said Meyer Werft's spokesman Peter Hackmann. "There are also some promising talks despite the critical situation in the whole industry. But we do not give status reports before a contract has been signed."

A Carnival spokesperson said: "We are talking to yards, all yards, and we will announce anything when we have it to announce."

However, the spokesperson added: "We have acknowledged before that we are considering Princess as a priority candidate for newbuildings. We have also said that the strength of the euro has been a damper."

However, shipping sources in Italy and Germany said that Meyer Werft was already in very advanced talks with Carnival. This was seen as a surprise in the market, given the long-standing relationship between Carnival and Italian cruiseship builder Fincantieri.

Meyer Werft has already won Carnival's subsidiary Aida as a regularly customer.

Meyer Werft and its group member Neptun Werft have an orderbook consisting of eight cruiseships, two gas tankers and one river cruise vessel, with the final vessels on this list scheduled for delivery in autumn 2012.

Among them are three cruiseships for Aida, three for Celebrity Cruises and two for Disney Cruise Line.

Meyer Werft has not received an order for a new cruiseship for more than a year. Its production department will be working at full capacity until mid-2010 and the construction unit up to spring 2010.

DnB Nor shipping writedowns to rise

NORWAY's largest bank, DnB Nor, has warned that its shipping loan writedowns are set to increase, *writes Richard Meade.*

The bank beat forecasts for third-quarter profits thanks to a strong home market and said business prospects were generally improving. However, it also noted that the outlook for its shipping sector clients remained "hazy".

While specific estimates of writedowns for the bank's shipping business were unavailable, the group-wide estimate for 2009 stands at NKr8bn-NKr10bn ($1.4bn-$1.8bn).

"When it comes to shipping, we still believe there will be loan losses in the quarters to come from the shipping book," DnB NOR chief executive Rune Bjerke told a press conference.

"We have less uncertainty right now related to the dry bulk segment, as well as the tanker segment. But the container segment is still very uncertain."

The bank said it was preparing a more detailed assessment of its shipping book writedowns, but a presentation to investors described its greatest challenges as being in the Baltic States and within shipping.

Despite the predicted losses, Mr Bjerke suggested the bank's clients had shown a great ability to adjust to more challenging market conditions.

DnB Nor's third-quarter pretax profit fell to NKr2.8bn from NKr3.7bn a year ago.

Economou eyes new expansion for DryShips

Nigel Lowry
Athens

DRYSHIPS' chief executive George Economou has said that the dry bulk and offshore drilling company favours spending its substantial war chest in a sector other than its original focus of bulkers.

Talking to Lloyd's List about the Nasdaq-listed company's strategies, the Greek shipowner said it was still "too early to really be looking at opportunities".

But he said that he leaned towards sectors other than dry bulk because of the strength of the company's existing bulker fleet.

"There is no reason to keep expanding in something unless you think times are booming and unless the entire fleet in the next three years will reap the benefits of that expansion," he said.

DryShips was keeping a sharp watch on other sectors, including tankers and containers. "It can be tankers," he said. "It can be containerships, which is the most distressed sector, so you would be buying assets you may need to lay up.

"There, you will have to play the asset the way shipping used to be done by the Greeks in the past."

DryShips' first major diversification, the acquisition of Ocean Rig with two offshore rigs and the contracting of four ultra-deepwater drillships, has already caused some analysts to reclassify the company as predominantly an offshore drilling concern.

"When we thought the dry bulk market had reached a peak, we identified ultra-deepwater drilling," Mr Economou said.

He estimated that after the company's fund-raising exploits earlier this year it had about $800m in cash, or a war chest of about $600m after subtracting $200m that will be used as equity for two of the new drillships.

He did not rule out further fund-raising, but he said that this would not be needed by the company.

"If we are going to raise more funds it means either we have identified an opportunity to go after or maybe we might think of raising money to allocate into a distressed fund, owned by DryShips," he said.

He also did not entirely rule out dry bulk acquisitions, but he said "it would have to be something of a size that is meaningful for us — not a couple of ships".

DryShips owns a fleet of 41 bulkers, including two newbuildings, as well as the projected offshore fleet of six units.

Mr Economou's private empire is already divided between dry bulk and tankers. His Cardiff Marine manages a further 39 ships in the water, after taking delivery of 12 newbuildings in the first half of 2009.

Cardiff privately has another nine vessels, including two very large crude carriers, two suezmax tankers, three aframax tankers and two capesize bulkers for delivery between now and 2011.

Styga hit with $1.3m magic pipe fine

STYGA Compania Naviera has become the latest addition to the list of foreign companies paying US fines for magic pipe offences, with a guilty plea that has cost the company $1.25m, *writes Rajesh Joshi in New York.*

The case involves magic pipe offences on the 1995-built, 69,933 dwt product tanker *Georgios M* from December 2006 to February 2009, until a US Coast Guard boarding party in Texas City on February 19 blew the cover off the case.

The US government has previously indicted two seafarers from the product tanker for allegedly using a bypass pipe, known colloquially as a magic pipe, to circumvent pollution-control equipment on board and discharge bilge into the high seas.

As is customary, the seafarers and the company were nailed in the US for concealing the discharges by furnishing the USCG inspecting party with a falsified Oil Record Book.

The US Department of Justice's environment and natural resource division, which has been on a high-profile mission to capture such offenders for most of this decade, said it had secured guilty pleas from Styga on three charges related to pollution.

The company, described as Panama-registered in the DoJ statement, but shown with a Greek base in the Lloyd's Marine Intelligence Unit database, is to pay a $1m criminal fine, along with $250,000 to the National Marine Sanctuary Foundation.

John Cruden, acting assistant attorney general for the division, said: "Stopping the illegal pollution from ships continues to be a priority for the department. As long as companies continue to bypass this nation's environmental laws, the department will continue to bring cases and seek justice for those involved."