

## OPPORTUNITIES OF ACQUIRING NEW OR SECOND HAND SEA GOING VESSELS

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**Abstract:** At the present overall economic situation acquiring of sea going vessels seems to be a quite difficult deal due to lack of investors and the high risk of credit repayment, especially in shipping industry which was tremendously hit by the international decrease of the foreign trade due to the reduced commodities demand and supply volumes.

**Keywords:** vessel, industry, expenses, market

Nevertheless, economists and financial counselors forecast a somewhat recovery of shipping industry in the near future, based mainly on this year agriculture crops, and the increasing demand of oil and raw materials.

In general, most of the specialists in marketing, economy, finance, exchanges and economic policy are of the opinion that a world wide recovery in all industries will be seen in the middle of 2013 earliest and therefore investing in shipping is advantageous to start next year, based also,

According to the present market ships values, there are the following quotations:

Tanker Prices:

Type	DWT	Prompt delivery	5 years old
Aframax	150.000	\$45 mill.	\$32 mill.
Panamax	80.000	\$41 mill.	\$32 mill.
Medium Range (MR)	47.000	\$35 mill.	\$28 mill.

Bulker Prices:

Type	DWT	Prompt delivery	5 years old
Capesize	170.000	\$47 mill.	\$38 mill.
Panamax	80.000	\$41 mill.	\$32 mill.

Time Charter Rates:

Tanker Rates/day:

	2012	2015	2017
Aframax	\$18,000/day	\$25,000/day	\$25,000/day
Panamax	\$23,500/day	\$28,500/day	\$27,500/day
Medium Range (MR)	\$22,000/day	\$25,000/day	\$26,000/day

Bulker Rates/day:

	2012	2015	2017
Capesize	\$22,000/day	\$28,000/day	\$27,000/day
Panamax	\$18,500/day	\$26,500/day	\$27,500/day

Credit reimbursement:

Considering a credit rate of maximum 6% per year, reimbursement in 10 years, for each vessel of those above will be:

Aframax tanker:

Prompt delivery: - principal: \$4.5 mill./year average fixed rate: \$1.5 mill./year; total/year: \$6.0 mill.

Five years old: - principal: \$3.2 mill./year average fixed rate: \$1.07 mill./year

Panamax tanker:

Prompt delivery: - principal: \$4.1 mill./year averaged fixed rate: \$1.37 mill./year; total/year: \$5.47 mill.

Five years old: - principal: \$3.2 mill./year average fixed rate: \$1.07 mill./year

Medium range (MR) Tanker:

Prompt delivery: - principal: 3.5 mii./year average fixed rate: \$1.17 mill./year; total/year: \$4.67 mill.

Five years old: - principal: \$2,8 mill./year average fixed rate: \$0.93 mill./year mill./year

Capesize bulker:

Prompt delivery: - principal: \$4.7 mill./year average fixed rate: \$1.57 mill./year; total/year: \$6.27 mill.

Five years old: - principal: \$3.8 mill./year average fixed rate: \$1.27 mill./year; total/year: \$5.07 mill.

hypothetically, on an investor say e.g. “buy when low” and “sell when high”.

Considering such an investment, need a thorough canvassing of the shipping market, regarding commodities flow, prices for the new and 5 years old vessels, credit interest rates for say a ten years loan without mortgage of any assets, but mortgaging the said vessel without dispossession, bunker and luboil prices, vessel insurance rates (P&I and Hull & Machinery, port charges, crews salaries and bonuses a.s.o.

Panamax Bulker:

Prompt delivery: - principal: \$3.5mill./year average fixed rate: \$1.17 mill./year; total/year: \$6.27 mill.

Five years old: - principal: \$2.8 mill./year average fixed rate: \$0.93 mill./year; total/year: \$3.73 mill.

The components of the expenses for operating the vessel under voyage charter an owner has to bear are the following:

- Port expenses while the vessel is operating or idle;
- Bunker, luboil and water expenses while the vessel is navigating or in port;
- Straits and Chanel passages of the vessel during navigation;
- Salaries, bonuses, transport, victuals and health insurance for the crew;
- Repairs expenses, expenses for spare parts and special surveys;
- Amortization for the vessel for 8, 10 or maximum 25 years, as legislation permits;
- Insurance: P&I and Hull and Machinery;
- Credits reimbursements;
- Shore staff salaries and bonuses;
- Miscellaneous (such as utilities, travel, not insured penalties etc).

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In case the vessel is operating under Time Charter conditions, bunker expenses, port expenses, passages of straits and channels fees are born by the Charterer.

Usually, any vessel is operated each year only maximum 350 days, the rest of minimum 15 days being reserved for necessary repairs.

Considering all above market data, as regards vessels prices, freights, movements of cargoes on different routes, bunkers price, port charges, own capital and assets, an owner might, virtually, choose to acquire on credit a Panamax bulker vessel of 5 years old and operating her under Time Charter conditions, with the following expenses and revenues:

Revenues:

- Hire rate: \$18,500/day in 2012; \$26,500/day in 2015; \$27,500 in 2016;
- Incomes/year: \$6,475,000 in 2012; \$9,275,000 in 2015; \$ 9,625,000 in 2017;

Expenses:

- Crew expenses: \$ 927,000 per year from 2012 until 2017;
- Repairs: \$ 200,000 per year in 2012 - 2017;
- Amortization: \$1,400,000 per year for a minimum period of 8 years and then sell her at least \$20 mill.;
- Insurance: \$200,000 per year until 2017
- Shore staff salaries and bonuses: \$250,000 per year until 2017;
- Miscellaneous: \$ 100,000 per year until 2017;
- Credit reimbursement: \$3,73 mill. per year until 2021 or until 2018 when selling the vessel with

\$20 mill. and pay in advance the rest of three yearly rates of total \$ 11,19 mill if not less.

- Total expenses: \$6,807,000 per year until 2018;

Profit/Loss

- Profit/Loss: - \$332,000 per year in 2012- 2013 and 2014; + \$2,468,000 per year in 2015- 2016 and + \$ 3,150,000 per year in 2017 and 2,018.

The total profit for the whole operation period of the vessel , that is 2012-2018 will be of about \$20,000,00 (\$17,000,000 net profit) in about 7 years.

In order to have a deeper analysis for choosing the best investment supporting the acquiring the proper vessel, an owner will have to use also the financial and stock exchange tools, such us refinancing the credit for the years when there will not be returns but losses and also that the company to become public by IPO (Initial Public Offer), thus selling shares for obtaining working capital necessary to cover the losses for the first years.

Of course, many will consider that nowadays, investing in shipping, will not be profitable, but the same schedule was used more or less, for years, by the Greek Owners, whose merchant fleet is one among the first in the world, if not the first if we consider also the Greek vessels under other flag of convenience.

The future of naval constructions will be determined by global situation of the world economy, shipping industry being only one of the services, one of the most important, required by developing of the local and international trade.

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