S&M backlog empty

South Korea's small-and-medium shipbuilders, facing with continued new order drought, would meet with gloomy lunar New Year's Day.

Sources said on 13 January that due to recent preference over larger and high-quality vessels amid market depression, many small-and-medium builders had won no newbuilding for over four years.

21st Century Shipbuilding, awarded '$300m export' in December 2008, would empty out its yard in coming June. Last three 34,000-dwt bulkers are under construction.

Samho Shipbuilding had stopped operation of its Tongyoung yard since November 2011, as its financial situation worsened by cancellation on 15 newbuildings.

SHINAsb Yard had inked no new order since 2008. Although it is constructing seven vessels, at present, it will deliver the last newbuilding in September. SHINAsb is finding a way for management normalization, reviewing block production for other yards, etc.

NB prices reach 2004 level

Newbuilding prices, which had plunged after global financial crisis at the end of 2008 and rebounded a bit in 2010, has dropped to the level from 2004 again due to sluggish new order by the end of 2011.

According to Clarksons, newbuilding price for VLCC, as of early 2012, declined to $99m, similar to that in September 2004.

Also, capesize bulker and 3,500-teu boxship NB prices fell to the level of $48.5m from January 2004 and $49.5m from the same year July, respectively.

A market player said, "Downward trend in newbuilding prices is expected to continue this year, unfortunately, as Eurozone debt crisis puts pressure on ship financing and new order placement."

Discounting at Asian shipbuilders has pushed newbuilding values to fall to near 10-year low as Chinese and Japanese yards try to secure fresh business.

One owner said there is a 170,000-dwt capesize bulker for 2013 delivery being offered for sale by Imabari Shipbuilding at $45m, quite lower than that required for yards to earn money.

The pricing may not, however, be too wide of the mark with VesselsValue.com estimating recent Japanese-built capesize deliveries at just $46m.

And talk of bargain-basement offers from yards is not restricted to Japan. Brokers point out that Chinese yards are offering $47m for a standard capesize, some $1.5m lower than the estimated average.

HMD & DSME to win tankers

From the beginning of the new year two South Korean shipyards are competing to win tanker orders, which have been very rare last year.

Hyundai Mipo Dockyard is tipped to be ahead in the race to win a contract from Kuwait Oil Tanker Co (KOTC) for four medium-range (MR) products-tanker newbuildings.

Well-placed quarters say the Ulsan-based yard and Daewoo Shipbuilding & Marine Engineering are vying for the 50,000-dwt vessels.

However, HMD is expected to win as it has reportedly offered a more competitive price. Sources suggest that it is at least $40m, or slightly more, per ship.

"A standard MR tanker is currently priced at around $37m but KOTC's will cost more due to the company's high specification requirements," said a shipbuilding player.

Last week, KOTC was said to have firmed up an order for four 320,000-dwt VLCCs and one aframax products tanker at DSME. A source familiar with the deal says the contract will be signed "soon".

Price estimates on VLCCs vary widely — from $111m to $139m — but a well-placed source says the actual price is around $118m per ship.

He adds that Korean yards are currently quoting around $100m for a standard VLCC but KOTC is paying more for high-specifications.

Meanwhile, KOTC is said to be paying over $50m for the 115,000-dwt long-range two (LR2) tanker.

HMD delivers 14 ships in Jan.

Hyundai Mipo Dockyard began its smooth sailing, by delivering successful newbuildings in the New Year.

Starting from the first delivery of 34,000-dwt bulker to Greek Alloceans Shipping, Hyundai Mipo delivered a total
of three 56,000-dwt and 34,000-dwt bulkers, ordered by Italian and Denmark owners, on 4 January.

On the next day, 5 Jan, Hyundai Mipo made deliveries of 45,000-dwt product carrier ordered by Norwegian owner and Greek owner's 58,000-dwt bulker.

Hyundai Mipo said, "We plan to make the largest monthly-delivery of 14 vessels in January and a total of 81 vessels in 2012."

President Choe Weon-Gil, Hyundai Mipo previously revealed that it would target $3.2bn, 83 vessels of new order and reach KRW 4trn (about $3.47bn) of revenue and $3.2bn of ship export.

Meanwhile, Hyundai Mipo's Hyundai-Vinashin Shipyard made its New Year's first delivery on 5 Jan, Finnish E.S.L's 56,000-dwt bulker and aims 18-newbuilding deliveries in 2012.

Indian enters shipbuilding
India's Titagarh Wagons (TW) is moving into shipbuilding business and aims to construct bulk carriers of up to panamax-size.

It will pick up a stake in the newly floated sister company Titagarh Marine.

"We are already into heavy engineering and we are foraying into shipbuilding now," said TW chairman JP Chowdhary.

"The new company has already been floated, which is in the process of setting up a shipyard to build vessels at Kakinara in West Bengal and then we plan to expand to Kulpi."

The group will invest INR 65bn ($1.26bn) in the two projects, although TW's exact stake is not yet clear.

Chinese hope: "High-Value"
Chinese market player said, regarding recently troubled Chinese shipbuilders, 2012 would be the toughest year, when considering 3-4 year construction cycle for large vessel. Added that only by 2015, market would start recovering.

The China Association of National Shipbuilding Industry (CANSI) said that Chinese builders apparently slowed down in Q4 2011, however, related economic index still showed two-digit growth.

However, it pointed out that plummeting orderbook by decreasing new order was cornering Chinese yards into crisis.

According to statistical data from CANSI, about 50% of the investigated yards had no new order during the first half of 2011 and 10 among a total of 43 major builders won no newbuilding contract. Therefore, many builders went into the red.

Ministry of Industry & Information Technology (MIIT) said that a total of six factors affect its domestic yards, including Chinese and global economic uncertainties, lack of global demand, tougher competition among shipbuilders, new international regulations about shipbuilding industry, increasing construction cost and labor cost, insufficient cost competitiveness pressured by stronger yuan and inflation.

Moreover, oversupply is also one of the serious problems. Spokesman from MIIT warned that China reached 66m dwt of shipbuilding capacity as of 2009, while demand just stood at 50m dwt, about 16m-dwt being over-supplied.

In terms of numerical result, oversupply is a serious problem, however, only parts of commercial ships face oversupply. Chinese builders see high-value sector under-supplied and this arena would be the key to resolving current crisis.

Amid big crisis in the market, some major yards in China still made a good record last year. Jiangsu Yangzijiang Shipbuilding sealed new order for 25 10,000-teu next-generation eco-friendly boxships, the largest order in China. Also, Jiansu Rongsheng Heavy Industries inked about $1.3bn of newbuildings just in H1 2011, up by 30% on the same period 2010.

Market player forecast that shipbuilding market would have a clear change in supply-and-demand structure. LNG carrier and offshore market would grow even more and eco-friendly vessel would be welcomed by owners.

Rolls-Royce LNG-fueled engine
Rolls-Royce has signed a contract to deliver engines and propulsion systems for the world's first LNG fueled tugs.

The two vessels have been ordered by Norwegian company Bukser og Berging AS and will enter service in late 2013 for Statoil and Gassco, the operator of the gas transportation network off the Norwegian coast.

Robert Leseth, Rolls-Royce, Senior VP - Merchant, Propulsion Systems and Engines said: "This is a breakthrough for our Bergen gas engines and cutting edge propulsion technology. The choice our customer has made highlights the industry leading engine performance, fuel consumption and low methane emissions that Rolls-Royce can offer, which is now being applied to tugs."

In addition to two gas engines and an LNG tank system, Rolls-Royce will deliver an azimuth propulsion system for each tug, which will provide the quick and responsive maneuvering important for tug operators. These tugs will be the first vessels to use the newly designed Rolls-Royce US35 azimuth thrusters, which have improved hydrodynamic performance and hull integration.

The combined power and propulsion system is estimated to give a reduction in CO2 emissions of 30 percent compared to similar conventional vessels, and will comply with all known future emission regulations.

Rolls-Royce will also provide automation and control systems for the two vessels.
POSCO, "Still far from price cut"

President Choi Jong-Tae, POSCO revealed, "POSCO has no plan to decrease thick-plate price in the first quarter," on 12 January.

South Korean shipbuilders requested domestic steel makers, POSCO, Dongkuk Steel, Hyundai-Steel, etc., for price cut, down by over KRW 100,000 ($86.3) per ton.

Iron-ore price of Brazil's Vale declined to $144 per ton in Q1 from $167 in Q4 2011. Also, prices for Chinese and Japanese thick plate are in decrease. President Choi explained, "Due to costly raw material, cut in thick-plate price would be a pressure."

POSCO and other thick-plate manufacturers had been reluctant to cost cut, saying they need additional time to reflect depreciated raw-material price into thick plate.

Price negotiation with shipbuilders and steel makers is still covered with cloud.

Shipping & Business News

Ship tycoon offered Torm group "very cheap" -paper

Norwegian shipping tycoon John Fredriksen has been offered a chance to take over Denmark's debt-laden Torm shipping group, a Norwegian newspaper reported on Friday.

Nordea Bank, a major Torm creditor, has offered the firm "very cheap" to Fredriksen if he takes on Torm's debt, daily Finansavisen said, adding that Torm's fleet would in that case enter Fredriksen-controlled firm Frontline 2012.

A spokesman for the Norwegian billionaire could not be reached for comment. Torm investor relations chief Christian Sogaard told Reuters: "It is Torm's policy not to comment on rumours."

The newspaper did not name its source for the story.

Torm, one of the world's top oil-products tanker operators, could face takeover if it fails to reach a quick deal to reschedule $1.84 billion of bank debt as it struggles with an industry slump and tightening credit lines, analysts said on Thursday.

Torm said in November it wanted more time to repay its obligations, tripling the amount it has asked investors to stump up in a rights issue to $300 million.

Unlisted Frontline 2012 was spun off recently from Frontline, the world's largest independent tanker operator, relieving the parent company of much debt and its costly newbuild programme.

Stena to order five LNGCs

Stena Group is reportedly considering an $1.2bn order for up to five new LNG carriers (LNGC).

The purchasing deal is thought to be a joint venture with an unnamed US energy company, according to Oslo-based investment bank Arctic Securities, quoting reports in the Swedish media.

These quoted Stena Bulk chief executive Ulf Ryder saying Russian charterers had recently visited the company, seeking a two-year time charter on a Stena vessel for a reported $165,000 per day.

According to London-headquartered shipbroker Clarksons, Stena has two 170,000 cu m LNG carriers on order in South Korea.

"Shipbroker reports indicate still stronger freight rates in the LNG segment as modern tonnage is achieving $155,000/day and [newer] tonnage is achieving around $170,000/day," said Arctic Securities analyst Erik Nikolai Stavseth.

"We see no changes in the industry fundamentals and think 2012 and 2013 will turn out to be increasingly stronger for LNG shippers."

Navios fixes MR2 newbuilds

Navios group tanker arm Navios Maritime Acquisition has clinched period charter deals for five of its newbuilding product tankers due for delivery this year, hiking employment coverage for the fleet to nearly 90% in 2012.

All five of the 50,000 dwt medium range two tankers have been hired out for three years at a day rate of $13,331 plus 50-50 profit sharing once market rates exceed the relevant index.

The deals are expected to generate about $37m in total earnings before interest, taxes and depreciation over the three-year period and they mean 20 of the company's 26 vessels have now been chartered for an average 4.1 years.

Navios Acquisition said two different "high quality" charterers were involved, with slight differences in the initial profit-sharing terms as well as different terms for optional further years.

The first of the unidentified counterparties, which has chartered three of the MR2s, has two additional optional years respectively at net daily rates of $14,566 and $15,553.

The second charterer has agreed one optional additional year at a rate of $14,813 net per day.

Each of the two charterers has been granted a separate short-term option to charter in one of Navios Acquisition's remaining pair of MR2 newbuildings, due in the fourth quarter of this year, on similar charter terms.
Deliveries of the first five tankers are scheduled to start from the second quarter.

**Tsakos to bag suzmaxe resales**

Greek shipowner Tsakos is on verge of inking bargain suzmax newbuildings.

The group is said to be picking up two resale-newbuilding contracts from Sungdong Shipbuilding & Marine Engineering for $52m each.

The ships in question, Hull Nos 2032 and 2033, were part of a four-vessel order placed by Tsakos in 2009 at a reported $70m each for delivery in 2011. Two were delivered last year. One source says Tsakos cancelled the remaining two early last year when it booked a pair of 4,700-teu containerships at the yard.

The two suzmax vessels are due for delivery this year.

Meanwhile, a price of $52m for a suzmax is the lowest in nearly 10 years.

London-based VesselsValue.com currently puts a $54.7m price tag on the 158,000-dwt Spyros K, delivered in May 2011.

Oslo-based broker Nordic Shipping gives a value of $58m for a suzmax resale and London broker Clarksons quotes $62m.

**GE Shipping - Greatship’s subsidiary cancels a Shipbuilding Contract for one Multipurpose Support Vessel**

Great Eastern Shipping Company Ltd has informed BSE that Greatship Global Offshore Services Pte. Ltd., a Singapore incorporated subsidiary of the Company’s subsidiary - Greatship (India) Ltd, has cancelled the shipbuilding contract for a Multipurpose Support Vessel with Mazagon Dock Ltd, Mumbai (Yard No. 26775). The said cancellation is disputed by the Yard.

In this regard, the Company has issued a Press Release dated January 13, 2012, titled, “Greatship’s subsidiary cancels a Shipbuilding Contract for one Multipurpose Support Vessel”.

**Korean BC order blitz**

Despite tougher market being expected for H1 2012, shipping companies in South Korea seem to plan massive new order placement this year. They would prepare for the next year when market recovery, as expected, and place newbuildings, bulkers in particular.

President Lee Suk-Hui, Hyundai Merchant Marine (HMM) revealed on 12 January, "HMM plans to order 10-some newbuild bulkers, in varied size from 57,000-dwt supramax to 180,000-dwt capesize, to be delivered by the end of 2013."

STX Pan Ocean also is to place new order for about 10 bulkers and increase long-term chartering to 500-some vessels from around 380, up by 31.5%.

STX Pan Ocean said, "Both newbuilding price and charterage have sharply dropped, as depressing shipping market is forecast. Recent crisis in the market can be a good chance."

**Shipping Is for ‘Long-Term Players,’ According to Moore Stephens**

The shipping industry is for “long-term players” because a recovery may fail to occur this year, accounting firm and insurance adviser Moore Stephens LLP said.

More vessel owners and operators are likely to renegotiate agreements with financiers or shipyards, Moore Stephens said today in an e-mailed statement. Finance costs will increase and the global fleet will expand, according to the adviser.

“Demand for seaborne trade continues,” Julian Wilkinson, London-based head of the Moore Stephens Shipping Industry Group, said in the statement. “Many owners, managers and charterers are reasonably confident of making a major new investment or development in 2012.”