Link the world’s shipping and the Japanese market

Interview with Capital Link President, Nicholas Barrow

Capital Link is a company based in New York that provides financial information and advisory services to the shipping industry, and to those publicly listed on British Stock Exchanges in the United States. The

company’s expertise is in helping companies manage their communications and relationships with their shareholders, investors, and credit partners. The company offers a range of services, including research, data services, and strategic support.

In addition, Capital Link offers integrated solutions, such as media and content services, and provides products and services to both financial institutions and the media. The company’s expertise is in helping companies navigate the complex world of shipping and capital markets, and to help them connect with their stakeholders.

Capital Link has developed unique partnerships with leading financial institutions, such as major investment banks and financial advisors, and to date has helped more than 200 companies in a variety of industries. The company’s expertise is in helping companies manage their communications and relationships with their shareholders, investors, and credit partners. The company offers a range of services, including research, data services, and strategic support.

Combining our knowledge and experience, we have a unique perspective on the shipping industry, which we believe is essential for the success of any company. Our expertise is in helping companies navigate the complex world of shipping and capital markets, and to help them connect with their stakeholders.

Nicholas Barrow is the Founder and CEO of Capital Link, which he founded in 2003. Mr. Barrow has extensive experience in the shipping and finance industries, and has worked for a number of prominent companies in the industry. He has held a number of senior positions at companies such as Credit Suisse, where he was head of the shipping and transportation sector. He is also a member of the board of directors of a number of companies in the industry, and is regularly featured in the press as an expert on shipping-related issues.

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Capital Link held seminar in Tokyo

Shipowners and ship management companies discussed environmental issues

Five people participated a symposium in the seminar hosted by Capital Link on May 14 in Tokyo. They were Valentios Valentis, CEO of Pyxis Tankers, Yasuo Tanaka, Senior Fellow of MTI and Executive Officer Yoshikazu Kawagoe, senior managing executive officer of Mitsui OSK Lines (MOL) and others from leading companies of shipowning and ship management businesses. The subjects they discussed were mainly on environmental issues, especially sulfur oxide (SOx) regulations of International Maritime Organization (IMO) that will be applied at all sea areas. The moderator was Stian Erik Sollied, Area Manager Japan of DNV GL.

In the discussion, in response to the question of whether to consider the impact of environmental regulations as a threat or a new challenge, Kawagoe answered as saying "I believe that it will lead to differentiation and actively work on solving environmental regulatory issues.” While Tanaka replied, "In terms of the ratio of worry and expectation, 60% is worry." He also said, "Nippon Yusen Kaisha (NYK) is about to start LNG fuel supply business with a partner in Europe," indicating there are new business opportunities.

To the question of whether the environmental regulations will prompt ship scrapping and increase newbuilding demand after 2020, Valentis answered, "As 7% of MR tanker fleets have reached 19 years of age, scrapping will increase with a high probability considering all environmental regulations." Other panelists expressed such opinions as "Scraping cannot be avoided, but how fast it progresses cannot be predicted," "Demand for newbuildings may increase thanks to slow sailing speed", and "It should require incentives for operating high-efficiency ships."

In the seminar, following the symposium, Martin Stopford, Non-executive President of Clarkson Research Services, made a keynote speech. He posed that “The greenhouse gas (GHG) reduction targets set by IMO can be achieved with willingness and determination.” Concerning GHG reduction methods, citing such examples as "not carrying low-added-value items as cargo", "sailing with slow speed" and "achieving better management through the use of information of the digital era", Stopford said, "It is essential for shipowners, shipyards and other players to cooperate in seeking solutions."
Chinese leasing companies which are ramping up their presence in the ship finance market are now preparing to foray into the Japanese market. Representatives from China's top three leasing firms were present at a maritime forum hosted in Tokyo on May 14 by Capital Link, an information service provider focused on the global ship capital market. All the three companies said they are ready to offer services to Japanese shipping operators. One of them said its lease contracts are not limited to Chinese-built ships or ships related to Chinese projects, adding, "We see no problems at all about ships built at Japanese yards or ships built for Japanese shippers." Another told the forum, "We want to build cooperative systems with Japanese leasing companies, such as setting up a joint venture."

Chinese leasing firms affiliated with banks began offering services to shipping operators around 2007-2008 amid the deregulation pushed by the government and rapidly built up their presence in the global ship finance market as European financial institutions cut back on their ship loans in the wake of the debt crisis. ICBC Leasing, the top player affiliated with Industrial & Commercial Bank of China (ICBC), now runs a portfolio valued at $12 billion, dealing with as many as 280 ships. Bank of Communications Financial Leasing (BCFL) affiliated with Bank of Communications (BoCom) and CMB Financial Leasing affiliated with China Merchants Bank (CMB) have also expanded their portfolios to $10 billion and $6 billion, respectively. According to the trio, there is a trial calculation that the combined share of Chinese leasing firms in the global ship finance market reached 30% in 2018. Most of their customers used to be European shipping operators. They had done little business with Asian operators including those in China. Now they are trying to acquire new customers in the U.S. and Asia, and turning their eyes on the Japanese market as part of this policy.

At the forum by Capital Link, BCFL told the audience, "For Chinese leasing companies, the Japanese market is brand new. In the first place, we would like to know about this market and then hope to open the door of the market." CMB said, "Japanese shipping companies have an eye to discern quality assets and high knowledge about ship operation. We have good chances to cooperate with them."

ICBC, the biggest among the trio, said, "We have no intention to compete with Japanese leasing firms. We would rather like to build relations of partnership with them, such as forming a joint venture. We will offer our ability to prepare a large amount of money as a merit. We want to offer services that can cater to the needs of Japanese shipping companies in cooperation with Japanese leasing firms."

BCFL added, "Five years ago, European banks saw us as a menace. But we worked hard to make them feel at ease by procuring funds from them to offer leasing services to our customers. As a result, European banks are now willing to reinforce their relations with us." All the three Chinese leasing firms came out with a policy to seek chances to build cooperation with Japanese leasing companies and financial institutions despite some constraints posed by the Chinese banking regulations.

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Chinese leasing firms setting sights on Japan (2)

On the widespread perception that **Chinese leasing firms** limit their deals to **Chinese**-built ships, ICBC contended, "That is a serious misunderstanding. We may prefer **Chinese**-built ships just because it is easier to monitor the progress on their construction. But ships built in Europe, Japan and South Korea are also definitely our targets," adding that, "We do business in the global market as an independent enterprise. Whether a **Chinese** shipyard, shipping operator or shipper is involved in a project or not is not the necessary condition for our **leasing** deals." CMB as well said, "We can cope with any types of projects. In fact, most of containerships in our portfolio are already Korea-built units." BCFL also claimed, "We put no restrictions on ships built at Japanese and Korean yards."

All the trio disclosed their policy to positively cope with lease-out of secondhand vessels just like newbuildings. As their conditions for used ship deals, ICBC said, "Our internal rules set the maximum age of such vessels at 10 years. We also assess the credibility of charterers." CMB explained, "We accept ships older than 10 years on condition that they are compliant with the environmental regulations." BCFL said, "In the case of used ships, we assess their value as an asset. When their age is high, our **leasing** period becomes shorter."

After their rapid growth, **Chinese leasing firms** are gradually changing their business stance. While they had initially focused on finance lease transactions, they are now beefing up operating lease deals. ICBC said, "Since the second half of 2018, we have been dealing with cases where we get newbuildings and arrange operating lease on behalf of our customers like an energy company who cannot find an owner ready to charter out ships needed to move their cargo." Meanwhile, **Chinese leasing firms** which used to rely on customers' high leverage ratios when making contracts are beginning to tighten this policy. ICBC said, "Our business model had required a high 90% leverage ratio before. But after our rapid growth in the past six years, we have begun to assess our business projects more conservatively and carefully." CMB explained, "**Chinese leasing firms** could seize chances of rapid expansion in 2012-2013 when ship prices stayed relatively low. While we still continue growing, we have begun to be more selective than before."