

Pangaea to buy for COA

Pangaea Logistics Solutions plans to buy a bulker to fulfill a recently-inked contract of affreightment (COA), chief executive Ed Coll said today.

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by Eric Martin

Coll said it would cost the Rhode Island-based bulker owner and operator a premium to time-charter a vessel for five years in today's market.

"So we can go out today and buy a ship cheaper than chartering a ship for five years," he said at the Connecticut Maritime Association's Shipping 2015 conference.

Earlier this month, Pangaea announced that it inked a five-year COA to carry 2 million tonnes of "steel-related products" from the Gulf of Mexico to Central America beginning in 2016.

In a presentation on deciding between owning or chartering vessels, Coll says his company does not buy ships without contract coverage, and he said Pangaea usually keeps a "net short" position in its fleet employment.

"How do we look at chartering versus owning? Really, it is pretty simple," he said. "If it is cheaper for us to charter, we will charter. If it is cheaper for us to own, we will own, knowing that you have to take a critical mass of vessels on the water."

Coll said that New York-listed Pangaea replaced its recently scrapped, 66,000-dwt Bulk Cajun (built 1984) with a chartered vessel.

He explained that a more modern chartered ship in the current market would cost about the same as an owner's operating expense excluding financing.

Why buy?

"We could buy a ship to replace it, but why would we do that?" he said.

The Bulk Cajun was making "good money" on a shuttle service but was approaching a required dry-dock. Coll said it would cost \$1m to keep it in service but selling the vessel brought \$5m.

Pangaea has ownership interests in 17 bulkers and newbuildings. But with its chartered-in ships, it operated an average of more than 44 days each day last year.

Pangaea is the parent of Phoenix Bulk Carriers, Americas Bulk Transport, Nordic Bulk Carriers and Seamar Management.

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