Korean Shipping messenger

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Shipbuilding News

Daewoo inks four chemicals

Norwegian shipowner Odfjell and its Saudi joint venture partner have ordered two chemical tankers at Daewoo Shipbuilding & Marine Engineering in South Korea.

Odfjell said it had placed a $65m order for a 75,000-dwt IMO II chemical tanker for delivery in 2013.

The company added that its joint venture partner National Chemical Carriers of Saudi Arabia had placed an order for a sistership to be delivered in late 2013.

The ships will be commercially operated by Dubai-based joint venture NCC Odfjell Chemical Tankers JLT (NOCT).

Both Odfjell and NCC have options for one more vessel each.

STX (Dalian) delivers China's largest PCTC

STX (Dalian) Shipbuilding Engineering, located in Changxing Island Liaoning Province, delivered a 6700-unit PCTC ordered by STX Pan Ocean successfully on June 30th 2010.

As is introduced, the orderbook of STX (Dalian) has reached 77 ships. It is extended to 2012 while PCTC orders occupy nearly a dozen of them.

The LOA of 6700-unit PCTC achieves 199.1m, with 32.26m in breadth and 34.7m in depth. The maximum cruising speed comes up to 20.4k. The capacity reaches as more as 6700-unit cars. The ship is regarded as the largest PCTC in China.

STX (Dalian) Shipbuilding Engineering lies in Changxing Island, established by Korean STX Group which is global No.4 shipbuilder. Changxing Island is believed to become China's largest shipbuilding base in future.

Newbuilding spree for tankers

Tankers are proving most popular in the summer ordering revival.

Shipowners are spending at a rate of more than $1bn a week on newbuildings, as contracting activity rebounds, which is set to reverse the decline in orderbooks.

Tanker orders totalling $650m at New Times Shipbuilding Group in China involving Dynacom of Greece is one of the biggest deals so far as Far Eastern yards bid to fill what one broker describes as "great yawning gaps" in yard orderbooks for late 2012 and early 2013.

The same yard says it is ready to confirm more orders shortly.

Tankers have proven the most popular with AET, NS Lemos and Cardiff Marine finalising contracts for nine suezmaxes worth more than $600m.

Kuwait Oil Tanker Co (KOTC) and Tanker Pacific have ordered eight aframax and panamax products tankers between them. The expectation is that tankers will dominate summer-contracting activity, taking over from bulkers.

Kamasarmax-newbuilding investment is still continuing, however, with the latest being a double order from Hellenic Carriers, while Sinotrans has spent over $125m on four panamax bulkers.

One newbuilding broker said, "What we are seeing here is that yards are looking for more orders quickly to keep at least two years' forward cover. Owners are bullish. They saw VLCC rates top $70,000 per day just a couple of weeks ago and they also see that deliveries are tailing off after 2012. They think it's a good time to move."

He added: "It also seems they have bought the line from yards that prices will increase because of higher materials costs hook, line and sinker."

The ordering frenzy seems set to continue with broker Clarksons pointing out that enquiries are most active in the VLCC, suezmax and aframax sectors. Reflecting the high level of activity prices have firmed with VLCCs up 4%, suezmaxes 8% and aframaxes 12%, according to Clarksons's figures.

Greeks Are Waiting

Most Greek shipowners, who account for more vessel orders than any other nation, are waiting for prices to drop before expanding their fleets, according to Royal Bank of Scotland Group, their largest lender.

The cost of a new VLCC has climbed 5 percent this year to $104 million following a 33 percent slide in 2009, according to Clarkson Research Services Ltd.

Prices for Capesizes advanced 6.3 percent to $59.5 million a vessel, Clarkson said.

"Prices are more likely to go down than go up," Lambros Varnavides, the bank's head of credit to the shipping industry, said in an interview in London on July 1.

“Yards still have large order books which they are working their way through. Once they work their way through that, they will be more desperate for new orders.”

Greeks have the largest order book of any nation as measured by compensated gross tons, with contracts for 19.2 million tons of new orders, according to Clarkson.

Greece has orders for 19.2 million tons, Germany 16.8 million, and China 15.2 million, according to Clarkson.

By number of vessels, German owners have the greatest order book at 933 vessels, compared with 857 for Greece and 710 for China, according to Clarkson.

He said he expects that trend to continue for the next several years. The bank’s shipping department is expanding lending, while the unit’s so-called non-core shipping lending has dropped, he said.

RBS has provided about $23 billion of credit to shippers, of which $20 billion has actually been borrowed, he said. In January last year, it had provided $25 billion of credit.

Orders Rebound Prices need to rise as well

Korean shipbuilders in South Jeolla Province, southwestern part of the country, which had won '0' new ship orders last year, have inked 21-ship orders in the first half of this year, signaling a recovery of newbuilding market.

During the first six months of the year, Hyundai Samho Heavy Industries contracted 17 ships while Daehan Shipbuilding inked four ships.

Especially, Hyundai Samho won a variety of ship orders like containerships, bulkers and tankers totalling almost $600m.

The shipyard is also expected to win many new ship orders in the second half and is forecast to achieve its annual order target of $1.7bn.

Daehan and Shinan Heavy Industries are said to be now in negotiations for a 4-ship order respectively.

New ship contracting activity recovered significantly this year compared to last year when there was no single order, and ship block manufacturing yards are expected to show signs of life as well.

A yard official said, "The combined order backlog of the shipbuilding companies in the South Jeolla Province stands at 170 ships stretching until 2011 deliveries."

"As new order situation has been improving since early this year local yards are expected to continue building ships in the second half," he added.

While new orders are forecast to continue, centering on tankers, bulkers and LNG carriers, in the latter half, industry pundits point out that the greatly fallen ship prices could be in yards' way to normalize their operation. It could also hit the yards' collaborative companies.

A yard official said, "Shipyards secured new orders through low-price strategy last year in a bid to secure workload but this has put great pressure on shipyards as well as on ship block suppliers."

"The amount of new orders is important but ship price should also get back to its right place," he added.

Boxship orders coming

Two European players have booked two ships each in China and South Korea, respectively.

Norwegian-backed Norse Management and Cosmoship of Greece have joined the handful of owners ordering containership newbuildings.

Jan Petter Roed-controlled Norse is poised to ink an order for a pair of 1,740-teu boxships at China’s Guangzhou Wenchong Shipyard.

Now it has emerged as one of only five owners to have ordered containerships since the slump.

They include Cosmoship of Greece, which is understood to have ordered a pair of feederships in South Korea.

The two Norse ships are said to be scheduled for delivery in 2013.

The price is expected to be in line with the $25m each paid in early June for two sisterships ordered by South Korean owner STX Pan Ocean.

A figure of $25m compares favourably with prices of around $33m that Norse paid for ships it ordered in 2003.

Meanwhile, Nikos Savvas-led Cosmoship Management of Greece has emerged as the owner behind two small boxships ordered in South Korea in January.

In an unreported deal, it is said to have signed up for two more 1,043-teu vessels at Daesun Shipbuilding for delivery in the first half of 2013.

The latest ship in the earlier series to have been delivered to Cosmoship is the 1,040-teu Avra (built 2009), although others have been resold.

With newbuilding orders beginning to seep out after a two-year hiatus, shipbrokers expect Chinese yards will set the pace.

“It will be Chinese yards that will initially continue to take orders, as they have far less exposure in their existing orderbooks for containership tonnage compared to their Korean counterparts,” said Clarkson Research Services in its latest monthly report.

Korean yards will want to quote again in the near future for various sizes of containerships but “will allow Chinese yards to initially take the orders to set the new market price for the various size sectors”, it adds.

Daehan cruises smoothly, winning RG

Daehan Shipbuilding's rehabilitation procedure is going smoothly as it succeeds in receiving refund guarantees (RG) and newbuilding inquiries increase.

The South Korean shipbuilder secured refund guarantee from the Korea Development Bank last week for two 180,000-dwt bulk carriers under construction for delivery in 2011.

It is the second time that Daehan won RG for newly signed ships since January last year when the company's workout procedure started.

Daehan said its successful deliveries of 13 ships so far has led to the successful RG issuance by KDB.

The yard is expecting to receive additional RG for two newbuildings within this month.

An official from Daehan said, "As we have now solved RG problem, we are going to win new ship orders at a 'proper' price, abandoning low-price strategy, so that we can smoothly proceed with company rehabilitation."

It aims to further sharpen its competitive edge as a capesize bulker specialist yard through ceaseless improvement of ship quality and customer-oriented services, he added.

Shipbuilder & steel supplier on the same boat?

Chinese shipbuilding analyst Sun Chongbo said recently Korean shipbuilding tycoons such as Hyundai and Samsung began to raise newbuilding price, as more as 10% against previous level.

Experts said it was mostly triggered by the price surging in global steel market. Chinese shipbuilding industry also faced the awkward situation of material price rising, labor cost surging and CNY devaluation but no definite signal of price advance.

Statistics showed that the price of steel plates rose by nearly 100% from January 2003 to March 2005 while the building period was normally two years. So, it’s impossible for shipyards to pass the rising cost to downstream enterprises as steel suppliers did.

On the other hand, China should consider bloody competition with Koran and Japanese rivals. Maybe higher price means fewer orders in future.

The building cost just occupies 20% of the total. Obviously the steel cost is the focus. In March 2005, the steel cost reached the peak of CNY5950 ($876) per ton. In December 2005, it dived at CNY3200. As a result, shipyards came across turning point while steel suppliers faced emergency then.

So, how to mediate between shipbuilders and steel suppliers is really worthy to be considered. Alliance may be an option for joint risks and profits but can they still sit on the same boat when crisis comes?

Shipping & Business News

The shipping index has dropped 50%. What does it mean?

Stock markets have had a rough week or so. But that's nothing compared to what's been happening in a slightly more obscure market.

Yesterday, the Baltic Dry Index saw its 27th consecutive day of losses. That's the longest continuous slump for five years.

The Baltic Dry measures the cost of shipping dry bulk goods – commodities such as iron ore and coal, for example. The index fell off a cliff during the credit crunch in 2008, as credit to finance global trade froze.

So what is the current sell-off telling us about the state of the global economy?

Should you worry about the shipping index sell off?
The Baltic Dry Index (BDI) has fallen almost in half since the end of May.

But let's put it in perspective. This is nothing compared to the 95% drop the index saw before and during the financial crisis of 2008.

And by and large, analysts are saying that we don't need to get too worried about this sell off either. Why not?

The BDI measures the cost of shipping raw materials from one place to another. If the price of moving raw materials falls, then you'd assume that people are moving less stuff around the world. Presumably, that's because demand for finished goods is also slowing down. Therefore, a drop in the BDI suggests that the global economy must be slowing down.

That's all very logical. But it misses one point – the supply side. Because it measures the cost of shipping, the BDI might also be saying that there are simply too many ships. The BDI hit a record high in 2008, as demand for shipping rose far ahead of the supply of ships available.

So, as you'd expect, that meant that more ships were built. And fleets are still growing now, even although demand has fallen to more normal levels. More ships and static demand means shipping rates are falling.

As dry bulk researcher Derek Langston of Simpson Spence and Young told the Financial Times last month: "We still anticipate this year we will see a record year in terms of annual growth of trade. However, this is also accompanied by record growth in fleet supply."

So everything's just fine then? Well, we wouldn't go that far. Melissa Kidd at Lombard Street Research is rather less sanguine about the fall in the index. Sure, "the quality of the BDI as a leading indicator has been disrupted by an oversupply of shipping." But "the message of weaker global activity is supported by a range of other indicators."

Chinese growth is slowing

One big factor in the fall has been a drop off in Chinese steel mill demand for iron ore. Iron ore shipments fell year-on-year in both April and May, according to Bloomberg. Iron ore is of course, a key ingredient in steel manufacturing.

But domestic steel prices in China have been falling for the past ten weeks. This is partly down to tighter monetary conditions. The construction industry is the major driver of steel demand. China's attempts to curb the property market have hit steel consumption and therefore prices.

With iron ore prices remaining high, that's pushed steel makers into losses. As Andreas Vergottis at Tufton Oceanic tells Bloomberg, "Profitability of Chinese steel mills is zero now, we think."

The trouble, says Kidd, is that "China has been the world's engine of growth for… commodities over the last 12-18 months. A cooling off in Chinese demand growth – prompted by ongoing monetary tightening – will impact heavily on global price developments" in the commodities market.

And China's not the only one slowing down. "The JP Morgan Global Manufacturing PMI has fallen from a high of 60.9 in April to 57.0 in June." The reading for new orders was particularly hard hit, falling from 60.3 to 55.5 over the same time. "While a PMI of over 50 points to economic expansion rather than contraction, the drop in the index components points to a slowing down in the pace of recovery."

A turning point for the global recovery
What all this boils down to, says Kidd, is that "the global recovery has reached a turning point as the momentum provided by the inventory cycle wears off." In other words, company restocking is now ending, and we're waiting to see what sort of 'real' demand remains to pick up the slack once government stimulus is removed.

Just how bad things get remains to be seen. But even a slowing of demand doesn't bode well for hard commodity prices in the second half of the year.

CMA CGM to sign with investors

CMA CGM Group has a few additional weeks to complete its capital increase with external investors.

The discussions, which are well advanced, require the preparation of particularly complex documents.
CMA CGM Group's operational activity has sharply improved since the beginning of the year.

Over the first quarter, volumes carried rose 21% compared with the year-earlier period, while EBITDA stood at $380 million, up $640 million year-on-year and in line with first-quarter 2008.

Quarterly revenue was up by 29% to $3.2 billion. Second-quarter results will exceed first-quarter figures.

STX Europe eyes $570m through IPO

STX Offshore & Shipbuilding is looking to bag over $570m from an IPO for its European business, it is reported.

STX Europe, formerly Aker Yards, will be floated in Singapore during the next couple of months.

A listing for STX Europe has been talked about since the South Korean outfit took over the company in mid 2008 and removed it from the Oslo Stock Exchange.

Parent STX Group wants to collect between KRW 600bn and KRW 700bn ($572m) from an October IPO.

Goldman Sachs will lead the listing, which was previously expected to take place in Europe.

Gaddani breaks record 107 ships

The ship-breaking yard at Gaddani broke all previous records where 107 ships having a total light displacement tonnage (LDT) of 852,022 tons were beached for scrap during the current fiscal year.

Never in the past, such a large number of vessels were brought for dismantling at the yard and even last year when the ship-breaking activity hiked at record level only 86 ships with 778,598 LDT were turned into scrap.

Owing to brisk activity at the Gaddani ship-breaking Yard a large workforce is engaged in dismantling of ships ensuring smooth supply of scrap and steel plates to re-rolling mills mostly located in Karachi, and Punjab.

Additional Collector Customs at Gaddani Behan Ali Sher told Dawn that the number of ships could have gone up to 125 by the close of the current fiscal but Cyclone Phet early this month disturbed arrival schedule of many ships.

He said that due to increased breaking of a larger number of ships at the yard the national exchequer also bagged more revenue at Rs1,033.8 million (July to June 26, 2010) as against Rs666.4 million in the same period last year.

The major factor for reviving ship-breaking at Gaddani has been the liberal government policy with lesser taxes and duty on import of ships for scrap. Besides, slump in shipping industry resulted in grounding of more vessels by shipping lines and depressed prices also worked as impetus for the ship breakers.

Ali Sher said that at present all 132 plots of the yard are booked for breaking of ships.

Evergreen builds 'Green Ships'

Ten US$103m, 8,000 TEU containerships ordered by Taiwan-based Evergreen Group will have engines large enough to give them 24.5 knot service speeds.

Although Evergreen is currently slow steaming some of its vessels it has apparently decided to retain the capacity to offer high speed services. Evergreen says: "With fuel-saving features and a highly efficient operation [the new ships] are designed to provide shippers punctual delivery service."

The first of the L-class environmentally advanced container vessels is due for delivery by Samsung Heavy Industries in 2012 and will join Evergreen Line's global containership fleet. Six of the new vessels will be built for Evergreen Marine Corporation and four for Evergreen International S.A. (Panama).

Evergreen says in a statement: "The new ships will be constructed under the innovative Greenship design concept developed by Evergreen Group Chairman Dr Chang Yung-Fa nearly 10 years ago and first introduced in 2003. The highly developed features have been built into every Evergreen Line vessel since then. The Greenship programme has taken environmental protection and compliance to a superior level."
It adds: "The L-type ships will ensure Evergreen will meet the Group's fleet reinforcement programme, as well as provide replacement requirements."

With an overall length of 334.8 metres and a beam of 45.8 metres the L class ships will be able to transit the Panama Canal once the current expansion programme is completed in 2014.

"Evergreen's long-time commitment to environmental excellence takes yet another step forward with these newbuildings," said Bronson Hsieh, Evergreen Vice Group Chairman and Chairman of Evergreen Marine Corporation. "The emphasis on fuel conservation will work reduce the carbon footprint we leave on this green earth."

He added: "In the current global economy, which varies from minute to minute, it is an important issue for ocean carriers to have flexible operational strategies -- meeting the requirements from customers and also remember that protecting the environment allows us to be a good citizen of the world."

Major Vietnam firm nears bankruptcy

The chairman of one of Vietnam's largest state-owned enterprises, shipbuilder Vinashin, will be reprimanded for pushing the firm to the brink of bankruptcy, the Communist Party said.

Vietnam Shipbuilding Industry Group has debts of at least 80 trillion dong (4.3 billion dollars), local media reported.

Company chairman Pham Thanh Binh will be disciplined for irresponsibility in the mobilisation, management and use of state capital, leaving the firm nearly bankrupt, the Central Committee Commission for Inspection, a type of oversight body for Communist Party members, said in a statement late Monday.

The agency did not specify the punishment.

Dantri International news website earlier quoted Pham Viet Muon, vice-chairman of the Government Office, as saying Vinashin will be restructured.

Downsizing will help Vinashin focus on its main business instead of other interests including ports and real estate, the Tuoi Tre newspaper website quoted the company's general director, Tran Quang Vu, as saying.

"We will make every effort to regain our financial health in three years," he was quoted as saying.