Korean Shipping messenger

A collection of articles and daily news for the shipping industry with focus on the Korean shipping and shipbuilding markets.

08 December 2010

Shipbuilding News

Hyundai to continue upturn

Korea's Hyundai Heavy Industries (HHI) is prospected to continue its upward trend in business results for the Q4 and next year, following the Q3.

Lee Ji-hoon, an analyst of Korea's SK Securities, examined the shipbuilding business for next year as saying "newbuilding orders will increase by 15-20% worldwide in 2011. Even though this is just a third of the past booms, Korean shipbuilders have taken an advantageous position for the price competitiveness of newbuildings due to the comparative appreciation of the yen and yuan".

He said, in the case of HHI, the competitiveness of the non-shipbuilding sector has improved a lot more than the shipbuilding sector. HHI's trade mark has been 'shipbuilding' so far, but it will be 'power generation & energy' in the future, according to him.

HHI's overall sales have been increasing. Particularly the results of the power generation & energy-related sectors including the electrical & electronic and industrial plant business sector is to reach 51% of the company's total results in 2012, getting far ahead of the shipbuilding sector's sales representing 36%.

World Shipbuilding 2011: Slight fall

The performance of global shipbuilding market is obviously beyond previous expectation. In 2011 the market may fall slightly because delivery peak will occur next year and overcapacity will become more serious. The weakening of bulk carrier market is believed to influence the market, regardless of uptrend from oil tankers and boxships.

From January to October, global new orders reached 95.12m dwt, which doubled that of last year. Global output hit 120m dwt, which was expected to break 150m to 160m this year. By the end of October, global orderbook reached 470m dwt, diving by 10% against that of early 2010. Meanwhile, the newbuilding price was rebounding.

The market showed diversified trend. In the past three quarters of this year, the bulk carriers still dominated. But the oil tankers and boxships were catching up. In 2011, the occupancy of major three ship types might slump at 90%.

As is estimated, in 2011 the bulk carrier orders might reach 28m to 36m dwt. The oil tanker orders were expected to hit 14.5m to 31.5m dwt. The boxship orders were likely to achieve 10.5m to 13.5m dwt. In addition, the specialized ship market might turn around next year, covering MPP, heavy lifter, Ro-Ro, LPG and LNG carriers.

Without doubt, the overcapacity would definitely occur. The shipbuilding market was about to face long-term order shortage

By the end of 2013, the overcapacity rate of bulk carriers was expected to hit 22%. On the other hand, the elimination of single hull tankers might relief oil tanker market while boxship market showed upturn.

Japan bolsters its shipbuilders

Japan's Ministry of Land, Infrastructure, Transport and Tourism is said to have decided to come up with comprehensive measures to shore up its 'weakened' shipbuilding business sector.

According to its plan, the supporting measures will have been arranged by next June, including supports and subsidy from government financial institutes and a tax favor for Japanese shipbuilders to build environmentally friendly vessels and offshore facilities.

Japan, which had maintained the world no.1 position in the shipbuilding sector for about 20 years, has been falling behind Korea and China for recent years, so it is watching the opportunity to counterattack.

This is the first time for Japan to come up with comprehensive measures for the shipbuilding sector after the 1970s when Japan reduced domestic newbuilding capacity in response to the shipbuilding recession.

A new research association is due to be established within December, attended by shipbuilding players and officials from shipbuilding-related enterprises.

Some parts of the supporting measures will be involved in the budget or tax revision for 2012.

In detail, the Japanese Government is planning to contribute subsidy to establish the atmosphere where Japanese shipbuilders can easily exercise their capacities to lead the development and production of fuel-efficient vessels.

The government will also support for the production of offshore facilities for which Japanese yards won relatively less new orders.

Plus, Japan is examining to expand the range of target countries for the ship export financial support, which now limits to emerging nations, to include developed countries.

That is, Japan Bank for International Cooperation (JBIC) lends to European shipping companies or shipowners, to lead them to place new orders at Japanese yards more conveniently.

Japan expands plant export financing

The Japanese Government is getting heated again in the industrial and offshore plant export support policy.

Japan's prime minister, Kan Naoto, revealed in the 'strategy meeting to achieve a new growth' held in the official residence of the prime minister on November 25th that the Japanese Government would strongly support the plant exports.

The government has finished examining the solutions for the export finance dedicated to developed countries by Japan Bank for International Cooperation (JBIC).

The export finance is a means to promote Japanese companies', including shipbuilders, exports of plants and vessels by lending export financing to foreign enterprisese.

During the era of Liberal Democratic Party, the export finance only for advanced countries was withdrawn in principle in the course of financial policy reform.

However, the policy has changed with the replacement of the regime, and the responses of the plant businesses to the change are quite positive.

On this matter, there is some criticism that the newly changed export financial policy is a political approach because the large-scaled offshore plant sector is involved in big enterprises sitting on a healthy cash pile.

Chinese ship export breaks $30bn

With sustainable growth, Chinese ship export broke $30bn for the first time. According to customs statistics, Chinese ship export value reached $33.11bn, rising by 50.64% against that of last year. On the other hand, the ship import achieved $1.48bn, diving by 29.03%.

In October, the ship export value stood at $3.66bn, increased by $486m against a month earlier. The ship import value came up to $132m, rising by $55.02m.

From January to October, the export Chinese major three ship types totaled $25.92bn, jumping by 68.53%. It occupied 78.28% of total export volume. The export value of bulk carriers, tankers and boxships hit $17.02bn, $5.36bn and $3.54bn respectively.

Jiangsu Province crowned China again, with $6.95bn. It was increased by 46.7%. Zhejiang Province took 2nd Place with $6.24bn, rising by 80.91%. Shanghai ranked 3rd with $5.36bn, surging by 14.33%.

Chinese ships were exported to 165 countries and regions. Ten of them exceeded $1.0bn and 28 of them surpassed $100m. Hong Kong took $6.74bn and ranked 1st. Singapore occupied 2nd with $4.71bn. Liberia took $3.0bn. They are top3 exported countries. Asian countries took $14.8bn with growth of 33.32% while Europe occupied $8.96bn, rising by 41.61%. Africa seemed as a dark horse with $3.13bn exported value and 207.41% growth.

STX develops optical communications welding

STX Offshore & Shipbuilding developed the first optical communications welding system in the world.

Welding is one of core processes in shipbuilding.

In the traditional analog welding system, 10 welding cables had to be mobilized, but by introducing digital welding only two cables are needed.

Maximum output capacity of 600A and 55V can be maintained for up to four hours.

Also a welder can use a wire feeder as a remote controller to change current, voltage, gas volume, etc.

The new welding system can also be applied to aluminum.

An official from STX said, "Through the development of the new welding equipment, both productivity and quality are expected to be enhanced. Furthermore, cost reduction effect would reach at least KRW 11.5bn ($10m)."

"Currently we are applying for a patent for the optical communications digital welding system technology," he added.

Shipping & Business News

Safe inks capesize in China

Athens-based Safe Bulkers has returned to Chinese shipyard to build a capesize bulker.

New York-listed Safe said Tuesday that it has entered into a shipbuilding contract for the construction of a Chinese-built approximately 180,000-dwt bulker at a contracted price of $53m.

When the ship hits the water in the third quarter of 2012, it will begin a ten-year time charter at a rate of $24,810 per day. The contract also includes a pair of one-year extension options with the day rate set at $26,330.

In seven years time, Safe says its unidentified patron will have a chance to acquire the vessel for $39m. After that, the price will drop on a pro-rated basis by $1.5m per year.

If the charterer does indulge in the purchase option and chooses to sell the vessel to a third party, Safe will be offered the right of first refusal to buy the bulker back.

News of the order came hot on the heels of a deal to build a kamsarmax newbuilding at Zhejiang Ouhua Shipbuilding in China. The 82,000-dwt newbuilding costs $34m for delivery in the fourth quarter of 2011, Safe said in a statement.

The Company's fleet after these newbuild acquisitions will expand to 24 vessels with deadweight capacity of approximately 2.3m tons by 2013.

Hapag-Lloyd goes public in 2011

German tourism group TUI is preparing to sell its 50.2% stake in containership giant Hapag-Lloyd after picking three banks to explore the possibility of an initial public offering (IPO).

TUI says it has joined shareholder Albert Ballin- which controls the remaining Hapag-Lloyd slice- in hiring Credit Suisse, Goldman Sachs and Greenhill to "commence preparations for a stock exchange listing", a statement reads.

The float is likely to commence in 2011. Some sources say it could happen as early as April.

TUI has valued its investment in Hapag-Lloyd at EUR 2.5bn ($3.3bn).

In conjunction with the proposed IPO, the company is also seeking out strategic and financial investors.

Hapag-Lloyd currently owns 59 ships and charters more than 70 further ships with a total capacity of 575,000-teu, and is ranked number five amongst the world's leading shipping lines, TUI says.

Korean on emergency with IFRS

Korea's shipbuilding & shipping companies are put on emergency alert due to the implementation of IFRS (International Financial Reporting Standard).

Even Korea's monetary authorities are coming forward to persuade the members of IASB (The International Accounting Standards Board). However, as IASB's revision work seems in progress now without amending unfavourable criterion against Korea, there would be fierce after effects from the IFRS implementation.

According to the accounting academia, the exposure draft of IFRS's risk aversion accounting, which is directly related to the debt ratio problems of Korean shipbuilders, will be published as early as next week.

It is said that the exposure draft does not include the Linked Presentation (LP) measure, which Korean shipbuilders have been insisting.

The biggest problem, when IFRS comes in, is a dramatic rise in book debt ratio. Therefore the monetary authorities and The Korea Shipbuilders' Association (Koshipa) and the accounting academia, etc. have been suggesting the LP measures reflecting Korea's reality vulnerable to exchange rate fluctuations, but their efforts seem to be inadequate to turn IASB, which adheres to the theory of principle, to Korea's side.

To solve the sharp rise in book debt ratio, the Korean Government suggested the LP measure where derivative liabilities and risk aversion adjustment are taken off when listed in the debt book. However, there were seven votes against Korea's suggestion while only five for that in IASB's vote results with the suggestion rejected in July this year.

This was because IASB was quite conservative in making its decision, aware of the fact that IFRS's authority could fall if exceptions are accepted.

On the other hand, Korea's shipbuilders are planning to mobilize all means if Korea-side positions are not considered into the exposure draft, the prior step to the revised IFRS.

Big 3 CEOs continue in office

The CEOs of Korea's large-sized heavy industries companies are seen to have continued at their post or been promoted in 2010's CEO reshuffle, which is a good news for warm end of the year.

This is probably because it is only one year since the large-scaled replacement of CEOs at the end of last year. Also because of positive business results with a recovery of the market situation after the global financial crisis.

In the CEOs personnel change of Samsung Heavy Industries (SHI) issued on December 3rd, Roh In-sik, the president of SHI, succeeded himself. Since his appointment as the president of SHI at the end of last year, he has improved results significantly, getting a credit for his management ability.

Mr. Roh, who passed his first year under SHI's exclusive representative system, has placed SHI in the world No.1 position in terms of orderbook, beating shipbuilding behemoth Hyundai Heavy Industries for the first time after its foundation. His weapon, in the new order battle, was a selective new order sales activity focusing on high value-added vessels and offshore plants.

SHI has succeeded in winning new orders for containerships and offshore plants in a large scale this year. Its accumulated new orders by November reaches $9.1bn mark, exceeding its annual target of $8bn. The combined new orders by the end of this year is expected to hit $10bn mark.

About Korea's Hyundai Heavy Industries (HHI), Oh Byeong-uk, the former president of HHI, has been shifted to the president and representative director of Hyundai Samho Heavy Industries, an affiliate of HHI group.

Mr. Oh was appointed as the president of HHI together with Lee Jae-sung, the president and representative director of HHI and Choi Won-kil, the president and representative director of Hyundai Mipo Dockyard last year. After the one year CEO training, Mr. Oh has finally in effect got promoted as representative director and president of Hyundai Samho, according to HHI group.

With this, the CEO formation of HHI group was rounded out, consisting of Min Keh-sik, who got promoted as the chairman of HHI in March this year, Lee Jae-sung, the president of HHI, Chio Won-kil, the president of Hyundai

Mipo Dockyard and Oh Byeong-uk, the president of Hyundai Samho Heavy Industries.

Nam Sang-tae, the president of Daewoo Shipbuilding & Marine Engineering (DSME), seems to keep his post as well. Despite political community's scratching his career, he proved innocent, strengthening his position.

To be true, DSME's positive business results are strongly expected for this year, exceeding its annual operational target, and large-scaled contracts are likely to be booked at the end of this year and the beginning of next year.

Plus, since its creditors are going to reveal the schedule to sell the majority stake in the company sooner or later, the absence of CEO would probably have a bad influence on the company's management.

Ship underwriters monitoring Ivory Coast tensions

London's marine insurance market said on Wednesday it has not changed its risk assessment of Ivory Coast following a disputed election, although it continues to monitor political tensions in the world's top cocoa grower.

An election meant to resolve Ivory Coast's decade-long political crisis has left the west African country with two candidates claiming the presidency, after incumbent Laurent Gbagbo defied international pressure to concede defeat to his rival Alassane Ouattara.

The Lloyd's Market Association (LMA) represents the interests of all underwriting businesses in the Lloyd's market.

The Joint War Committee, which groups syndicate members from the LMA as well as representatives from the London insurance company market, in 2003 added Ivory Coast to a list of areas it considered high risk for merchant vessels and prone to war, strikes, terrorism and related perils. "Underwriters are watching the situation," Neil Roberts, a senior technical executive with the LMA, told Reuters.

"It is a slightly unusual election result but in terms of marine threat it is not directly impacting hull or indeed cargo insurance -- it is less of a concern than some other areas," he said after the Joint War Committee, which assesses threats to shipping, held its quarterly meeting.

West African regional body ECOWAS has joined world leaders in recognizing Ouattara as president and urged Gbagbo to step down in a row that has raised the threat of violence, deepened divisions and risks isolating Ivory Coast.

"There is no real change for London insurers as the country is already on the list," Roberts said.

The London marine insurance market plays an influential role in the global marine insurance industry.

Roberts said underwriters would determine if they needed to alter terms and conditions of policy cover for Ivory Coast.

"It is not automatic that ship owners have to pay an additional premium, but it is necessary that they notify underwriters (when traveling to the area)," he added.

ICE cocoa futures eased on Wednesday from Tuesday's four-month high as investors locked in gains. But dealers said the market remained nervous despite steady export flows.

Risks to cocoa supplies from Ivory Coast are real and living conditions are not normal for people in rural cocoa growing area, the International Cocoa Organization told Reuters on Wednesday.

POLITICAL SUPPORT

A ship insurance agent based in Abidjan, the country's main port and capital, said there were no shipping disruptions although a night curfew meant vessels carrying goods were unable to enter or leave the port between 2200 and 0500 hours.

"The situation in the city is really very difficult -- we have two governments and I'm quite sure at some point people will start fighting," the agent told Reuters on Wednesday.

"My recommendation is that it is better for ship crews not go out of the port because we don't know when the situation can deteriorate."

Gbagbo remains in control of the army and state television and has shown no signs of backing down.

J. Peter Pham, an African security adviser to U.S. and European governments and private companies, said the cocoa producing and coastal areas strongly backed Gbagbo.

"As long as Gbagbo retains the loyalty of the armed forces, keeps a tight rein on them, that is (allows) no atrocities which might provoke an external intervention, and neither cocoa nor offshore hydrocarbon exports are embargoed, the political stand-off can go on for quite some time," Pham said.

DNV unveils LNG-fueled VLCC

Classification society DNV has taken the wraps off a new crude oil tanker concept. The Triality ship is fueled by LNG, has a hull shape that obviates the need for ballast water and very greatly reduces local air pollution.

The concept vessel also recovers hundreds of tons of cargo vapors on each voyage and, says DNV, is "a major step towards the new environmental era for the tanker shipping industry."

Developed through a DNV innovation project, Triality -- as its name indicates, fullfils three main goals: it is environmentally superior to a conventional crude oil tanker, its new solutions are feasible and based on well known technology, and it is financially attractive compared to conventional crude oil tankers operating on heavy fuel oil.

DNV CEO Henrik O. Madsen, who presented the new concept in its VLCC version in London today, says: "I am convinced that gas will become the dominant fuel for merchant ships. By 2020, the majority of owners will order ships that can operate on liquefied natural gas (LNG). As a leading class society, DNV has an important role to play in finding more environmentally friendly solutions for the shipping industry, and I'm proud of what has been achieved for the crude oil tanker segment through this innovation project that we are presenting today."

Compared to a conventional VLCC with the same operational range and operating in the ordinary spot market, the Triality concept VLCC will:

emit 34 percent less CO2

eliminate entirely the need for ballast water

eliminate entirely the venting of cargo vapors (VOCs)

use 25 percent less energy

NOx emissions will be reduced by more than 80 percent while emissions of SOx and particulate matter will fall by as much as 95 percent.

The new concept tanker has two high pressure, dual fuel slow speed main engines fueled by LNG, with marine gas oil as pilot fuel. The next phase of the Triality concept development will review the use of dual fuel medium speed engines and pure gas engines.

Two IMO type C pressure tanks capable of holding 13,500 cu.m LNG - enough for 25 000 nautical miles of operation - are located on the deck in front of the superstructure. The generators are dual fuel (LNG and marine gas oil) while the auxiliary boilers producing steam for the cargo oil pumps operate on recovered cargo vapors (VOCs).

A traditional tanker in unloaded transit needs ballast water to obtain full propeller immersion and sufficient forward draft to avoid bottom slamming. Triality has a new V-shaped hull form and cargo tank arrangements that will completely eliminate the need for ballast water in the VLCC version of the desihn. There will also be much less need for ballast water on other kinds of crude oil tankers, such as Suezmax, Aframax and smaller ships.

The new hull shape results in a reduced wetted surface on a round trip and has a lower block coefficient and thus a more energy efficient hull.

A VLCC in unloaded transit will normally carry between 80,000 and 100,000 tons of sea water containing organisms that can cause damage when released into foreign ecosystems. In addition, a lot of fuel is needed just to transport this extra water. And initial coating and later maintenance of ballast tanks during operations are among a shipowner's main concerns.

The Triality VLCC can collect and liquefy more than 500 tons of cargo vapors during one single round trip. These liquefied petroleum gases will then be stored in deck tanks and up to half will be used as fuel for the boilers during cargo discharge, while the rest can be returned to the cargo tanks or delivered to shore during oil cargo discharge.

"It is possible to develop an environmentally superior ship and be profitable at the same time," says Mr. Madsen. "Our best estimate is an additional capital expenditure of 10-15 percent for a Triality VLCC newbuilding compared to a traditional VLCC. Even with this extra cost included, we estimate a reduced life cycle cost equal to 25 percent of the newbuilding cost for a traditional VLCC.

"Triality is a concept vessel and a shipbuilder will need to prepare a detailed design before the first Triality crude oil tanker can be constructed," notes Mr. Madsen. "The Triality concept is based on well known and proven components and systems, so in principle a Triality crude oil tanker introducing all or some of the innovative elements in the concept can be designed today. I am convinced that the Triality concept will create great interest among shipbuilders and crude oil tanker operators, so that the first Triality crude oil tanker will leave a shipyard before the end of 2014."

Introduction of the Triality follows DNV's launch in April 2010 of a new concept design for a containership fueled by LNG -- Quantum.