Ro-Ro

The Boomerang

At the end of 2020 signs of cautious optimism were notable in the market through increased demand for tonnage, except for UK/Continent trade which was still strong ahead of the 31 December 2020 British exit from the European Union. The optimism increased across the market in 1Q21. As the year advanced, multiple Covid vaccines were rolled out and demand for ships increased with volumes surging to keep up with the increased demand from consumers, and amid the need for inventory replenishment which were languishing at low levels. These factors led to a dramatic improvement in the market, with the sector bouncing back earlier than expected, similarly to the trajectory of a boomerang.

SCANDIA SEAWAYS
The last unit of a series of 6 sisters each with a capacity of 6,700 Lm over 5 decks, delivered in December 2021 by China Merchants Shipbuilding Co Ltd to the DFDS A/S, which are operating her on the North Continent.

Photo: courtesy DFDS Group
AFTER LOCKDOWN CAME APPETITE FOR CONSUMPTION

The new routes which opened during the second half of 2020 between France, Belgium, Spain, and Ireland to bypass UK as a transit point were shown to be a success. These new routes, and the increased capacities of some existing routes were established mainly so driver-accompanied trailers from the aforementioned countries could bypass the UK as stricter import regulations were introduced following Brexit. These routes are operated with Ropax vessels, but also pure RORO routes were started, and capacity increased on existing routes was successful as well. Stena Line announced that they would start a new service between Hanko, Finland and Nynäshamn, Sweden in February 2022. The service will start with URD which is a 1,600 lane meter Ropax vessel with capacity for 1,860 passengers. In May 2022, a second Ropax ship will be deployed on the service. Rederii AB Gestalt started a route from Rodstock to Nyhavn on 1st of September with their Ropax vessel Drotten of 1,800 lane meters and 1,500 pax.

In the Baltic Sea and in the Mediterranean Sea the freight volumes were well above their 2020 figures. The Baltic Sea market stabilized while the Mediterranean Sea volumes became steadily stronger from 2Q21, especially on the Turkey to Italy and Turkey to Libya corridors. There was also increased traffic on existing routes was successful as well. Stena Line announced that they would start a new service between Hanko, Finland and Nynäshamn, Sweden in February 2022. The service will start with URD which is a 1,600 lane meter Ropax vessel with capacity for 1,860 passengers. In May 2022, a second Ropax ship will be deployed on the service. Rederii AB Gestalt started a route from Rodstock to Nyhavn on 1st of September with their Ropax vessel Drotten of 1,800 lane meters and 1,500 pax.

The tonnage situation became steadily tighter as volumes continued to increase in Q3 and Q4 as well. It became clear by mid-2021 that the market realized the importance of securing tonnage to cover the increased cargo volumes. Consequently, rates increased as tonnage became scarce with owners requesting longer periods of up to 3-4 years at healthy rates, which charterers had to accommodate to secure tonnage.

The outlook for 2022 is also optimistic on the basis of the continued scarcity of tonnage with major operators even holding on to their smaller and vintage tonnage.

Sale and purchase activity

Sale and purchase volumes were also considerably higher in 2021 up from only 8 units sold in 2020 as 21 ships changed hands. In 2019 there were 18 transactions.

The average age of the ships sold was 27.5 years and the average size was just above 1,590 LM. In 2020 the ships’ average was barely above 20 years old, but only 1,250 lane meters. Indeed, average size was boosted by several transactions including the Acacia Seaways (ex Meleq) 4,076 lane meter and Pol Stella (ex Hatchez) 3,663 lane meters and a number of ships between 2,000 - 2,500 lane meters. The Acacia Seaways – built 2017 - and the Pol Stella – built 2009 - were the most substantial deals in terms of price with the latter rumored sold for EUR 25.5 million. There has been no reported or rumored price for Acacia Seaways, but we believe this was done on par with the valuations of the ship at low EUR 40’s million.

Smaller units of up to 1,200 lane meters were sold between EUR 2-4 million depending on age. The work horses of 2,000-2,500 lane meters built between 1983 and 1990 were sold for between EUR 3-5 million depending on age. For the younger ships, the prices were between EUR 8 - 10 million.

Today there are very few ships available for sale in any segment as operators withdrew the ships they had for sale in 2Q as they were needed to cope with the increased cargo volumes.

We expect the second hand market of ROROs to remain firm even though there are a number of newbuildings to come in 2022.

Average Charter Rates from 2011 to 2021 (non-scrubber equipped ships)
Newbuilding deliveries in 2021

There were 10 ships delivered to the RORO fleet in 2021 amounting to roughly 50,500 lane meters. Mainly big ships, but not a significant number. In 2020 there were only 7 ships delivered with a total capacity of 32,200 lane meters.

DFDS took delivery of Scandia Seaways, the last of the series of 6 large ROROs of 6,700 LM built at Jinling Shipyard. Fitted with 5 decks for 450 trailers and one hoistable car deck in the lower hold, they are equipped with cold ironing for land power while at berth.

Grimaldi took delivery of four of their GG5G series out of five vessels of 6,700 Lane meter capacity. Three new ships delivered in 2021 were still relatively low with an intake of 1,440 – 2,500 lane meters with quarter stern ramps.

There were 10 ships delivered to the RORO fleet in 2021, up from only 2 in 2020. In 2019 the tally was 14 new orders.

Orderbook and new orders

Three new orders were placed in Japan for domestic trade with capacities between 1,500-2,800 lane meters and with quarter stern ramps. South Pacific Shipping of Australia ordered a large RORO vessel of 4,227 lane meters at Fincantieri. Hyundai Mipo Dockyard landed 6 firm orders from Grimaldi for deep sea con-ro ships with 4,700 lane meters, with car decks and 2,000 tso intake. These ships will be 250m loa and 38m beam and will trade in the Atlantic.

The orderbook reduced to a total of 27 ships in 2021 totalling 114,500 lane meters. This is down from 34 ships for 130,800 lane meters in 2020, which itself was down 12.5% in lane meter capacity from 2019. For 2022 there are 19 ships scheduled for delivery with approximated 79,000 lane meters with an average capacity of close to 4,200 lane meters. For 2023 there are six ships scheduled for delivery with a total of 25,500 lane meters and in 2024 there are only 2 ships to be delivered for 9,400 lane meters.

It is worth noting that the order book basically consists of larger ships above 4,000 lane meters. There are only 6 ships of 500-600 lane meters, of which, 3 will go on long term contracts to paper producer UPM-Kymene in the Baltic Sea and 3 ships are 1,200 - 2,350 lane meters for Japanese domestic trade. The order book is down to a level we have not seen in several years.

Recycling activity

Just like last year only 10 ships were sold for recycling. However, the total lane meter capacity was up almost 24% y-o-y to 17,350 thereby averaging 1,735 lane meters per ship. The average age of the ships in 2021 was 33.4 years which was higher than the average in 2020 of 29 years. The reason for the relatively low average age in 2020 can be explained by the fact that Japanese operated ships were being sold for recycling while in 2021, no Japanese operated ships were recycled. Japanese operated ships tend to have a shorter life span than others and are replaced after about 20 years. There are approximately 75 ships that are 30 years or older and approximately 44 ships that are 35 years or older which are all future recycling candidates with over 1,000 lane meters. Furthermore, there are only 15 ships of 35 years or older that are above 2,000 lane meters.

Based on the above figures we forecast that the over the coming years recycling will remain on par with 2021 in terms of number of ships. Meanwhile, these ships should be lower in terms of capacity.

New deliveries in 2021 were still relatively low with 10 units.