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

12 July 2010

Shipbuilding News

Daewoo inks LOI for VLCC's

Korea's Daewoo Shipbuilding & Marine Engineering has reportedly inked a letter of intent with Malaysia's tanker owner AET to build four 320,000-dwt very large crude carriers.

Newbuilding price is said to be $105m to $110m per ship for delivery in late 2012 and 2013.

AET is now accelerating fleet expansion to have 150 tankers consisting of VLCC's and MR products carriers.

The owner had also ordered four 158,500-dwt suezmax tankers at Samsung Heavy Industries for $271.2m in total.

The first-ever suezmaxes for the shipping company are set to be delivered between April and October 2012.

Price gap widening

The difference in newbuilding price offers from Korean, Japanese and Chinese shipbuilders continues to exist.

There is more than a 10% price gap for the same ship type among high price group of Korean and Japanese major yards and low price group of Chinese and newly emerging yards.

Traditionally, newly rising shipyards and Chinese yards offered lower prices than ordinary prices in the newbuilding market but recently the gap is increasing as some major yards selectively accelerate price hike.

As for a VLCC newbuilding, China's New Century Shipbuilding fetched $95m and Dalian Shipbuilding Industry Co won $96m but Korean large shipbuilders offer $105m to $110m, with the gap being over $10m.

Chinese recently inked a new suezmax for $61m to $63m but Korea's major yards like Samsung Heavy Industries signed a suezmax for $67m to $68m, approaching $70m.

Chinese builders and Korea's emerging or midsize yards contracted capesizes at $58m to 60m apiece while Korean large builders won capesize orders for well over $60m.

As for a new 80,000-dwt panamax bulker, Chinese offer slightly over $30m but Korean majors want high $30m mark or $40m maximumly.

Meanwhile, in many cases Japanese yards' price offers are higher than Korean and Chinese rivals' in dollar terms due to the strong yen situation.

Accordingly, Japanese order intake competitiveness seems to continue to be weak for a while, and the fierce marketing competition between Korean and Chinese yards will go on.

Hyundai expands into energy biz

Hyundai Heavy Industries is diversifying its business portfolio into energy and resources development as it wins both international and local courts backing in the acquisition of Hyundai Oilbank.

The world's largest shipbuilding group recently won a local court approval following winning an ICC international arbitration last year to acquire a controlling stake in the oil company from Abu Dhabi's International Petroleum Investment Co (IPIC).

HHI also has the required fund of around KRW 2.5trn ($2.09bn) to buy the 70% stake through its cash reserve, bank financing and supports from group affiliates like Hyundai Motor and Hyundai Steel.

If HHI succeeds in buying Hyundai Oilbank, the group's business will expand into energy sector from existing shipbuilding and offshore plant divisions.

HHI is already growing new and renewable energy businesses like wind and solar power.

S Korea says foreign ship orders recover from slump

South Korea's foreign ship orders soared during the first half of the year after a steep two-year slump, and the recovery will continue, the economy ministry said on Thursday.

South Korean companies won foreign contracts to build 207 vessels with a total capacity of 4.62 million compensated gross tonnes (CGT) during the first half of the year, up 450 percent from the same 2009 period, the ministry said in a statement.

South Korea won more than 3.20 million CGT in orders in the whole of last year, when foreign ship orders dropped sharply for a second consecutive year, the ministry said.

South Korea won 38 percent of the total new ship orders awarded globally during the six-month period in terms of capacity, second only to China, which took up 45 percent of total orders, the ministry said.

Despite the recovery in new orders, ship deliveries fell 13 percent in terms of capacity in the six months from a year earlier after a 1 percent drop in the whole of last year, it said.

The ministry said new ship orders would continue to post hefty growth in coming months on the back of a sustained recovery in the global shipping industry.

The shipbuilding industry accounts for about 10 percent of South Korea's total exports in terms of the value of ships delivered and the industry's performance has a strong influence on the local foreign exchange market.

South Korea is home to some of the world's largest shipbuilders, including Hyundai Heavy Industries and Samsung Heavy Industries.

Meanwhile, South Korea's Daewoo Shipbuilding and Marine Engineering , the world's second largest shipbuilder, said it had won orders worth $300 million to build two oil carriers and two chemical product carriers.

Daewoo said in a statement that the orders came from Kuwait Oil Tanker Company and an unidentified European company.

Vinashin at the brink of bankruptcy

The Commission for Inspection of the Communist Party of Vietnam Central Committee announced that several Party organizations and members will be punished for serious violations of the Party rules. Among them is Pham Thanh Binh, Secretary of the Vietnam Shipbuilding Industry Group (Vinashin)'s Party Committee and Chairman of the Vinashin Management Board.

According to state controlled broadcaster Voice of Vietnam, "the commission concluded that his wrongdoings called for disciplinary actions as he had been irresponsible in the mobilization, management and use of the state capital, pushing Vinashin to the brink of bankruptcy. It decided to start the process of criticizing and punishing towards Binh."

At the same time, the commission asked the government to inquire into the responsibility of related ministries and agencies for Vinashin's violations.

According to an Agence France Presse report, Vinashin has debts of $4.3 billion.

Now Vinashin is undergoing a major restructuring. Tien Phong newspaper says it will be divided into three parts by September 30.

A rump group will remain managed by Vinashin., but PetroVietnam will take charge of the Lai Vu Shipbuilding Complex (Hai Duong), Nghi Son Shipbuilding IZ (Thanh Hoa), Nhon Trach Specialized Shipbuilding and Equipment Manufacturing Plant (Dong Nai), the Dung Quat Shipyard (Quang Ngai), Soai Rap Shipbuilding Industrial Zone (Tien Giang), VinashinÕs share in the Hoang Anh Shipbuilding JS Company (Nam Dinh) and other Vinashin investments.

Vinalines will take over the Hai Ha Seaport IZ (Quang Ninh), Dinh Vu Port (Hai Phong), Hau Giang IZ and Shipyard (Hau Giang), Nam Can Shipyard and Port (Ca Mau), the East Sea Marine Transport Company, the Vien Duong Transport Company, and VinashinÕs share in other marine transport companies.

Boxship delivery hit new high

According to Alphaliner statistics, global boxship delivery hit 88 units from April to June 2010, which hit new high of quarter delivery, namely 440,000TEU.

In the past two weeks, global idle boxship fleet also kept shrinking due to great demand in the market.

On July 5th, global idle boxship fleet decreased from 192 units of 380,000TEU indicated two weeks ago to 174 units of 340,000TEU. That means the idled fleet just occupy 2.5% of the total. It is the lowest point since December 2008.

Currently the idle fleet operated by container lines has decreased to 44 units of 120,000TEU. However, in the peak of March it reached amazing 240 units of 1m TEU. On the other hand, the idle fleet owned by Non-container lines came up to 130 ships of 219,000TEU, most of which are 1000 to 2000TEU sized boxships.

Idle fleet means oversupply?

The idle fleet is said to hit 520,000TEU, but it do not mean 520,000TEU surplus shipping capacity accordingly because different shipping routes are characterized with different capacity, depth, and port sizes.

In the view of global market, no idle ships in the true sense. However, the storage of a few idle ships is actually essential.

The 4% idle fleet is thought to be reasonable. It doesn’t mean oversupply in the market. Currently most idle ships belong to the owners who specialized in chartering business. In most cases, self-owned ships are prior when shipping lines consider re-start idle more ships.

The hot season is passing while huge number of new ships is rushing into market. Will the idle fleet and oversupply expand? It is a pending question.

In the past five months, about 410,000TEU idle capacity was re-started due to gradual recovery of global economy. Previously the ‘low speed’ sailing also consumed 554,000TEU. As a result, global idle shipping capacity has slumped from 1,510,000TEU in January to 520,000TEU or even less. More will be activated in the second half of this year due to new routes coming out.

Commodity Shipping Slumps for Longest in 9 Years on China Steel

The Baltic Dry Index, a measure of commodity shipping costs, fell for the longest period in almost nine years as declining Chinese steel prices erode the nation’s iron ore demand.

The index of freight rates on international trade routes fell 38 points, or 2 percent, to 1,902 points today, according to the London-based Baltic Exchange. Today’s drop was the 31st straight decline. That’s the longest since the 34 sessions to Aug. 15, 2001, according to Baltic Exchange prices. Charter rates for all types of ships tracked by the exchange fell.

“We don’t see anything in the next two to three weeks that’s going to turn the market around,” Guy Campbell, head of dry bulk at Clarkson Plc, the world’s largest shipbroker, said by phone. “Everything is centered on China. We are still watching China in terms of where the steel price is going.”

The price of hot-rolled steel in China has declined 17 percent to 3,909 yuan ($577) a metric ton since rising to a 2010 high of 4,698 yuan on April 15, according to prices from Antaike Information Development. Some of the nation’s mills are shuttering blast furnaces for maintenance and others are relying on existing stockpiles instead of imports, Michael Gaylard, strategic director at Freight Investor Services Ltd., said by phone from Shanghai today.

Iron ore creates the single-biggest source of demand for dry-bulk shipping, according to data from Clarkson’s research unit. Trade in the steelmaking ingredient will total 996 million tons this year. Coal is second-largest at 865 million tons of seaborne trade. Grains are 315 million tons.

‘Difficult Picture’

“It’s a very difficult picture as far as miners are concerned trying to put together sales” of the raw material, Gaylard said. The present slump in shipping costs “is going to continue for July at least,” he said.

Charter rates may start to recover starting in September once Chinese mills have worked through iron ore stockpiles and need to accelerate purchases again, Clarkson’s Campbell said.

Rental rates fell 2 percent to $15,679 a day for panamax vessels, the largest to navigate the Panama Canal, according to the exchange. They declined 3 percent, to $17,643, for capesizes, so called because they have to travel around South Africa’s Cape of Good Hope or South America’s Cape Horn to deliver consignments.

Irika Shipping to Pay $4M Penalty for Violating Maritime Pollution Law

Irika Shipping S.A. has agreed to pay a $4 million penalty for violating the Act to Prevent Pollution from Ships and obstruction of justice, reports the U.S. Department of Justice. The ship management corporation registered in Panama and doing business in Greece, also agreed to be placed on probation for a maximum period of five years, and be subject to the terms of an Enhanced Environmental Compliance Program.

The company is accused of illegally dumping waste oil and bilge waste and concealing deliberate vessel pollution from the M/V Iorana, a Greek flagged cargo ship that made port calls in Baltimore, Md.; Tacoma, Wash., and New Orleans, La.

Irika was previously prosecuted for dumping waste oil sludge in Tacoma, Wash., in 2007. Under that agreement, Irika Maritime and Irika Shipping were required to develop and implement an Environmental Compliance Plan that would apply during a four-year probation period to the entire fleet of vessels managed by Irika Shipping, including new vessels such as the M/V Iorana.

In July, Irika Shipping pleaded guilty to dumping approximately 23 cubic meters of oil contaminated sludge and about 6,000 gallons of bilge waste overboard in December 2009 during the voyage from Gibraltar to Baltimore using a 103-foot bypass hose, as well as other illegal discharges, and concealing the vessel’s pollution.

The investigation into the M/V Iorana was launched in January 2010 after a crew member passed a note to the Customs and Border Protection inspector upon the ship’s arrival in Baltimore alleging that the ship’s chief engineer had directed the dumping of waste oil overboard through a bypass hose that circumvented pollution prevention equipment required by law.

Photos obtained by the U.S. Coast Guard show the bypass system used to discharge oily waste, including sludge, being routed through the ship’s boiler blow down system where any trace of oil could be expected to be steam cleaned away, according to the justice department.

Under the terms of the proposed plea agreement, Irika Shipping and its ships must also be audited by an independent firm and supervised by a court appointed monitor.

Of the $4 million, Maryland will receive $750,000, which will be used for Chesapeake Bay projects. In Washington, $125,000 will pay for environmental projects in and around the waters of Puget Sound and the Straits of Juan De Fuca. In Louisiana, $125,000 will help fund habitat conservation, protection, restoration, and management projects to benefit fish and wildlife resources and habitats.

Lloyd's Register recently announced it will offer a verification service to ship-owners and operators wishing to demonstrate their success in reducing the environmental impact of their activities beyond the requirements of classification or statutory rules and regulations.