Korean Shipping messenger

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

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Shipbuilding News

Hyundai retakes No. 1

Hyundai Heavy Industries has won back the global No. 1 spot by newbuilding backlog.

According to Clarksons data, the South Korean shipbuilder's orderbook as at the end of June stood at 8.236m cgt including Gunsan Shipyard's backlog.

It retook the crown in two months after the yard had yielded it to Samsung Heavy Industries in April.

After global financial crisis, HHI had postponed receiving new ship orders but it resumed it in April after an 18-month hiatus. Newbuilding prices also picked up since March onwards, albeit gradually.

Clarkson Newbuilding Price Index bottomed out at 136p in March and it continued to rise to reach 142p in July.

Meanwhile, SHI's orderbook and Daewoo Shipbuilding & Marine Engineering's each totaled 7.947m cgt and 7.555m cgt, ranking second and third place respectively.

Industry players saw new ship orders resume in the first half of this year, centering on bulkers and tankers. Large containership and offshore plant orders are also expected to pick up in the latter half.

While Japanese shipbuilders are losing order intake competitiveness due to super-strong yen, Korean and Chinese yards are expected to compete in new order arena fiercely down the road.

STX O&S books supramax trio

Principal Michael Papaioannou confirms an order for two firm bulkers plus one option.

Greek owner Helikon Shipping Enterprises is continuing its fleet renewal and has emerged as the “unidentified European shipowner” that was reported in June to have booked three 57,300-dwt bulkers at STX Offshore & Shipbuilding’s Dalian facility.

Michael Papaioannou of Helikon confirms that clients of the London-based company placed an order for two firm and one optional supramax bulkers, which was signed in mid-June. He declines to put a price on the ships. Brokers suggest that such vessels should cost in the area of $32m each.

The two firm vessels, Hull Nos D 2103 and D 2104, are slated for delivery in November 2012 and February 2013. Papaioannou declines to comment on when the optional ship must be declared.

Although the company has moved cautiously, Helikon ordered four bulkers of 58,000 dwt at Tsuneishi Shipbuilding’s Cebu facility in the Philippines. The first pair was delivered in 2007. The second pair was booked in mid-2006 and the first vessel, the Aetolia, was handed over in March. The Pilion was launched on 3 July and is due to be delivered in early September.

Helikon’s fleet, managed by Piraeus-based Pavar Shipping, also includes the 52,000-dwt Athos built at Tsuneishi Cebu in 2004, the 40,800-dwt Parnassos (built 1984) and handysize Elikon (built 1981).

Box 'Hot Season' comes?

Currently the freight rate is surging along with space shortage, which reaches the peak of 2008. But experts show caution due to the plummet in 2008.

However, the huge newbuilding orders occur from time to time. In common view, it is a great opportunity for those shipowners with steady financial status to expand their fleets because the newbuilding cost obviously dives against that of pre-crisis time.

Meanwhile, global liner shipping market recovers. The demand for shipping capacity is increasing as well. Although the cargo volume is expected to dive after traditional hot season, it will not be so tough to pass coming winter. The next climax may come in two years. Now it’s the time to push the cash collected during recession to flow.

The leading actor is Maersk. As is reported earlier, Maersk was talking with Chinese and Korean shipyards to book 10-unit 16,000TEU boxships. But Maersk denied the rumor soon and expressed they were just ‘monitoring’ the shipping status, and had no plan on new orders.

Previously Seaspan clearly showed newbuilding intention based on creative design and reasonable quotation.

Singaporean NOL has signed ten plus two orders, totaling 105,400TEU, to be delivered during 2013 to 2014. The ‘100 boxships’ plan launched by Taiwanese Evergreen has passed 20%, with 20 boxships signed and another 12 ships initially reached intentional agreement. All of those 32 ships are 8,000TEU size, to be delivered from 2012.

Does it mean the hot season of newbuilding is coming?

In past week, people were worrying about the oversupply triggered by huge orders. However, most shipowners still keep calm and hold cash in hand at present. They are trying to catch each penny. It seems that they have learned so much from past bottom.

Slow needs more ships

Neptune Orient Lines will spend $1.2bn ordering 10 new 8,400 teu vessels for delivery in 2013 and 2014

The new era of slow steaming has forced containership lines to reconsider their ordering strategies as reduced sailing speeds require more vessels, according to APL president Eng Aik Meng.

“When you used to order ships for, say, the Europe-Asia trade lane it was eight ships to run a loop, whereas now it is probably 10 ships. So the way you think about ordering has changed,” he says.

APL’s parent group, Neptune Orient Lines, announced in July it would spend $1.2bn ordering 10 new 8,400 teu vessels for delivery in 2013 and 2014, with a letter of intent for two additional 10,700 teu ships, all of which will be built at South Korea’s Daewoo Shipbuilding & Marine Engineering.

Although Mr Eng says the larger vessels are not to add to routes that are already implementing slow steaming, and that their size is purely to expand capacity and replace chartered-in vessels leaving the fleet over the next few years, more consideration is required when contracting newbuildings.

He adds that shipyards have become more receptive to owners requesting environmentally friendly ship design and features that suit slow steaming.

Zim gets breathing space on newbuildings

Israeli line Zim will unveil second quarter results at the end of the month against the backdrop of rapidly recovering container trades and a financial restructuring package that may have given it a headstart over rivals.

Zim was one of the very first container lines to alert Korean shipyards about the looming crisis that the industry faced, and that prompt action worked to the company’s advantage.

The Haifa-headquartered line now has a grace period of at least four years before it has to take delivery of more newbuildings, but also has plenty of flexibility incorporated into the renegotiated contracts.

Whereas most containership owners with large orderbooks were only able to obtain delivery delays of a few months, Zim was granted postponements of up to three years on a series of 12,600 teu ships ordered from Samsung Heavy Industries in 2007 at a cost of $170m apiece.

The ships were originally scheduled for delivery in 2012, but may now be delayed until as late as 2015, thanks in part to some fast work by Zim.

The line’s orderbook also includes another four 10,000 teu ships from Hyundai Samho Heavy Industries that will also be delivered later than originally planned.

Chief executive Rafi Danieli flew to South Korea in October 2008, just a month after the collapse of Lehman Brothers, to warn shipyards of the potential problems ahead.

Mr Danieli, who was chief financial officer at the time, did not ask for deferments at that stage, but wanted to prepare the yards for that possibility, should global economic conditions deteriorate.

In contrast, most other shipowners with large numbers of super post-panamaxes on order did not make contact with the shipyards until early 2009, by which time the container shipping trades were in freefall. Most discovered to their cost that the South Korean yards, which had landed the bulk of these orders during the boom days in 2007 and early 2008, were reluctant to listen. Requests for cancellations were flatly rejected, while delivery delays were mostly for quite short periods.

Zim also found the shipyards to be “tough negotiators”, said Allon Raveh, who took over as finance director in April

2009 soon after Mr Danieli had succeeded Doron Goder as chief executive. But Zim's case was helped by its speedy response to the global downturn.

Details of the restructured orderbook were obscured to some extent by Zim's own deepening financial woes that played out in public during much of 2009 as losses spiralled, forcing parent company Israel Corp to step with a huge cash bailout.

Zim not only had nine 12,500 teu ships in the pipeline, but another eight 10,000 teu vessels ordered from Hyundai Samho a little earlier, plus a quartet of 8,200 teu capacity.

Four of the 10,000 teu ships have been delivered, of which two have just been chartered to Evergreen for three years. The Taiwanese has taken Zim Rotterdam and Zim Tianjin for $41,000 per day, according to broker reports.

Mr Danieli attributes the willingness of shipyards to grant relatively generous concessions to Zim both to the advance warnings that he had given about the probable impact of the banking collapse, and to the line's links with Ofer Group that owns 55% of parent company Israel Corp. Idan Ofer was chairman of both Israel Corp and Zim Integrated Shipping Services at time the line was putting together its financial rescue package.

Ofer Group, with its extensive shipping interests and close relationships with shipbuilders, undoubtedly helped Zim secure some unusually generous terms from the yards, Mr Danieli acknowledges. Ofer Shipping was also instrumental in helping Zim cancel an order for six 1,700 teu ships that had been ordered from Taiwan's CSBC Corp in 2007.

With breathing space now before Zim has to give the go-ahead for construction work on the 12,600 teu ships to start, the line will also be looking at the design specifications and incorporating state-of-the-art technologies into its newbuildings.

Mr Danieli said flexibility was one of the central features of the renegotiated newbuilding contracts. That could give Zim the opportunity to bring the delivery dates forward, should the current market recovery look set to last.

China Cosco Jumps Most in 10 Months in Shanghai on Dry-Bulk Rates Rebound

China Cosco Holdings Co., the nation's largest operator of dry-bulk ships, jumped the most in 10 months in Shanghai amid speculation the company and its rivals may benefit from rising commodity-freight rates.

The shipping line surged by the 10 percent daily limit to 10.31 yuan and closed at that level. In Hong Kong, the company jumped as much as 5.2 percent. China Shipping Development Co. rose as much as 5.5 percent in Hong Kong.

The Baltic Dry Index, a measure of commodity-shipping costs, rose for a seventh day on Aug. 13 in London, as Chinese steel mills revive imports of iron ore. China Cosco had slumped 33 percent in Shanghai this year before today on concern that government efforts to curb property speculation may damp demand for the steelmaking ingredient.

"Investors are buying on the dip as shipping lines have been falling in the past year to really low levels," said Song Weiya, a Shenzhen-based analyst at Great Wall Securities Co. "Still, the magnitude of the jump today is surprising to us."

China, the biggest buyer of iron ore, boosted imports of the mineral for the first time in four months in July as mills restocked depleted inventories.

Cosco Shipping Co. surged the 10 percent daily limit to 8.29 yuan in Shanghai. China Shipping Container Lines Co. also jumped the limit to 4.32 yuan in Shanghai and as much as 4.2 percent in Hong Kong.