



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

Mokpo Shipbuilding files

South Korea's small and midsize shipbuilder Mokpo Shipbuilding has recently filed for a court receivership.

The company said, "We estimate our liquidation value stands at KRW 37.4bn (\$32.3m) while existence value coming in at KRW 43.7bn."

"If court accepts rehabilitation for us and the deadline of debt repayment is postponed, we will try our best to pay the debt and interest in the shortest time."

The shipbuilding firm's asset totalled KRW 53.4bn as at the end of July while its total debt coming in at KRW 59.7bn.

A 7-ship order contracted with S shipping company was cancelled at the yard this year and the yard failed to receive KRW 12bn in ship construction installment from W Shipping, leading to a severe financial difficulty.

Backlog fell to lowest since 2006

Global newbuilding orderbook is continuing to decrease and it now stands at 7495 ships of 474.7m dwt as at September 1st, the lowest level since December 2006 when 7388 ships was on order.

However, the recent surge of new VLCC and suezmax orders boosted tanker orderbook by 2.5m dwt month-on-month, Clarkson Research Services' monthly report shows.

Chinese order backlog came in at 189.5m dwt (51.5m cgt), Korean at 157.2m dwt (46.4m cgt) and Japanese at 86.7m dwt (23.6m cgt).

South Korea's Samsung Heavy Industries' Geje Shipyard has the world's largest orderbook at 8.28m cgt, followed by Daewoo Shipbuilding & Marine Engineering's Okpo Shipyard with 7.786m cgt backlog and Hyundai Heavy Industries' Ulsan Shipyard with 7.246m cgt.

Meanwhile, a total of mere 75 ships of 7.1m dwt were newly contracted in August worldwide, the lowest monthly new orders this year since February, mainly due to long summer holidays at shipyards.

Bulker orders plummeted by 57% m-o-m to 31 ships. Handymax orders rose to 14 ships but panamax and capesize orders fell greatly.

Especially, containership orders, which recorded 34 ships in July, plunged to just two ships last month.

China inked 45 ships (29 bulkers, 14 tankers and two boxships) totalling 4.64m dwt last month compared to 2.32m dwt received by Korean yards and '0' by Japanese.

From January by August this year, Chinese yards have won 34.6m dwt (8.7m cgt) of new orders, Korean 31.3m dwt (7.6m cgt), and Japanese 2.2m dwt (0.7m cgt).

Global newbuilding deliveries totalled 67 ships in August, freefalling by 70% m-o-m. In the Jan-Aug period, accumulative newbuilding output was 1694 ships of 97.5m dwt, with the full year delivery forecast to reach 152.2m dwt. A total of 141.8m dwt newbuildings are expected to be delivered next year.

Chinese builders have completed 38m dwt (11.2m cgt) by August this year, Korean 32.7m dwt (10.8m cgt), Japanese 21.7m dwt (6.4m cgt).

In the meantime, a meager 42 ships were sold for scrap last month, the lowest number since the beginning of this year.

Clarkson Newbuilding Price Index fell by 0.4p to 141.4p at the end of August, marking a fall for the first time since the start of this year.

Abu Dhabi shipbuilder buys stake in Hellenic

Greece has approved the sale of its main shipyard to Abu Dhabi Mar, a holding company that owns a string of luxury yacht and naval shipyards in Europe and the UAE.

The deal will help the UAE company to expand its portfolio of European shipyards, which includes assets in France and Germany, and will see it gain new capabilities in manufacturing submarines.

The agreement, which was announced on Friday, involves the transfer of a 75 per cent stake in Hellenic Shipyards, also known as Skaramanga, to Abu Dhabi Mar from ThyssenKrupp Marine Systems of Germany. ThyssenKrupp will retain a 25 per cent stake.

A draft contract was announced in March, and last week's agreement paves the way for the matter to be brought before the Greek parliament at the end of this month.

The deal is tied to pending submarine contracts with the Greek government and to Abu Dhabi Mar's takeover of other ThyssenKrupp shipyards.

The complex dealings were described by the Greek defence ministry as full of "tough and painful negotiations that on occasion reached the limit of failure".

"The Greek government, ThyssenKrupp Marine Systems and Abu Dhabi Mar today jointly announce that they have reached an agreement by finalising the contract text," the ministry said. "A new page opens for the Greek Navy, Skaramanga Shipyards and the entire Greek shipbuilding and ship repair sector."

Iskandar Safa, the managing director of Abu Dhabi Mar, cautioned that "further steps still need to be taken" before the contract comes into effect".

Abu Dhabi Mar's recent activities paint a picture of an ambitious young firm that is fast-growing, politically connected and well-funded.

Since 1996, the emirate's naval shipbuilding has centred on Abu Dhabi Ship Building, which is traded on the Abu Dhabi Securities Exchange. A major stake is held by Mubadala Development, a strategic investment company owned by the Abu Dhabi Government.

In October 2008, a second naval shipbuilding front opened locally with the debut of Abu Dhabi Mar. It announced that it was overhauling two former Dutch frigates that were in service with the UAE Navy and would retrofit the 135 and 141 metre-long vessels into luxury yachts for unidentified clients.

Its assets include ADMShipyards in Musaffah, where it is rebuilding the former frigates on a site capable of building

and refitting vessels of up to 200 metres in length. The 171,900 square metre yard accommodates 750 employees.

In July last year, Abu Dhabi Mar acquired the German shipyard Nobiskrug, which also specialises in naval and commercial vessels, and custom yachts. Nobiskrug has 420 workers on a 173,000 sq metre site.

The Abu Dhabi holding company, which lists its stakeholders as Al Ain International Group and Privinvest, also controls the CMN shipyard in Cherbourg, France. CMN is partnering with Abu Dhabi Ship Building on the US\$1 billion (Dh3.67bn) contract to build six corvettes for the UAE Navy.

Abu Dhabi Mar is also in the process of taking over a number of ThyssenKrupp shipyards in Germany and has also outlined plans to form a joint venture with the German firm in the naval surface ship business. The deal was given the green light by the European Commission last month.

With the Hellenic deal, Abu Dhabi Mar will enter the submarine business. As part of the shipyard acquisition, the Greek government has agreed to replace a planned overhaul of two older submarines with an order for two new submarines in a deal worth €175 million (Dh839.2m).

Greece is one of Europe's largest arms importers, and a decade ago agreed on a submarine acquisition programme, which at one time totalled six new and refurbished submarines at a cost of €2.84bn.

Shipping & Business News

Industry leaders join forces to shape future shipping

Shipping leaders are joining forces to ensure the industry successfully navigates climate change, rising fuel costs, new patterns of global trade and other challenges of the future, it was announced today.

Maersk Line, Gearbulk, BP Shipping, Lloyd's Register and ABN Amro are working with Forum for the Future and WWF in an ambitious project designed to chart a course to a sustainable future.

The Sustainable Shipping Initiative (SSI) will examine the challenges and opportunities which face the industry over the next 30 years and what it needs to do to ensure that, by 2040, it is robust and profitable with a strong record of social and environmental responsibility.

"Shipping plays a vital role in global trade and affects the lives of billions of people around the world," said Jonathon Porritt, founder director of Forum for the Future. "Smart shipping companies can see the way the wind is blowing in terms of today's pressing sustainability issues and leadership of this kind is crucial to the future success of the whole industry."

Climate change and new weather patterns; oil shortages and carbon taxes; changing markets and cargoes, particularly in Asia; piracy and marine governance; new ship designs and other technological developments:

strategic megatrends like these will profoundly affect the industry. The SSI will enable participants to prepare for, influence and take advantage of these trends and play a leading role in shaping the future of the industry.

Jacob Sterling, head of Climate and Environment in Maersk Line, said: "Climate change is a huge challenge for all, and we believe that shipping is not only part of the problem, we can also be part of the solution. We hope that the SSI will deliver an action plan that can strengthen the role of the shipping industry in shaping a low-carbon future."

The founder members aim to bring other leading organisations from across the industry into the SSI, including global shipping firms, shippers and financiers. Members will identify the key megatrends which will affect shipping, explore how best to react to them, and prepare a case for action as a resource for the entire industry.

"Shipping is the least energy-intensive form of trade transport but, to create a truly sustainable model, we still have to find ways to lessen our impact on the planet. The members of the SSI are proven industry leaders with a clear view of how to manage the challenges ahead," said Tom Boardley, marine director, Lloyd's Register.

CEOs and board-level representatives will launch this case for action at a members' summit in 2011, chaired by Jonathon Porritt. This will set the agenda for creating

a vision of a sustainable shipping industry and a plan to create a step change in the social, environmental and economic sustainability of the shipping industry.

“Our involvement in the SSI supports our sustainability vision which is ‘To take responsibility for the future through the choices we make today’,” said Kristian Jebsen, chairman and CEO of Gearbulk. “Our work with the Forum for the Future is a way of ensuring that shipping is able to operate in a manner which takes all stakeholders into consideration, as well as to evaluate and reduce the impact human activity has on the planet.”

The ultimate goal is to mobilise support across the industry for this action plan, which may include technical and engineering initiatives, policy proposals, development programmes for industry leaders and marketing and communications plans.

Stolt gets refunds from SLS

Norway's Stolt-Nielsen has received \$211.3m in refunds from South Korea's SLS Shipbuilding for six cancelled tankers.

The company said the cash, plus interest, was part of an early termination agreement with the shipbuilder for 43,000-dwt parcel ships ordered in 2006 and 2007.

These hit delays and Stolt cancelled a total of eight contracts worth \$296m. It has already received \$84.5m in refunds for the first two ships in the series.

It has now formally cancelled four of the six, and will finally bring the curtain down on the last two when it receives outstanding interest of \$300,000.

Total refunds are now \$295.8m plus accrued interest.

“The refunds will be used by the company to repay loans taken to fund the cancelled newbuildings and for general corporate purposes,” it said.

Boss Niels Stolt-Nielsen said: “We continue to explore alternatives to grow the fleet either through newbuilding orders or acquisitions in the second hand market, but we are in no rush to replace the orders as we believe time is working in our favour due to the present difficult market conditions.”

China: Rising as ship financing center?

In the past, traditionally western banks monopolized international ship finance market. In recent years, as Chinese ship industry becomes stronger, Chinese banks are stepping into global ship finance business. Besides traditional items, the banks also exploit more channels such as ship financial leasing. Chinese banks play more important roles in the world, especially China Eximbank. Currently China Eximbank takes the first place among global export credit agencies.

Global shipbuilding centre is moving to Asia gradually, as well as global ship finance market. China has entered top3 club of shipbuilding. Meanwhile, Chinese ship finance market is expanding. Chinese banks occupied 5% of global ship finance share. Will it keep increasing in coming years? Is it possible for China to become the center of global ship finance?

Zhu Hongjie, Vice President of China Eximbank, received an interview with local journalist in September.

Q&A

Q: On June 25th 2010, Bourbon signed \$1.0bn frame contract with China's Sinopacific, which will build 62 offshore ships. China Eximbank will provide finance service for both sides, totaling \$400m respectively. How can it be?

A: Firstly the huge demand from offshore market is crucial. Secondly it is based on long-term cooperation between Sinopacific and Bourbon. Thirdly China Eximbank has become a global reputable ship finance bank. We are capable to guarantee the funds, which resulted in final signing ceremony.

Q: OECD may re-start negotiation on shipbuilding agreement halted in September 2005. Some foreign media connected it with sensitive topics such as 'newbuilding subsidy'.

A: Influenced by financial crisis, western shipowners turn to Chinese banks for financial support. China Eximbank enhances buyers credit for ship export. It not only brings more orders to Chinese shipbuilders for but also helps shipowners pass tough time. We just did what we ought to do. It is totally different from so called 'newbuilding subsidy'.

Q: Will Chinese financial institutes finally become world ship finance center? What their weaknesses?

A: In 2009, the buyers credit for ship export from China Eximbank was increased by 98% against that a year earlier. However, we should notice that China's market economy is not mature enough. Chinese banks still have a long way to go against western rivals, especially management level, top professional staff, brand effect, global network and risk control.

To become the global ship finance center is a beautiful and gorgeous blueprint for China but not realistic, at least for now.