



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

Newbuild Price Uptick Continues

Global newbuilding orderbook, fresh orders and newbuilding deliveries all decreased month-on-month in May but Clarkson Newbuilding Price Index alone continued to pick up.

According to data compiled by Clarkson Research Services, as of June 1st newbuilding order backlog stood at 7,977 ships of 151.1m cgt, 497.2m dwt, continuing to fall.

But bulker backlog recently kept growing, centering on capesize and panamax bulkers, hitting 3,333 ships of 297.6m dwt.

By nations, China held 192.6m dwt or 53.2m cgt followed by South Korea with 166.2m dwt or 49.5m cgt and Japan with 93.9m dwt or 25.7m cgt.

By shipyard groups, Korean shipbuilders formed 'Big 4' as Hyundai Heavy Industries (except Hyundai Mipo Dockyard) had orderbook of 11.76m cgt, as of June 1st, Samsung Heavy Industries had 8.19m cgt, Daewoo Shipbuilding & Marine Engineering 8.02m cgt and STX Offshore & Shipbuilding 7.12m cgt.

HMD's orderbook stood at 4.34m cgt ranking 6th while Sungdong Shipbuilding & Marine Engineering's came up to 2.64m cgt ranking 10th. Six shipbuilders were Korean among the ten largest shipbuilding companies in the world by orderbook.

Meanwhile, newbuilding orders for 101 ships of 8.8m dwt were contracted in May, down by 33% against a month earlier in vessel terms.

Bulker orders reached 82 ships of 7.8m dwt while tanker orders stood at just three, namely two VLCCs and one suezmax. Of the 101 ships signed last month, 98 vessels were ordered at Asian shipyards and Chinese took 52-ship orders.

So far this year, Korean yards received 14.7m dwt or 3.5m cgt of new orders followed by Chinese with 12.8m dwt or 3.4m cgt. Japanese won just 0.8m dwt or 0.3m cgt of new orders to date this year.

In May, 89 new ships of 6.5m dwt were delivered including 45 bulkers and 24 tankers, which were down by a whopping 53% against April in vessel terms.

Of the new ships completed last month, Chinese yards built 47% or 42 ships, Korean 21% and Japanese 15%.

So far this year China delivered newbuildings of 22.7m dwt or 6.4m cgt, Korea 18.3m dwt or 6.1m cgt and Japan 13.5m dwt or 3.8m cgt.

In the meantime, Clarkson Newbuilding Price Index continued to rise last month reaching 141 points as of the end of May, which is up by 1.9p from a month earlier and up by 4.9p against January this year.

Benchmark price for new aframax tanker jumped from \$53.5m in April to \$56.5m in May while VLCC price rose from \$99.8m to \$102m in the same time frame.

HHI new orders surpass \$7.5bn

The amount of new orders received by Hyundai Heavy Industries up to May this year was \$7.5bn, which was much higher than that in the same period of last year.

However, it seemed that the sales became a little lower, as the amount of work in the shipbuilding industry decreased.

Hyundai Heavy Industries disclosed that the company achieved KRW 1.7866trn (\$1.493bn) for sales last May.

Such a figure represented an increasing rate of 6.09% compared to the figure for the same period in the previous year and 11.06% compared to the one for the previous month.

But accumulated amount of sales up to May this year was KRW 8.7017trn with a decreasing rate of 3.76% compared to the one for the same period in the previous year.

However, the accumulated amount of new orders up to the end of May was \$7.542bn, the figure which had increased enormously compared to the one in the previous year.

The individual amount of orders for each division is as follows: \$2.651bn in the offshore plant & engineering division (an increasing rate of 1,703.4% compared to the one for the same period in the previous year), \$1.597bn in the electro electric systems division, and \$1.482bn in shipbuilding.

Also, it was reported that the amounts of new orders for the construction equipment, the engine & machinery and the industrial plant & engineering were \$854m, \$728m and \$230m respectively.

Hyundai Heavy Leads Gains Among Korean Yards on Yuan

Hyundai Heavy Industries Co., the world's largest shipbuilder, led advances among shipyards in Seoul

trading on expectations that a stronger yuan will help improve their price competitiveness against rivals in China.

Hyundai Heavy climbed 4.9 percent to close at 236,000 won, the highest price since May 12. Samsung Heavy Industries Co., the world's biggest maker of drill ships, gained 5 percent to 24,200 won. China is the world's second-largest shipbuilding nation, lagging behind South Korea, based on orders won this year.

"The stronger yuan will narrow the price gap between shipyards in China and South Korea, meaning that it won't be cheaper to build ships in China anymore," Kim Hyun, an analyst at LIG Investment & Securities Co. in Seoul, said in a phone interview today.

The People's Bank of China pledged on June 19 to make the yuan more flexible, ruling out a one-time revaluation of the currency that's been held at about 6.83 yuan per dollar since mid-2008. China and South Korea have won orders for 27.5 million deadweight tons in the first five months of this year, 82 percent of the global total, according to Clarkson Plc, the world's largest shipbroker.

The global economy is "gradually recovering and the upturn in the Chinese economy has become more solid," China's central bank said in a statement announcing the action.

STX Offshore & Shipbuilding Co., which owns a shipyard in Dalian, China, gained 7.8 percent to close at 11,750 won in Seoul. Daewoo Shipbuilding & Marine Engineering Co., the world's second-largest shipbuilder, advanced 1.9 percent to 19,250 won.

DSME expands service biz

South Korea's Daewoo Shipbuilding & Marine Engineering is currently expanding its service businesses by entering the tourism and restaurant industries.

WELLIV Corporation, which is a subsidiary of DSME, has recently acquired the travel agency called 'Haegeum-gang Travel Agency' which is located in the Geoje region, and changed the company name to 'WELLIV Tour' before carrying out business activities.

WELLIV is a company which is specialized in the field of service management, especially in the so-called non-shipbuilding field which is not handled by DSME, its parent company.

It is a company specialized in such areas as institutional food services, hotel services and leisure/training services.

Since the company expands its business line even to the tourism industry through WELLIV Tour, it seems that the business strategy of the company will soon be changed. By considering the policy of making WELLIV Tour grow up as the travel agency specialized in the field of business, it is also expected that the company will focus on such fields as the foreign training courses for businesses, the workshop programs and the ticketing services for the people on their business trips. By focusing on such fields, the company is planning to exploit the business-related travel-supporting field.

Also, the company is planning to launch the One-Stop travel service, connecting all the services related to hotels, transportation, customer's services and training facilities. Admiral Hotel (located in Okpo, Geoje) which is owned by WELLIV will also be included in the service.

Early this month, WELLIV opened a Chinese restaurant called 'Well China' and a cafe called 'Think Cafe' in the shopping mall of the Okpo Apartment Complex which is located near the shipyard, entering the restaurant industry.

Well China is a Chinese restaurant, representing the Geoje region. The restaurant provides specialized Chinese dishes made by a team of specialized cooks in charge of such dishes. Think Cafe is the place where you can have coffee, various beverages and sandwiches. It will be developed as the place for both domestic and foreign people meet for pleasure and relaxation.

An official from DSME said, "We have decided to expand our business line, in order to make a contribution to the process of activating the local economy as a representative company of Geoje city."

Vietnam, Japan seek cooperation in shipbuilding

Vietnam and Japan hold a big opportunity for cooperation in shipbuilding as the world's second largest economy is recovering and the Southeast Asian country's shipbuilding industry boasts various potentials.

Vietnam 's Investment Counsellor to Japan Le Huu Quang Huy delivered the message at a seminar on shipbuilding in the capital city of Tokyo on June 18.

Huy said Vietnam has a wide range of potentials to develop the shipbuilding industry, citing its coastline of 3,200 km, 120 seaports, abundant and skilled workforce and low labour costs.

Meanwhile, the counsellor said, Japan possesses a large source of capital and a developed shipbuilding industry, with around 1,200 shipbuilding yards and 1,200 seaports. In particular, Japan 's economy is bouncing back and likely to achieve a growth rate of 1.9 percent this year, he added.

Huy pointed out three major challenges the shipbuilding industry will face after 2011 such as capital shortages due to tightened regulations on credits, changes in the demand for marine shipping and fluctuations of oil prices.

He called on shipbuilding companies from the two countries to increase the exchange of visits and meetings to discuss cooperation opportunities and ways to cope with these challenges.

According to the official, Vietnamese and Japanese businesses can cooperate in training personnel, treating environmental pollution at shipbuilding yards and developing supporting industries to serve shipbuilding.

At the seminar, Japan 's maritime expert Nagatsuka Seiji proposed a number of solutions, including the enhancement of cooperation with India , Vietnam and the Philippines , to help Japanese shipbuilding firms cope with fierce competition from regional rivals such as the Republic of Korea and China.

Greece gains investment from China

China has signed 14 agreements with Greece during Chinese Deputy Prime Minister Zhang Dejiang's visit. As is revealed, Greek shipyards will build serial boxships for China's COSCO. Meanwhile, Greece will also export olive oil to China.

A Greek official said both countries reached a series of agreements, including China's huge investment valued at billions of Euro dollar on airport, shipping and telecom of Greece. In addition, a potential chartering agreement with Greek shipping companies may come out recently, totaling €500m.

Greece, which is mired in debt crisis, is dying for investments from China. COSCO also intends to expand business in Greece. Currently COSCO is operating two container ports in Piraeus. Last week, COSCO inked three contracts with Greek shipbuilders. The yards will build seven ships including dry/bulk cargo ship and boxship. COSCO may order another four ships and charter five.

Li Shenglin, Chinese Minister of Transport, signed a cooperation agreement with Greek Shipping Minister Louka Katseli. Greece controls nearly 20% of global commercial fleets.

Easier for shipping firms to borrow now

Shipping companies can borrow money more easily now than a year ago, when the banking industry was roiled by the world financial crisis, said commodity carrier Paragon Shipping Inc.

'It's to do with the situation within banks themselves,' Michael Bodouroglou, the Voula, Greece-based company's chief executive officer, said on Friday. 'A lot of the banks have now put their houses in Friday.'

Banks around the world, many now partly state-owned after receiving government bailouts, are starting to lend to companies and consumers again after selling units and shedding risky assets and bad debts to clean up balance sheets. Royal Bank of Scotland Group plc, which has a shipping business centre in London, is the UK's biggest state-owned lender.

Banks are 'very much' more selective in making lending decisions and are financing a smaller portion of takeover costs, according to the CEO. Borrowing has become more expensive since the credit crisis, Mr Bodouroglou said.

Borrowing at 300 basis points above the London interbank offered rate, or Libor, is 'probably the average industry level', he said, compared with 100 points before the collapse of Lehman Brothers Holdings Inc in September 2008. One hundred basis points make up a percentage point. Libor is the rate banks charge to lend to each other.

The Baltic Dry Index, a measure of commodity shipping costs, plunged in 2008 as the global crisis cut into world trade and forced some shipping firms to seek waivers on loan conditions.

They were more likely to sell bonds to raise finance as they struggled to get funds from traditional lenders, Perry van Echtelt, executive director at Fortis Bank Nederland NV, told a conference in London last October.

Mr Bodouroglou declined to confirm or deny a report printed in TradeWinds on Friday that Paragon received a loan extension from HSBC in connection with its US\$41 million purchase of Dream Seas in April. The panamax vessel was built in 2009, according to the company's website.

Paragon specialises in hauling bulk commodities such as coal, iron ore and grains, the website shows. It operates 12 vessels with another seven expected to enter the fleet next year and in 2012, according to the website

2 banks to extend new loans to shipping industry this year

DnB NOR ASA and Nordea Bank AB will increase their lending to the shipping industry this year after the global recession depressed shipbuilding in 2009.

DnB, based in Oslo and Norway's largest bank, may lend about 10 percent more to the shipping industry in 2010, Harald Serck-Hanssen, its global head of shipping, offshore and logistics, said in an interview yesterday at the TradeWinds Oslo Shipping conference.

Nordea, based in Stockholm and the Nordic region's biggest bank, plans to increase lending by 1 billion to 1.5 billion euros (US\$1.83 billion), Carl E. Steen, head of Nordea's shipping, oil services and international division, said in an interview at the same event. The bank's loans to the sector declined by 7 percent to 10 percent last year, he said.

"The deal flow, pipeline is slightly lower than it used to be, but there are still some extremely good opportunities for the banking community in today's market," Steen said. "We plan to slowly expand the portfolio."

POSCO adopts batch supply system

South Korea's largest steel maker POSCO has launched the 'Batch Order-Supply Method for Each Vessel Unit' in order to produce and supply all the steel plates en bloc, required for the construction of each vessel and offshore plant, regardless of the types or sizes of the steel plates.

On June 17th, POSCO announced that it recently concluded such a package-typed supplying contract for steel plates with Daewoo Shipbuilding & Marine Engineering for the first time, in order to produce and supply all the steel plates en bloc, required for the construction of a 4,400-TEU containership.

POSCO personally visited and persuaded the designing department and the purchasing department of the shipyard, trying its best for the application of the batch order-supply method for each vessel.

As a result, the company successfully concluded a contract with Daewoo Shipbuilding & Marine Engineering in order to

produce and supply all the steel plates en bloc, required for the construction of one container carrier.

Until now, the shipbuilding companies have given their order sheets to various steel companies in regard to the construction of one vessel. Because of such a process, the compulsory delivery time has become long, while such problems as the lost chances and the factors causing the waste have occurred.

POSCO explained, "By launching 'Batch Order-Supply Method for Each Vessel Unit', Daewoo Shipbuilding & Marine Engineering has reached the additional profit-level of around KRW 300m (\$250,000) with such benefits as ▲the reduction of the compulsory delivery time, ▲the reduction of inventories, and ▲the reduction of the distribution costs."

Meanwhile, it is known that POSCO is trying to apply the Batch Order-Supply Method for Each Project Unit with Daewoo Shipbuilding & Marine Engineering, in regard to the steel materials used for such specialized vessels or offshore plants as the offshore wind turbine installation vessel and FPSO whose construction is about to be started in the second half of the year.

Diana Shipping Inc. Subsidiary Agrees to Acquire Containerships

Diana Shipping Inc., a global shipping company specializing in the transportation of dry bulk cargoes, today announced that Diana Containerships Inc., its majority-owned subsidiary formed for the purpose of investing in containerships, has entered into agreements to acquire two 3,400 TEU newbuilding containerships built at TKMS Blohm + Voss Nordseewerke GmbH, Emden, Germany from a third-party seller for a purchase price of Euro 37,300,000 each (approximately US\$45.5 million based on the Euro/Dollar exchange rate as of June 8, 2010).

The first vessel is scheduled to be delivered to Diana Containerships Inc. by June 25, 2010, and the second is scheduled to be delivered between July 5 and July 15, 2010. Upon delivery, the first vessel is scheduled to be employed on charter with A.P. Møller-Maersk A/S for a period of minimum nine (9) to maximum twelve (12) months at a gross daily rate of US\$16,000.

As previously announced, Diana Shipping has made an investment of US\$50 million in Diana Containerships Inc., representing approximately 55% of the issued and outstanding shares of the new entity, with the balance of the common shares held by institutional and accredited investors that acquired the shares in a private transaction.

Economic Growth by 2011, Greek Minister Says

The struggling Greek economy is expected to see resumption of growth next year if the government's efforts to promote inward investments materialize, Louka Katseli,

minister of economy, competitiveness and shipping, said Saturday.

"Exiting from this crisis can be done through [more] exports, trade and investment," Ms. Katseli said at a press conference during a visit to the World Expo in Shanghai.

She also said the country's austerity measures, which are aimed at cutting large budget deficits, have shown positive results.

Thanks to the economic bailout packages offered by the European Union and the International Monetary Fund, it may not be necessary for Greece to tap the international debt market for funds in the next two years, Ms. Katseli said.

But she added that she can't completely rule out fresh fund-raising if economic and market conditions require.

Ms. Katseli is leading a delegation of Greek officials, including the country's major trade, investment and maritime affairs institutions, on a visit to Shanghai and Beijing between June 18 and June 23, during which they will meet China's central and local government officials.