

## ACL's Andrew Abbott filled with confidence as the G4-class is finally underway

The ink on the five-ship contract with Hudong-Zhonghua Shipbuilding was barely dry when CFI met with Andrew "Andy" Abbott, CEO of Grimaldi Group's subsidiary Atlantic Container Line (ACL).

BY PHILIPPE HOLTHOF

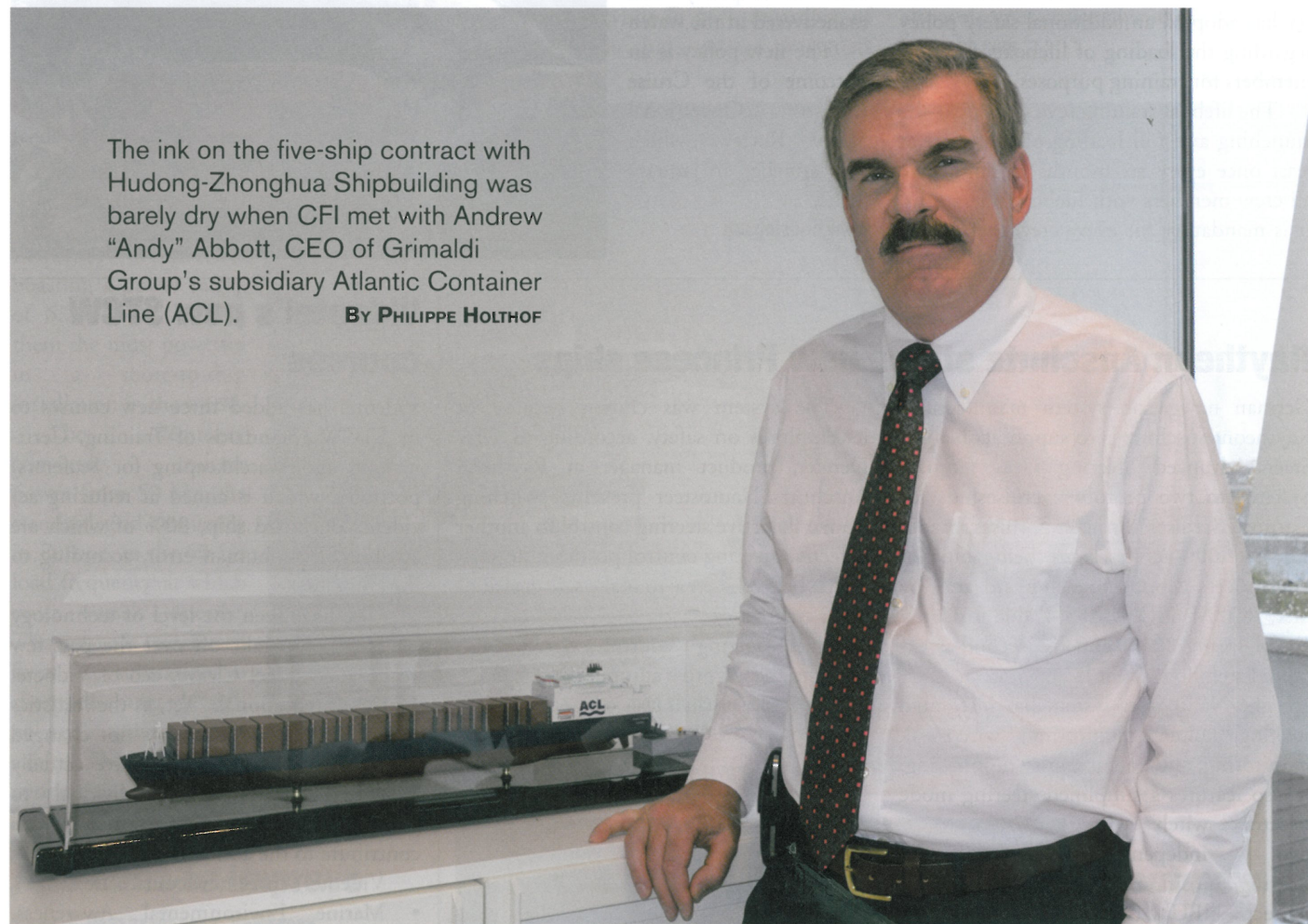


Photo: Philippe Holthof

After more than a year of intense negotiation and haggling with Asian shipyards, Andy Abbott appeared extremely relaxed when we met to discuss the long-awaited five-ship newbuilding project which was awarded to the Chinese state-owned Hudong-Zhonghua Shipbuilding (HZS) in early August. "Now comes the fun part", he said. Abbott is

### G4 at a glance:

- More than twice the container capacity of G3 + increased ro-ro and car intake
- 13 container rows (vs. 12 on G3) and 14 container tiers (vs. 11 on G3)
- Single two-stroke, turbocharged engine with an output of 25,040 kW
- 2 bow thrusters with an output of 1,750 kW each
- 1 stern thruster with an output of 1,750 kW
- Higher ro-ro and car decks
- Faster, yet more fuel efficient and greener

pretty confident that he will fill the new capacity – twice that of the current G3-class – without disrupting the market. Since its inception in 1967, ACL has been a niche player on the North Atlantic trade. When the Grimaldi Group gained almost full control of ACL in 2001, the US-based operator of the world's largest con-ro ships has been going from strength to strength. This has eventually resulted in the recent order of ACL's fourth generation of con-ros. What's so special about the new ships? What is the role of Grimaldi in this venture? And how is ACL performing in the current grim economic climate? Andy Abbott answered these and other questions with great enthusiasm.

**The new ships' design and use of cargo space are simply revolutionary. Could**

**you tell us how it all started?**

Our current G3-class was built in 1984-85 and lengthened in 1987. After twenty years they were still providing sterling service and went through Lloyd's Ship Life Extension Programme. Even so, we realised that their time with ACL would be up by 2015-16, for the North Atlantic is the worst weather trade in the world, with waves really killing ships. Then, in 2008, out of the blue, Jens Nielsen of International Maritime Advisers (IMA) came knocking at our door. He had designed a con-ro which, he claimed, could carry double the container capacity within almost the same footprint as the G3-class, without changing the lightweight. We had been in the business since 1967 and we thought we were the experts in con-ro ships, so we dismissed his concept as unworkable. But then we started looking at

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it more and soon were sold on the revolutionary concept. Our current ships with their vast ro-ro decks carry large volumes of "air" under deck as well as thousands of tonnes of ballast. Even with a full load on our westbound sailings, we take 13 to 14,000 tonnes of ballast every voyage. Jens Nielsen's concept replaced ballast with containers and put the ro-ro cargo midships. By doing so, we could almost double our capacity without any change to the length of the vessel. The ballast requirement on full sailings will be zero. Here we now have a ship equivalent to a 6,500 TEU box ship in terms of earning power and economies of scale, but with far lower costs. We called Jens Nielsen back and spent six months working with him to fine-tune the design to get the right mix between containers and ro-ro.

**Why do you make a quantum leap in containers and a not-so-dramatic increase on the ro-ro side?**

On the transatlantic, we have 50 percent of the high & heavy ro-ro market but only four percent of the containers. Growing from four percent is a lot easier than growing from 50 percent, so we made the container growth bigger than the ro-ro growth.

**The order had been rumoured for several years. Why was it postponed time after time? How did you end up with HZS, which had never built big and sophisticated con-ro ships before?**

Already in 2008-9, we went out to the shipyards for quotes. Despite the credit crunch, they charged ridiculous prices because they were still backed up with orders.

We initially looked at some major European yards, but quickly gave up. Asian shipyards were the likely candidates and we focused on South Korea because our parent was building there and seemed to be extremely happy.

When we got these "big numbers" back from the yards, we decided to be patient and put the whole project on ice. Due to the ongoing crisis, the shipbuilding market collapsed again. But this time, order books were drying up and yards were definitely more hungry now. Early last year we took the design off the shelf again and went to 17 yards. Many declined to quote and many of those who quoted were still too expensive. We quickly found out that the Japanese yards could not compete on price, whereas many Chinese yards found our ship to be too complicated to build. Others felt that a five-ship order did not offer any economies

of scale. We came down to a shortlist of five yards that were really interested: DSME, Hyundai MIPO, Yangfan Shipbuilding, Jinling Shipyard and HZS. All five yards gave quotes in October, but HZS was the first one to quote and the first to provide us with a full specification. Both Yangfan and Jinling had given very interesting quotations but, unlike HZS, provided far less detailed specifications.

Because of their full order book, Hyundai MIPO were far more expensive than anybody else and were regrettably eliminated, because they had some very interesting design ideas. DSME didn't believe in IMA's design and proposed a far more conventional con-ro design. This wasn't what we were looking for, but we kept DSME because of their quality reputation in hope they would change their mindset.

I was ready to push the button at the end of last year, but Emanuele Grimaldi told me to be patient because the market was not right yet. He proved to be correct and the price kept on coming down. In May we got to a point where we had fine-tuned the HZS design to our satisfaction. The shipbuilding market was on its face and we played our final negotiation cards. In July HZS gave us an offer which, I thought, we couldn't refuse. But Emanuele loves the wheeling and dealing with the shipyards and told me to give them "this [lower] figure". They said yes. Deal!

**The contract price has not been revealed, but we understand that the ships are close to 40 percent cheaper than if you'd have ordered them in 2008. Correct?**

The price was well below the quotes we received back in 2008. We got a great contract; one that Grimaldi was very happy with. We will get high quality ships from a great shipyard with all great performance guarantees and every single feature that we asked for.

**You are extremely enthusiastic about HZS and their designated naval architects, Knud E. Hansen (KEH). How different were they from the others?**

To be honest, we were initially nervous about the quality of the Chinese yards. But we quickly put aside our prejudices because HZS were so professional from day one. They took the project to a new level and got better along the way. They did stability analysis for every single port call. Everything they did, they overdid. By teaming up with KEH, we got the benefit of hav-

ing one of the best designers in the world on our project. The draft design was taken apart and put back together again, which resulted in a ship that will be a greatly enhanced version of the initial IMA concept. HZS did not cut any corners when they engaged KEH, and I'm sure it didn't come cheaply. The other yards were just never able to match the technical strength of the HZS-KEH team. It was a night and day experience and it was clear that HZS was the yard.

KEH did a great job and the design incorporates all the lessons learned from the current vessel generation. Instead of two rows of pillars, we will have one set on the centreline, further easing the cargo handling of vehicles and breakbulk cargo. Ramps on the G3-class were pretty steep, which gave stress on the tug masters. The slope on the ramps has been reduced with also a higher clearance. On the G3s, we could only stow steel on the lowermost deck, but now we will be able to put everything there. KEH looked at the smallest detail, with an eye to facilitating vessel maintenance. Gantry crane operations will not be hampered because the funnel has been put on the portside. All these little things will mean big savings for us.

The hull and bow shape has also been changed by KEH. The knife-edge stem replaces the traditional bulbous bow, which will improve our fuel economy. We will have a better speed than today, but will burn less.

Meanwhile, the first model tank tests have been successfully carried out at MARIN, in the Netherlands. We came very close to our target numbers – and these were very ambitious.

The yard has a high reputation and wants to expand into the ro-ro market beyond China. Our unique new ships will be a showpiece and if HZS does the great job we expect, they will be building for a lot more ro-ro operators in the future.

**The first ship will be delivered in January 2015 and the last one in December of the same year. Do you expect any delays due to the complexity of the ships?**

During the next six to eight months the detailed specifications will be put together and the target date is to start with steel cutting in May/June. We are pretty confident that the ships will be delivered on time, and the yard will have to pay big penalties on delays. Both our own technical staff and an external company will closely monitor the construction from day one. RINA has been



► appointed as the lead classification society.

We have also deliberately opted to source all main components and equipment from European suppliers, all the way from the main Wärtsilä engine to the TTS ramps. Since the ships will operate on the transatlantic, we need European and American suppliers of spare parts in case of a breakdown.

**The ships will take up service when a 0.1 percent sulphur cap applies in ECAs. Why will the ships not be equipped with abatement technology? Did you consider LNG propulsion?**

We are not convinced yet about the existing scrubber technology; it is still inefficient. However, we have provided enough space to install scrubbers later on, once we find something good.

We have the ability to run on dual fuel, i.e. HFO and LSFO, and we found that LNG just didn't make sense with a 35-day round trip, of which one third of the time is being spent in port. Our ballast water treatment, however, will be in compliance with the BWM Convention.

**The on-deck container cell guides on the G3-class have proved to be very efficient. Will you also have them on the G4s?**

ACL is one of the very few carriers in the world to use cell guides on deck, and we have kept the cell guides simply because we have not lost a single container over the side since 1984. This zero loss record has helped our insurance premiums considerably.

Because we needed deadweight for the containers we have opted for lightweight hatch covers. It can be taken off easily and, although not watertight, sufficiently protects the containers from the elements.

**G3 versus G4**

	G3	G4
Length o.a.	292 m	296 m
Beam	32.3 m	37.6 m
Dwt	43,100	45,000
Container TEUs	1,850	3,800 (+ 105%)
Car units	1,000	1,307 (+ 31%)
Ro-Ro units	525	764 (+ 45%)
Ro-Ro space	18,500 m <sup>2</sup>	28,900 m <sup>2</sup>
Car deck height	1.65 m	2.2 m
Oversize deck height	6.2 m	7.4 m
Crew	21	16
Cruise speed (knots)	16.5	18
Max speed (knots)	19	21
Fuel: tons/day	75	70
Fuel: TEUs/ton	41	82

ShipPax Database

**Will the Swedish flag be retained for the new fleet?**

All options are still open, but, for sure, it will be an EU flag.

**With the introduction of the new ships, there's also the big news that ACL will review its port rotations and add a South Atlantic port, such as Charleston, Savannah or Jacksonville. What are your expectations for this additional call?**

The South Atlantic story is something entirely new. With ships this size we needed an expanded market area to fill our capacity. On the container side, we already had access to the South Atlantic hinterland through our slot exchange with Hapag-Lloyd. It will be a new market on the ro-ro side. With both BMW and Mercedes-Benz having production plants in the South, we have high expectations of the automotive industry. We are also eyeing the yacht and boat manufacturers, who now have to bring their yachts all the way to Norfolk. The forest products industry is the third big chunk. We'll carry the higher grade forest products in containers and put the lower grade forest products on the lowermost deck – something which was impossible on the G3-class due to the steep ramp slope. We will offer the only ro-ro and container service that serves Liverpool and Gothenburg directly from any South Atlantic port. This is a unique selling point.

**To keep a 35-day rotation, it will be necessary to drop one or two traditional ACL ports or to call in only one direction in some of the ports where you have double calls today. What is the future for Norfolk?**

Places like New York and Baltimore are core ports but everywhere else is under review. Nothing has been decided yet. We are now talking with our customers to get their wish list. Currently we can only take a portion of our big clients' business, simply because we can't give them space guarantees. We are now mapping out flows of customers such as Caterpillar, Deere, Volvo and the like as they will have an influence on the schedule.

**I can imagine that Antwerp will not be dropped, as it is one of Grimaldi's most important hubs. Is**

**a move to Grimaldi's AET home terminal on the left bank likely once the new Deurganck Lock is ready? What is the future for Gothenburg? Could this possibly be served from Antwerp by your cousin Finnlines?**

Antwerp and the whole area around Belgium are really big for us. With the new ships, we expect to have 1,400-1,500 container moves in Antwerp every week. We cannot spend 24 hours sitting in port because our schedule is tight. Our AET guys are looking at how they could handle us. If they can find a good solution that makes sense financially, we would love to go there. But if not, we will stay where we are, because PSA has done an excellent job handling our G3s.

Gothenburg requires a long voyage and we need both cars, high & heavy cargo and containers to make a Gothenburg call worthwhile. We have been there since 1967 but who knows about the future? Will Volvos continue to be manufactured there? Gothenburg is one of those unique ports that we would like to keep, but it needs to be analysed in the bigger schedule picture. We'll figure it out over the next year or so.

**Less than one year ago ACL was connected via the Finnlines network to Finland and Russia, offering a through B/L. How successful are the weekly sailings?**

The Finnlines ships call at the AET terminal, but on Saturdays they now stop at the Europa river berth terminal of PSA to pick up the ACL cargo that arrived from the US and Canada on Thursdays. We have meanwhile captured almost one third of the US-Russia market. The 21-day transit time we offer is the fastest from the US to Russia. Nobody can touch that. We are focusing on ro-ro now, but containers will follow with the new ships.

**You call at Liverpool in either direction. The problem with Liverpool is its "off the beaten track" location and the passage through the Gladstone Lock. Is the Liverpool call in the balance?**

We don't know yet. The Liverpool call has two downsides: the lock and the 1.5-day detour. But, on the other hand, there are only two companies calling at Liverpool: ICL and ourselves. Liverpool also gives us a very good access to Ireland and Scotland, where we have a good market share. It's also in the industrial heartland of the UK. So we need to balance cargo generation ability versus extra time, a lock and difficult navigation. Not an easy decision, nor one we

will take without a lot of study.

**How has 2012 been so far and what are the prospects?**

Thank God, it has been a good year for us. The box ship competitors are in the doldrums, but we are still making good money and Grimaldi is extremely happy with us. We haven't cut rates that much and can count on our loyal customers.

As for the prospects, it's hard to say with the austerity in Europe. Eastbound, it has been a tough run these last couple of years. The buying power in Europe has decreased dramatically and nobody is buying as many tractors or agricultural machinery. Over 35 percent of our eastbound ro-ro is transhipped and goes to Russia, the Middle East, the Mediterranean and South America. We are faring well on the westbound service and are often overbooked. We have a year round occupancy rate of 95 percent for both TEUs and ro-ro. Eastbound, we have

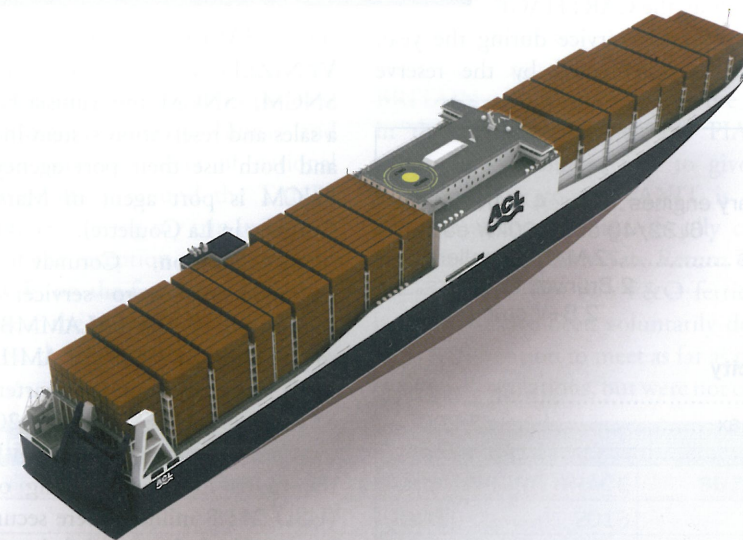
a 90 percent occupancy rate container wise and ro-ro still 75 percent thanks to Russia, the Middle East and the Med.

**What is your cargo mix on the ro-ro decks? And how will you anticipate the double-digit container growth?**

Unlike Grimaldi, only a small percentage of ACL's business is focused on cars. We are big on high & heavy pieces of machinery without wheels and do a lot of mafi traffic and project cargo. This cargo is far more difficult to handle but it pays a lot more. Customers pay you for no damage and minimal handling. Today we charter out our car decks to WWL in both directions. We may continue to do so with our new ships, but haven't decided yet.

In order to not have to doubly fill the new ships overnight, we will begin to grow in 2014 by buying container slots from other carriers, probably Hapag-Lloyd and the Grand Alliance.

The shape of ships to come: ACL's G4-ships will be the world's largest con-ros.



Artist's impressions: Knud E. Hansen

In preparation of the new ships, we are also buying new equipment right now. Our equipment fleet of mafis, reefer containers and dry vans will double.

**What has been the role of Grimaldi in the newbuilding project?**

From day one Grimaldi has been 100 percent supportive and generous with both technical and legal assistance. ACL built its last ship 27 years ago, so we had lost our expertise in dealing with shipyards. Grimaldi was full of expertise, so we worked as a team.

We first thought that Grimaldi would propose their GRANDE-type con-ros to replace our G3s. Nothing could have been further from the truth and they insisted on building purpose-built tonnage with improved economies of scale.

When we proposed to them the IMA concept, I got Grimaldi's confidence and support. I was impressed and proud of them. Grimaldi gave me a lot of freedom but they were always there when I needed them. We never would have gotten the deal we got without Grimaldi's assistance and expertise.

**Will Grimaldi co-finance the new ships?**

We are a completely self-supporting subsidiary within the Grimaldi Group. We'll pay the ships ourselves together with the help of European banks. Financing is not a problem because of our cash reserves. We will at least pay 30 percent ourselves, probably more.

Grimaldi is an extremely conservative company on debt and payments and banks are very willing to do business with them. It's so nice to have a strong parent behind you.

**What has changed at ACL following the Grimaldi takeover?**

In terms of day to day, Grimaldi leaves us alone, but gives us guidance and always looks for synergy opportunities. From the very beginning, ACL people were made to feel part of the family, which is so unlike what happened in the other shipping takeovers during the past ten years.

We do lots of things together, where economies of scale make sense: container and equipment purchases, bunker, logistics, technical ship management and many more.

Our performance potential with the new ships will finally enable ACL to surpass Emanuele's Mediterranean and Gianluca's Deep Sea services. That is my goal! ■