



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

Q3 orders down 60%

According to Clarkson Research Services, a total of 63 vessels of a cumulative 2.2m dwt, 1.2m cgt valued at \$2.8bn were contracted in September, sharply decreased in new order value by 48% on August. Also, contracting in the third quarter fell by 60% q-o-q in dwt terms.

There have been 932 newbuildings, 23.6m cgt (42.6m gt, 53.5m dwt) amounting to \$75.3bn booked up to September this year.

During the same period, bulker new order decreased to \$8.5bn by 70% on 2010, while gas carrier grew by 400% to \$9.3bn.

In case of boxship, a total of 211 vessels were newly ordered, up by 125%, however, new order showed slowdown in the second half, with 6.2m dwt in Q1, 9.9m dwt in Q2 and 2.1m dwt in Q3.

During Jan-Sept, South Korea overwhelmed China of 383 vessels, 7.3m cgt with 299 ships, 12.1m cgt.

Meanwhile, overall 120 ships, 11.4m dwt of newbuildings were delivered in September and 1,816 vessels, 35.7m cgt (73.8m gt, 119,4m dwt) from January to September.

China and South Korea made deliveries of 832 ships, 13.7m cgt valued at \$32.4bn and 390 vessels, 11.8m cgt valued at \$37.6bn, respectively.

Orderbook by the end of September recorded 6,568 ships, 128.6m cgt (257,4m gt, 404,5m dwt), dropped 15% and 12% each in comparing with 7,760 vessels and 146.3m cgt each in the end of 2010.

In case of orderbook by builder country, China secures 2,830 ships of 49.4m cgt amounting to \$112.4bn while Korea takes 1,333 vessels of 42.2m cgt valued at \$137.7bn.

Orderbook by shipyard ranks Samsung Heavy Industries of South Korea on top with 9.05m cgt, Daewoo Shipbuilding & Marine Engineering on second with 7.96m cgt and Hyundai Heavy Industries, including Gunsan yard, on the next with 6.96m cgt.

Meanwhile, Clarksons' newbuilding price index in the end of September decreased 0.4p to 140.4p in comparison with August and also lower than 142.4p in the end of last year.

Weak ordering goes on

Weakening newbuilding order in the second half this year is expected to continue until the first half of 2012.

Daishin Securities of South Korea forecasts decreasing turnover and troubling cash flow in 2012 due to ship-financing shrinkage and shipping-rate depression.

Also, shipbuilders' business performance to drop by Q3 next year, as low-margin newbuildings ordered after Q4, 2009 are increasingly to reflect in the book.

Analyst Jeon Jae-Chun from Daishin said, "Recovery in ship financing is the biggest requirement for overall shipbuilding industry's recovery. Capital increase of troubled ship financing banks, caused by loan to PIIGS, Portugal, Italy, Ireland, Greece and Spain, is expected to finalize by the end of Q1, 2012 and contribute to market recuperation.

Meanwhile, Big 3, Samsung Heavy Industries, Hyundai HI and Daewoo Shipbuilding & Marine Engineering, are prospected to record the second largest new order of \$45bn this year, following \$57.5bn in 2007.

However, Jeon expects new order next year to be \$30.7bn, down by 35% on 2011, since market uncertainty postpones ordering point of time and shrink ship financing.

Oshima wins 55K BCs

Japan's Oshima Shipbuilding has won an order for two 55,000-dwt bulkers from Canadian shipowner Fednav.

Delivery is set for June 2014 and the price is yet to be revealed.

The shipyard developed a new 56,000-dwt bulker type in summer last year but Fednav is said to have inked existing 55,500-dwt bulker.

The owner also has two 35,000-dwt bulkers on order at the same shipyard for delivery in June 2012 and January 2013.

China orders drop 43%

Chinese shipbuilders' order backlog dropped significantly this year from the end of last year due mainly to prolonged global economic uncertainties.

The Chinese Ministry of Industry and Information Technology said in its report the country's shipbuilders held a combined backlog of orders totaling 169 million deadweight tons (DWTs) at the end of September, down 14.5 percent compared to the end of December.

Meanwhile, China's shipbuilding capacity rose 18.3 percent on-year to 51 million DWTs during the January-September period.

During the same period, the Chinese shipbuilders' new orders fell 42.8 percent on-year to 29 million DWTs, the ministry said.

Experts attributed the drop to ongoing turmoil in the global economy. China rose as the world's top shipbuilder in 2009, outpacing South Korea in the number of new orders received and order backlogs as its builders attracted new customers with relatively cheaper prices.

South Korea, however, regained its position of having the most new shipbuilding orders in the first half of this year by securing deals for large, value-added vessels, according to global market researcher Clarkson Research Services.

Japanese ask lower steel prices

Japanese shipbuilders ask local steel mills to cut prices for plate used to construct vessels or be replaced by rivals from South Korea or China as the yen strengthens, three people familiar with the matter said.

The Shipbuilders' Association of Japan Chairman Kazuaki Kama is scheduled to meet Eiji Hayashida, head of the Japan Iron and Steel Federation, as soon as next week to request lower prices, said the people, who asked not to be identified because the information is not public.

Japanese shipbuilders, the world's third-largest by output, pay local mills as much as 30 percent more for plates than do South Korean yards, one of the people said.

The association, which counts Mitsubishi Heavy Industries Ltd. and IHI Corp. as members, is joining the nation's carmakers in reviewing costs and prices as a near-record high yen makes Japanese products less competitive overseas. Nippon Steel Corp. and JFE Holdings Inc., Japan's biggest makers of the alloy, stand to lose contracts to South Korea's Posco and China's Baoshan Iron & Steel Co. unless they negotiate prices.

"Relations between suppliers and users in Japan are getting more businesslike, unlike in the past when they had closer ties," said Naoki Iizuka, a senior economist at Mizuho Securities Co. in Tokyo. "Japanese industries are under pressure to cut costs to compete globally."

Shipping & Business News

Investing in cheap VLCCs

Greek shipowners buying up 10-year-old very large crude carriers at increasingly low prices are simply using the dramatic drop-down in asset values as an investment opportunity.

With 10-year-old VLCC values averaging around \$33m, representing only a third of newbuilding prices and just \$10m above demolition prices, demand from cash-rich owners is on the rise for bargain sales.

The latest Greek shipowner to invest in this part of the secondhand market is Centrofin Management, which is understood to be the buyer of Saga Tankers' final two VLCCs, at a price of between \$30m and \$31m each.

In addition to the Greek's bidding on older VLCC tonnage, South Korea's Sinokor is reported to have fought off competition to purchase K Line's 2001-built, 299,999 dwt Mogamigawa for between \$34m and \$36m on the basis of it being delivered to the new owners with its special survey and dry docking completed and passed.

Courage supramax resale

Courage Marine penned an agreement to acquire a supramax bulker under construction at China's Zhejiang Zengzhou Ship Building for \$26.6m.

Singapore and Hong Kong-listed Courage says affiliate Heroic Marine is getting ready to make a down payment of 20% on the 57,000-dwt newbuilding and will cover the balance upon delivery in January 2012.

The bulker owner expects up to 70% of the purchase price to be covered by bank borrowings while the remainder will be funded by internal resources, according to an exchange filing.

VLGC rally pause

The Baltic Exchange's benchmark Middle East to Japan LPG route dropped to \$76.50 per tonne on Monday, down by \$1.75 compared to the beginning of last week.

This decline in freight prices came as a surprise to some, as several days ago there had been talk about the benchmark route reaching an all-time high by surpassing the current record of \$81.64 per tonne, which was achieved in July of 2008.

The drop also marked the end to an unbroken month-long rally which had been driven by growing cargo supply emanating from Middle Eastern countries.

"There is now some uncertainty about the value of the product and where it is going," one London-based broker said.

Consequently, the broker said, charterers have adopted a cautious attitude, afraid to make costly mistakes by selling their wares in the wrong market and therefore reducing demand for VLGCs.

Atlantico rejects tanker problem

Claims of a major reconstruction job on a suezmax at Estaleiro Atlantico Sul shipyard in Brazil is being denied by owner Transpetro.

Transpetro is throwing cold water on reports of serious technical issues remaining for the suezmax that was to have been its first tanker newbuilding in 13 years.

The suezmax Joao Candido is already more than a year behind its scheduled delivery from Brazil's new showcase shipyard, Estaleiro Atlantico Sul, in the north-east state of Pernambuco.

Several local-market sources recently said that the hull suffered from defective welding that had skewed the tanker's alignment and raised the possibility of a major reconstruction job. One source described work on the tanker as "a disaster".

However, a Transpetro spokesman said last week that the state company expects the Joao Candido to be delivered either in late November or early December.

"The ship is accompanied by American Bureau of Shipping (ABS), which certifies all stages of construction," he said. "In its latest statement, issued on August 31, ABS said there are no technical impediments preventing the conclusion of the work."

Horizon Lines to stop trans-Pacific container service

* Says to record a pretax charge of \$105-\$110 mln in Q4

Shipping company Horizon Lines Inc said it will discontinue its Five Star Express (FSX) trans-Pacific container shipping service as it looks to focus on its core domestic services.

The company will stop all operations related to FSX service during the fourth quarter and said it will record a pretax restructuring charge of \$105-\$110 million.

The FSX service offers eastbound transit between China and the U.S. West Coast.

Eastbound freight rates from China to the United States have fallen more than 37 percent in the past 12 months, the company said in a statement.

Horizon said it will mitigate any supply chain disruptions to customers due to termination of the FSX service and said there will be no impact on its domestic ocean services in Alaska, Hawaii, or Puerto Rico.

Demolition activity slow

Scrap rates fell below \$500 per ldt with continued mismatch between breaker and cash buyer price ideas.

Brokers spoke of disorder in key locations in the Indian subcontinent, with breakers unwilling to match the prices paid by cash buyers for recent purchases.

"It has reached a point where the cash intermediary buyers are unable to attract any serious interest from the breakers, who seem to be refraining from offering until they see some improvement in local sentiment," said London-based Clarkson Research Services.

"With many vessels now undergoing renegotiation issues upon arrival at the waterfront, and some buyers withdrawing from previous commitments, the market remains in the doldrums."

Lisin inks 15 tankers

Russian tycoon Vladimir Lisin has ordered 15 more tanker newbuildings.

His Volgo-Balt-Trans and Volgotrans companies will take delivery of the 6,980-dwt carriers in 2012, 2013 and 2014 from his own Okskaya Shipyard in Nizhny Novgorod. Volgo-Balt-Trans has ordered 10 of the ships.

The new river-sea RST27 design has six cargo tanks and two slop tanks and can carry both crude and refined oil products.