

# Seatrade ASIA WEEK

The voice of Asian shipping

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Focused fleet

page 2



Intra-Asia plans

page 3



Offshore windfall

page 6

## Asia's first ECA

### Local government to follow lead set by liners

**H**ong Kong is setting the regulatory wheels in motion to become the first emissions control area (ECA) in Asia.

Seatrade Asia Week has learnt that a policy paper, drawn up by the Special Administrative Region's Environment Bureau, will be submitted to the local government at the end of this month. The report calls for the establishment of an ECA in Hong Kong by 2015 whereby ships calling will only be allowed to burn fuel with 0.1% sulphur content.

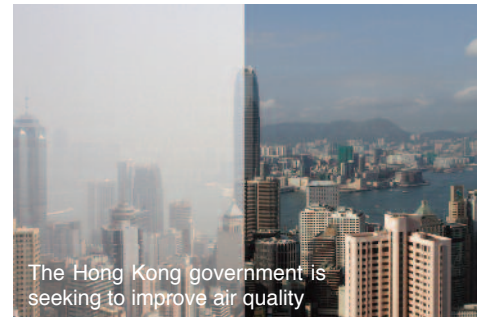
Acknowledging that this measure will only have real improvements in air quality if neighbouring ports take similar actions, a source within government confided: "We will then approach governments in the [Pearl River] delta to help reduce emissions."

Authorities in Hong Kong are also considering the lead of others such as Gothenburg port in offering cash incentives for greener ships calling.

Thanks to the private sector and NGOs Hong Kong is already positioning itself as the greenest port in Asia. On 16 October last year the Hong Kong Liner Shipping Association – comprising 13 leading lines – came out unilaterally switching to low sulphur fuel. The grouping called on the local government to make this less-polluting fuel compulsory. The 13 companies involved account for 60% of ship traffic in Hong Kong, the world's third-busiest port by container.

The government has now reacted to this voluntary scheme with the ECA proposal.

Preliminary research by Hong Kong

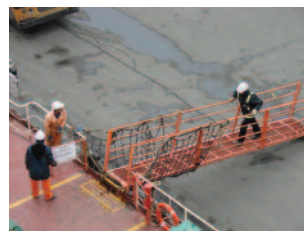


The Hong Kong government is seeking to improve air quality.

University of Science and Technology indicates that if oceangoing vessels switched to fuel with a sulphur content of not more than 0.1% while at berth, a 30% reduction in their SO<sub>2</sub> emissions can be achieved. This reduction would allow Hong Kong to comply with a tighter target for SO<sub>2</sub> under the World Health Organisation Air Quality Guidelines.

"Nowhere else in the world is the shipping industry putting pressure on government to legislate over emissions," said Veronica Booth, a researcher with the Civic Exchange, a local think tank that has done more than most to enforce greater green port thinking in the former British colony.

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# A more focused fleet for Cido

The largest shipowner registered in Hong Kong is looking to radically alter its fleet mix. Cido Shipping is looking to focus more exclusively on car carriers and bulkers with a view of disposing of other tonnage, well placed sources within the tight-lipped organisation reveal.

Cido boasts a fleet of 170 vessels including 18 on order. Forty-four of these are car carriers and another 46 are bulkers. The rest of the diverse fleet is made up of tankers, product and chemical carriers as well as a number of gas carriers.

The shift in focus will take time, with one executive noting, "Our income at the moment is sufficient to pay off debts so there is no need for a firesale."

Cido has been slimming its fleet in the past



couple of years, most recently offloading a couple of aframax resales at Sumitomo Heavy Industries to Greece's Polembros Shipping. Prior to the financial crisis Cido's fleet, including newbuildings, stood at more than 250 ships.

The car carrier market bottomed out by early last year, according to Cido, and should be profitable from the second half of the

year. Cido has no plans to order more ships at present, with one executive stressing: "We still have to be cautious this year and next."

Cido transferred all its owning duties to Hong Kong in 2006, leaving Japan as an agent and its Korea office as its shipmanagement arm. It is owned by Korean national Hyuk Kwon. His move to offshore the company has met with claims of tax evasion by the Korean government.

Kwon has been hit with a 410.4bn won (\$376m) penalty by Korea's national tax service including general income and corporate taxes. He is reported to have been charged with evading taxes on an income of 800bn won. The company has denied the charges saying Kwon is a foreign resident and not subject to Korean taxes.

## Keppel bides its time for drillship orders

The world's largest jack-up rig builder Keppel Offshore and Marine says it will have to wait for South Korean yards to fill their slots before taking drillship orders.

Primarily a rigbuilder, Keppel has developed its own drillship design suited to its more space constrained yard facilities, however, it is yet to take any orders. According to CH Tong, ceo of Keppel Offshore and Marine, most owners that have looked at the design like it. "We will wait till the Koreans have filled up most of their slots and then we'll be able to sell our drillships".

He noted that as Korean yards were essentially shipbuilders, they have huge facilities compared to Keppel and if they were looking to fill up their docks could offer "very attractive" pricing to get drillship orders.

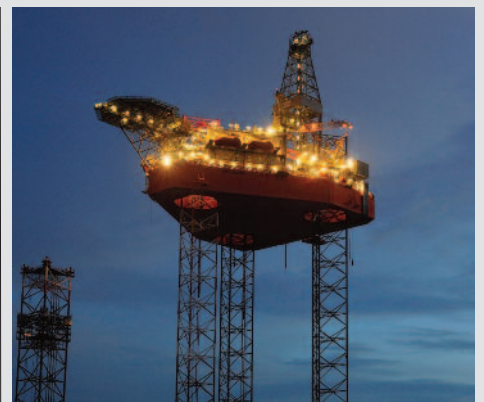
Despite being yet to win drillship orders Choo Chiau Ben, ceo of Keppel Corp, said it would not build speculatively. "Our yards are quite busy so there is no need to build speculative drillships to showcase our capability." He noted they had built drillships in the past.

While Keppel's drillship design is yet to bag any orders it has enjoyed a stellar start to the year raking in S\$5bn worth of new orders so far, with S\$4.5bn in the first quarter, primarily for jack-up rigs. These include 12 jack-up rigs to Keppel's own proprietary designs.

With new orders coming thick and fast Tong said they were no longer offering payment terms of 20% on contract signing and 80% on delivery as some owners were able to get last year. "We've started getting better terms," he said.

Keppel is upbeat about the prospects for offshore rig orders this year. "With the budgeted increase in exploration and production spending by major oil companies, in pace with the continued growth in demand for oil, we expect the market for high-specification jack-ups to remain active," said Choo. "The issue of deepwater drilling permits in the Gulf of Mexico has gradually resumed, and we expect to see continued good prospects for our deepwater solutions."

With Keppel's yards filling up and its total



net orderbook now standing at S\$7.5bn with deliveries through 2014, it is getting more selective on new orders. "Depending on how much you are prepared to pay we will find you a delivery [in 2013]," Tong said.

"We are still open but I can't really tell you what we expect to get. But we will have to be a lot more selective in getting what we'd like to build," he added.

The shipyard is yet to bag any semi-submersible rig orders this year but is hopeful of inking some. "We do get enquiries [for semi-submersibles] but we have not got any yet. We are still in the race," Tong said.

# SITC eyes 80-strong fleet

## Intra-Asia will remain the focus of business of 20-year-old HK-listed boxline

**M**ainland China's third largest containerline, cash rich SITC, is eyeing a fleet of 80 ships in the coming years.

Speaking to Seatrade Asia Week SITC's chairman Yang Shaopeng, said: "Currently, we operate 49 container ships including 16 self-owned. Meanwhile, we have some 20 ships under construction in China, Japan and Korea, which are due for delivery between this year and 2013. We aim to expand our fleet to 80 ships in the next three or five years."

Last year SITC listed in Hong Kong, raising \$384.9m in the process, of which around

40% was earmarked for newbuildings.

Yang said that the intra-Asia business on which 20-year-old SITC was founded would continue to be the mainstay of business. He said: "Besides those ships that have already started construction, we are planning to purchase more ships including second hand and new ships.

"We see a good market and prospects for the intra-Asia region, which will always be a core focus of our business. Currently, we don't have big plans for other regions and we will perfect our unique operational way and expand our service network within intra-Asia. We are very confident in this region,"



he explained

Last year, SITC moved 1.37m teu, an increase of 15.7% year-on-year. By the end of 2010, the company became the third largest container shipping company capacity-wise in mainland China, and ranked number one among non-state owned container shipping companies. Last year SITC saw revenues of \$891.5m while net profit grew 245.5% to \$112.3m.

# Accountancy changes could alter boxship charter market

**C**hanges to accountancy rules that will put vessel charters on the balance sheet could alter the structure of the container fleet.

Shipping's belated attempt at the end of last year to lobby against changes to accounting rules by the International Accounting Standards Board (IASB) was seen as having failed. "The lobby that came against this frankly came far too late," Philip Clausius, ceo of First Ship Lease (FSL) Trust Management, said last week.

"For the first time we can see the real leverage in shipping. First and foremost the liner companies will have balance sheets that



Philip Clausius

look very different," Clausius said. He added as a result there would be change seen in the chartering business once the rules come in to effect for the year of assessment 2013.

In recent years it has become increasingly popular for container lines to charter in much

of their tonnage on long-term basis, rather than owning, as these charters were taken as off balance sheet. He expects that lease terms lines will be willing to take up will shorten from say 10 years at present to around three years.

"I don't think demand for leasing will reduce per se as this a capital intensive business. There will be an increasing preference for shorter term leases," he said.

Others operating in the containership chartering sector do not see any major immediate impact. "The needs of the industry as far as assets are concerned will not change," said Tobias Koenig, managing partner of Koenig & Cie.



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COMPETITIVE TAXES AND FEES

# DNV head urges focus on seafarer training

The head of class society DNV has urged the shipping industry to emphasise the training and safety of seafarers, in addition to the focus on protecting the environment.

Tor Svensen, president of DNV, is concerned, that while important, environmental issues such as air emissions and ballast water management, are taking away focus from safety at sea.

“There is a lot of focus on the environment and my concern is not to let us only talk about the environment but have safety in focus as well,” Svensen told Seatrade Asia Week. He noted the trend in continuous improvement in the number of accidents had stopped with the number incidents on the increase.

“My message is we can do that only through increased focus on the human element and the

competency of the people on people onboard dealing with the safety culture,” he said.

He cited BP’s Macondo accident where media attention has centred around the vast volumes of oil spills but neglected the number of lives lost.

The 20 April 2010 explosion aboard the Deepwater Horizon rig killed 11 workers and spewed more than 4m barrels of crude oil into the Gulf of Mexico. While Svensen acknowledged the significant environmental impact of the oil spill, he urged the industry not to overlook the loss of lives.

There should be more regular assessments on the competency levels of workers in the offshore and shipping industries so as to prevent accidents due to a lack of technical knowhow, he said.

“Competency assessments are unlike just passing a course or an examination.

There has to be proper training involved over a period of time. Pilots, for example, are regularly assessed in all areas for competency,” he explained.

Shipping companies will have to take the lead in setting up quality training and educational facilities for their staff, coupled with internationalised standards enforced by regulators, he added.

“Many shipping companies are in fact already doing this and focusing a lot on training its staff. The companies themselves need to continue to be on the ball when it comes to arranging the appropriate kind of training for their staff,” he said.

Alessandro Ciochi, vice president offshore at V.Ships Offshore, said that his company is already focusing on raising the competency of its seafarers through its inhouse training and learning facilities.

“We have inhouse training programmes where we put a lot of focus on assessing the skill levels of our workers,” Ciochi said.



Tor Svensen

# Asian banks 'flooded' with liquidity for owners

Lesser impact on Asian banks from the recent financial crisis has allowed for greater liquidity into ship financing compared to Europe and the Americas, a senior bank official has said.

“Asian banks... are well capitalised and flooded with surplus liquidity from high levels of domestic savings,” said Andrew Chiang, regional head of Asia at DnB NOR Bank.

The liquidity has transformed into funding for several leading Asian shipowners and a resulting rise in newbuilding orders by Asian shipowners/operators on the back of strong domestic banks support, according to Chiang.

“This is particularly the case in China where we’ve seen large orderbooks from the likes of Grand China Logistics, Brightoil, China Ship Fund, Far East Leasing, Minsheng Leasing and others,” he told Seatrade Asia Week.

Now, Asian banks are posing strong competition within the region to international

banks. In response, DnB NOR expanded its Asian presence with investments in the capital markets space - in bonds, syndications and equities - during the crisis period when most banks were downscaling their operations.

Analysts, however, noted that Asian banks tend to have a domestic or regional focus with a relatively limited role in global ship finance, preferring to work on existing accounts and not actively seeking new clients.

DnB NOR has a good record to show in 2010 when it was ranked first in syndicated shipping loans globally with \$5.7bn, representing 11% of the total number of 188 deals, according to UK-based Dealogic, provider of platforms for global investment banking analysis and systems. Norway-based DnB NOR accounted for 39 deals while Sweden-based Nordea Bank came second with \$4.6m from 33 deals.

In the first quarter this year, however, Nordea Bank took the number one spot in

syndicated shipping loans after racking up about \$1.1bn worth of transactions on eight deals, Dealogic stated.

Chiang noted that the syndication market is still “very much a rarity today” compared to pre-Lehman.

Club deals are still favoured over other forms of financing as the appetite of banks has shrunk, both in terms of final hold amounts and underwriting capacities, and they all want to extract maximum relationship mileage from participating in deals, he explained.

DnB NOR’s quantum of financing would vary between 50% to 80%, with the higher end of the percentage tied to the presence of long-term charters and strength of the company name.

“During the difficult years following Lehman’s collapse, we did observe more structured forms of financing being used in the market as bank liquidity remained tight. The outlook this year is better than 2010 and 2009,” Chiang said.

# OSV rates to take 18 months to recover

Global rates for the offshore supply vessel sector will take another 18 months before a rebound as the current oversupply situation shows no sign of abatement, according to Ezra Holdings boss Lionel Lee.



Lionel Lee

"Overcapacity will come to an end in 2012, where the take-up rate will increase for IMR (inspection, maintenance and repair) and offshore support vessels (OSVs)," said Lee, managing director of Ezra Holdings.

"Less offshore vessels will remain available by 2012 and some will never see the daylight as they could be built just by hull in China," Lee said at the Sea Asia 2011 conference held in Singapore last week. "Aging vessels will be scrapped during this period, we hope."

The offshore supply market is then expected to display a gradual pickup in rates over the next four years, barring any unforeseen circumstances, he added.

Charter rates for OSVs are expected to be between

\$1.80-2.00 per brake horse power (bhp) this year compared to an average of \$1.65-1.75 last year, Azmi Ahmad, managing director and ceo of Alam Maritim Resource, a Malaysia-based offshore services firm was reported as saying recently.

The continuous climb in crude oil prices has attracted several "speculative" players into the offshore oil and gas market, triggering an increase in the number of newbuildings including anchor handling tugs, platform supply vessels and construction

vessels, but excluding heavy lift vessels, according to Lee.

"It will take some time for the new vessels to be deployed into the market," he said.

Andreas Sohmen-Pao, ceo of BW Group, acknowledged the "increasing excitement" in the offshore sector as oil prices rise, while the shipping industry is reeling from the impact of higher bunker prices, on top of uneconomic rates of moving ships around.

"The breakeven price for deepwater oil activities is around \$60 per barrel, and oil prices are already twice that amount," Sohmen-Pao said.

Industry players said oil prices of around \$80 per barrel are sustainable and ideal for both the offshore sector and the shipping industry. This month to date, Brent crude prices have been trading above \$120 per barrel while WTI crude prices have stayed strongly above \$100 per barrel.

## Thumbs up for Indonesian cabotage changes

Changes to the planned implementation of cabotage for offshore vessels operating in Indonesian waters have been positively received by the industry.

A decree issued recently by the Indonesian government will exempt the majority of foreign-flagged offshore vessels from cabotage assuming there are no Indonesian flagged vessels available and they have obtained licenses from Indonesia's Ministry of Transportation.

These will include oil and gas survey

vessels, drilling rigs and offshore support vessels (OSVs). The types of OSVs exempted from cabotage are anchor handling tug supply vessels of over 5,000bhp with DP2 or DP3 capabilities, platform supply vessels and dive support vessels.

"The new legislation seems reasonable, and balances the need for the national shipowners to have cabotage privilege with the needs of the offshore energy sector to explore in a timely and cost effective manner, particularly in deepwater," said George Horsington, general manager Southeast Asia for Swire

Pacific Offshore.

The new decree is similar to the system operated in Malaysia, which Horsington had previously suggested as a model for Indonesian cabotage in the offshore sector. The oil and gas industry feared a shortage of OSVs if no exemption was allowed.

"This regulation serves to correct recent uncertainty and misreporting regarding the implementation of cabotage in the oil and gas industry," said Berlian Laju Tankers.

The new regulations do not cover floating production units such as FPSOs and FSOs.



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# Indian offshore windfall

Substantial recent growth in exploration and production (E&P) activity globally on the back of higher crude oil prices and an increasing demand for oil from emerging economies could provide a windfall for Indian shipyards and offshore services companies.

An indication of the change in the direction of the wind was provided by the decision of India's largest private sector shipowner, Great Eastern Shipping Company, to sell three VLCCs under construction at Hyundai Heavy Industries in South Korea, and to focus instead on the offshore segment.

The company believes that the outlook for VLCCs will remain weak, and that returns may not justify investments. It is investing more funds into ramping up the fleet of its six year old subsidiary, Greatship Ltd, with fresh newbuilding orders for offshore vessels placed at Colombo Dockyard and India's largest shipyard, Bharati Shipyard.

In fact, shipbuilders like Bharati and ABG Shipyard are today seeing almost 50% of their current orders coming from the offshore segment as Indian shipowners and offshore service providers ramp up their investments to augment offshore services. Increased demand for offshore support vessels (OSVs)

and rigs is inducing offshore service providers to expand and modernise their fleets.

ABG Shipyard has seen the offshore component of its Rs145bn (\$3.25bn) orderbook jump to Rs50bn. Offshore service vessels comprise an even higher percentage of Bharati Shipyard's orderbook – Rs30bn out of a total order-book of Rs50bn.

Bharati's managing director P C Kapoor said that increased E&P activity levels and its sustenance would prove to be the real trigger for offshore firms. The yard's sister company, Great Offshore, which was acquired in December 2009 from Vijay Sheth, and is India's leading offshore services provider, has a large expansion plan lined up.

"We will modernise our fleet and add sophisticated assets to our portfolio to stay in sync with the market demand," said Kapoor. "In addition, acquisition of offshore vessels in the near term could prove to be cost-effective as the vessels can currently be acquired at attractive prices."

International oil prices have soared owing to unrest in West Asia and North Africa, while the nuclear crisis in Japan has resulted in renewed demand for oil-based power generation and reconstruction.



"Due to recent crises, countries are trying to reduce their dependence on West Asia for oil requirements," said Anjali Kumar, Great Eastern's manager – corporate communications. "This is forcing them to explore oilfields in other areas, resulting in an increase in E&P activity."

With heightened E&P activity, rig utilisation is projected by Drewry Maritime Research to improve significantly in the year 2011-12 to 87.1%. Currently, jack-up rig rates are anywhere between \$100,000 and \$200,000 per day, differing from region to region and the depth at which they are capable of operating. A modern rig is assured of a daily rate of \$130,000.

Indian shipping companies, which have a large presence in the tanker and offshore segments and strong under-leveraged balance-sheets, are expected to take advantage of the current downturn and increase their fleets at lower costs.

## Tax-free bonds to fund port projects

The Indian government is keen on raising Rs50bn (\$1.15bn) in tax-free bonds by end-April to implement dredging and infrastructure projects in the country's 12 major ports, and is mulling the idea of permitting the ports themselves to issue these.

"We are yet to take a final decision on the body that would be empowered to issue the bonds, but it appears to us that the major ports could be one of the options for raising money," said K Mohandas, India's shipping secretary.

"Alternatively, we could allow a government body such as IIFCL or REC to raise the money for the ports. We are also planning the launch of a Maritime Finance Corporation (MFC) as part of our Maritime Agenda 2020. However, setting up the MFC will take some time, though it would be best suited for this purpose."

Most maritime projects are specialised, and require specialised scrutiny and appraisal for obtaining finances. However, there are no specialised agencies in India to fund such projects.

The step to raise Rs50bn was mooted by the Finance Ministry to boost infrastructure development in ports. Other government undertakings which have been allowed to issue tax-free bonds in the past include Indian Railway Finance Corporation and Housing & Urban Development Corporation.

The government plans to spend Rs5trn through its maritime development programme to increase the country's port capacity to 3bn tonnes, from the existing 617m tonnes, by the year 2020. It also plans to bring several policy reforms in the shipping and ports sector.

## Round the region

### Volumes up in HK



Hong Kong port has posted slightly higher container throughput volumes in March, according to data from the local port authority. Container traffic rose by 3.1% to 1.97m teu in March compared to 1.5m teu in February. Last month's volume was also up from 1.91m teu recorded in the same period last year.

Kwai Tsing container terminals accounted for 1.42m teu of the box traffic last month. For the three months from January to March this year, Hong Kong port handled a total of 5.56m teu, up 2.4% from 5.43m teu in the corresponding period last year.

### Pac Basin expects stronger second quarter

Dry bulk operator Pacific Basin Shipping is expecting a stronger second quarter for the handysize and handymax sectors following a weak first quarter, it said in a statement Monday. "We expect minor bulk trades to support an improved second quarter, though the dry bulk market in 2011 will be weaker overall than 2010, with near term demand recovery overshadowed by continued newbuilding deliveries," said Klaus Nyborg, ceo of Pacific Basin.

Rates for handysize and handymax rose 28% and 30% since early February, recovering January market losses, according to the Hong Kong-listed firm.

### Volumes up for OOCL

Box line Orient Overseas Container Line (OOCL) has reported higher lifting volumes overall and revenues in the first quarter of this year, it said on Tuesday. The Hong

Kong-listed firm stated that total volumes increased 12.6% to 1.18m teu in the first quarter from the corresponding period last year. The volumes are from services in the transpacific, Asia/Europe, transatlantic and intra-Asia/Australasia.

Total revenues for the quarter rose by 17.2% to \$1.33bn, compared to \$1.13bn recorded in the same quarter of 2010. Overall average revenue per teu also rose by 4.2% compared to the same period last year.

### Pertamina to order VLGC



Pertamina has launched a tender for its first very large gas carrier (VLGC)

newbuilding. The Indonesian state oil and gas firm is planning to acquire one 84,000 cu m newbuilding. Interested foreign shipyards have been invited to bid for the tender. Indonesia has no domestic yards capable of building such a vessel. Registration for the tender started on Monday

### MOL, Hafnia in LR1 pool



Mitsui OSK Lines (MOL) and Hafnia Management have jointly formed a new

LR1 pool and will operate a fleet of 25 product tankers through a joint venture firm. From 1 May, the joint venture Straits Tankers, set up in Singapore, will market 25 coated LR1 to enter into the Straits Tankers LR1 Pool. The goal is to further utilize the fleet to meet diversifying needs of customers who will be serviced from the Straits Tankers offices in Singapore and Copenhagen, Denmark.

The pool consists of LR1 product tankers from Japanese shipowner MOL, Swedish shipowners Marinvest and Gotlandsbolaget

and Danish shipowner Nordic Tankers. Dubai-based United Arab Chemical Carriers has also decided to participate.

### Qatargas to up supplies to Japan

Qatargas will supply an additional 4m tonnes of liquefied natural gas to Japan, which was hit by an earthquake and tsunami last month. The Qatari LNG will be dispatched to long-term customers in Japan in more than 60 "conventional cargoes" over the next 12 months.

Qatargas is already contracted to supply 6m tonnes per year over a 25-year period. Qatargas said the additional supply of 4m tonnes would be enough to generate approximately 28 terrawatt-hours (TWh) of electricity, or meet the average electricity consumption of 5m Japanese households for a year.

### ClassNK offers MLC service

ClassNK is offering a new consulting service for the International Labour Organization's Maritime Labour Convention (MLC) 2006. The new service comes just as shipowners are beginning to address the requirements of the new convention, and as ClassNK moves to expand its services in maritime consulting.

ClassNK's new consulting service is being offered to help shipowners and operators in their efforts to ensure compliance with the new convention, including carrying out gap analysis, preparation of necessary documents, and development of implementation and record keeping procedures.

## Manila port halts on Friday



Manila ports will temporarily suspend operations during Easter. The temporary suspension will start at 0700hrs on 22 April and resume at 0700hrs on 23 April. The temporary suspension of transactions in the billing and documentation sections will also be affected during the same timeframe.

The affected operations include the Manila South Harbour, Manila International Container Terminal and Manila North Harbour. Notice of the suspension has been issued to all shipping lines, container operators, brokers and forwarders, trucking companies, exporters and importers and all other port users for them to make the necessary adjustments in their schedule during the season.

## Ship repair veteran retires from Sembcorp board



Singapore ship repair veteran KK Tan is standing down from the board of directors of Sembcorp Marine. Tan, who was previously chief of both Sembcorp Marine and prior to that its shipyard unit Jurong Shipyard, has opted to not offer himself for reappointment after 21 years on the company's board.

The Singapore shipyard group said that Tan would stay on as a senior advisor to Sembcorp Marine and the group's management.

## PST cautious on outlook

Singapore-listed Pacific Shipping Trust (PST) says it is cautious on the outlook for the remainder of 2011. PST announced a first quarter profit of \$6.9m up 4% on the same period a year earlier. The trust expects profits and revenues to increase

this year with the addition of two 180,000dwt capesize bulkers in September this year, which have been time chartered to Shagang for 10 years.

Looking ahead PST said, "The global economic outlook remains challenging in view of recent unfortunate events in Japan and the ongoing political tensions in the Middle East and North Africa. PST is taking a cautious view as to the outlook for the rest of 2011."

## Rickmers Maritime Trust profits up

Singapore-listed shipping trust Rickmers Maritime Trust Management has generated higher net profits and marginally increased its distribution per unit (DPU) in the first quarter of this year. Net profit for the quarter surged to \$9.33m from \$5.43m in the same period last year, lifted by unrealised gains on cash flow hedges from four interest rate swaps.

Charter revenue, however, dipped 3% to \$35.86m due to smaller contribution from Kaethe C. Rickmers, which was earning a daily net charter rate of \$8,288 in the period up to 24 March 2011. The trust has raised the amount to be distributed to unitholders to \$2.54m for the first quarter from \$2.41m distributed in the same period last year.

## Large FPSO for Vietnam

Offshore vessels owner and operator EMAS Production will take delivery of one of Vietnam's largest floating production storage and offloading (FPSO) vessel from Keppel Shipyard, on behalf of owner PV Keez. The vessel is on track for delivery in the second quarter of this year, and is expected to begin production in July.

The FPSO Lewek EMAS has been chartered by Premier Oil Vietnam Offshore for the development of the Chim Sáo field off southern Vietnam for six years, with a

further option to extend the charter by another six years. Lionel Lee, group managing director of EMAS, said: "Lewek EMAS is our second FPSO project with Keppel Shipyard with whom we have established a win-win partnership."

## SHI retains top slot



Samsung Heavy Industries (SHI) has retained its position as the world's

largest shipbuilder for order backlog as of 1 April. Samsung took the number one spot with 199 ships or 8.54m gt on orderbook as of 1 March, ahead of rival Hyundai Heavy Industries (HHI) with 217 ships of 8.04m gt, according to Clarkson Research Services. Daewoo Shipbuilding & Marine Engineering has 176 ships of 7.48m gt.

SHI kept its number one position since August 2010, but lost to HHI in terms of orderbook as of 1 February this year before retaking the dominance last month. So far this year, Samsung has clinched orders for 22 ships worth \$5.9bn, including six drillships, nine containerships, six LNG carriers and one offshore supply vessel.

## HHI bags drillship

South Korea's Hyundai Heavy Industries (HHI) announced on Monday it had won an order to build an ultra-deepwater drillship and four containerships. The contract, awarded by Norway-based Fred Olsen Energy, includes an option to exercise the purchase of a similar second drillship.

The drillship measures 229 m in length and 36 m wide with water depth capacity of up to 3,600 m. It is slated for delivery in August 2013. The world's biggest shipbuilder has won the most number of drillship orders globally this year with six drillships and options for an additional three more. The Ulsan-based company also bagged an order to build four 5,000 teu class containerships for Container Carrier Corp.

# Time to clear the air

Concern over the environment is a factor shipping simply cannot escape. DNV chief Tor Svensen is right when he says the huge amount of focus on the environment over the last few years has taken attention away from safety concerns, however, it is a picture that is very unlikely to change.

The environmental pressures that shipping has faced in Europe and North America in recent years are now spreading to Asia. In particular pressures will come from the more developed parts of the region where the local populous have become more environmentally aware and vocal in their views.

Hong Kong's air pollution woes have been well reported in recent years and as our front page picture this week illustrates

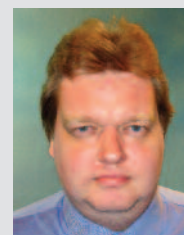
how all too often it can ruin that famous view of the city's skyline. Shipping is only a small part of what causes Hong Kong's pollution, however, it is also a visible factor given the huge number of vessels calling at its port.

While Hong Kong's liner shipping community has taken a proactive stance on air emissions the move towards an enforced emission control area (ECA) is not unexpected. While it will likely be Asia's first ECA it almost certainly will not be the last.

In Singapore last week a new green initiative was launched on the back of which both APL and Maersk Line committed to burning low sulphur fuel while in port. Singapore has also backed studies into the use of LNG as an alternative fuel for ships and as we revealed last week Jurong Port is studying cold ironing at some of its

terminals. These are significant developments for a country with a \$15bn-a-year bunkering industry.

Beyond Singapore and Hong Kong increasing public awareness of environmental issues is impacting government policies in developed countries such as South Korea and Japan. Even the developing giant of China is getting increasingly worried about what its rapid industrialisation is doing to the environment. This all means that shipping can expect more environmental pressures in Asia in the years ahead.



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# Vision 2020

**Lee Hong Liang gazes into the crystal ball with futurist Dean van Leeuwen, who sees a shipping boom at the end of the decade**

The year 2020 and the world of shipping is basking in a consumer boom and racking up huge profits generated by freight rates at record levels. The scenario is a far cry from the situation that faces shipowners today who are struggling with demand uncertainties and low charter rates.

The shipping boom from 2020 and beyond is boldly predicted by Dean van Leeuwen, recognised as a futurist speaker and consultant, who has shared his crystal ball secrets to unveil a bright future for shipping. "There are several key disruptive forces changing shipping around the world. By understanding what these disruptive forces are going to do to shipping and other industries which shipping are reliant on, one



Dean van Leeuwen

can better plan for the future," van Leeuwen tells Seatrade Asia Week.

The futurist bases his predictions largely on the TIDES of Change theory, where T stands for technology, I for institutional change, D for demography, E for environment and sustainability, and S for shifting social values.

"By focusing our conversations and discussions around these five forces, we believe companies will be able to identify 80-90% of the opportunities going into the future," says van Leeuwen, co-founder of TomorrowToday, a UK-based company that shows businesses how to succeed.

The key driving change for shipping will be technology, followed by changes in demography due to rapid urbanisation. With

*Continued on page 10*

*Continued from page 9*

an increasing number of people moving into cities in pursuit of wealth, cities are going to double in size, which will in turn spur higher demand for goods and consumerism, van Leeuwen foresees.

Shipping, which currently transports about 90% of goods traded around the world, is going to play an even more vital role in moving goods to meet rising demand. "Into the next five to 10 years, shipping is going to see decreasing emphasis on traditional shipping and cargo routes due to a shift in routes to developing economies," van Leeuwen's crystal ball suggests.

Asia is picked to lead the global economic growth and revival for the next 20-40 years. The economic growth will also be spurred by the BRIC (Brazil, Russia, India, China) countries and the Next Eleven countries. By 2050 the world economy should have quadrupled in size, according to van Leeuwen. The global economy will be split between the emerging markets hungry for goods and commodities as against stagnated demand from the developed world. "Shipping companies will have to work out the split in their service between these two economies," he says.

The key challenge for shipping companies now would be to navigate through the possibly tough five to eight years ahead before the onset of what will be the "biggest period of economic boom the world has ever witnessed." Technology is poised to provide solutions for shipping to satisfy the economies' needs, as well as offering solutions to protect the environment and reduce operational costs. A greater uptake and wider use of technology will then make it more affordable for the industry, he believes.

A key question remains that at what point will shipping become active in adopting technology? Shipowners will always first look at the trade-off between how much it costs to convert to greener operations versus the 'green' savings that can be reaped. "By adopting a green mode of operation, shipping companies can actually save a lot of money provided they implement the correct approaches, strategies and



Michael Cauter

technologies," van Leeuwen claims.

Such futuristic predictions can be easily cast aside and forgotten given the sheer impossibility of even knowing what holds in the near-to medium-term. However, the benefits can come in the form of sparking thoughts on possible consequences from events that are happening right now.

A case for concern, highlighted by van Leeuwen, is the global availability and outreach of drinkable fresh water. Shipping can expect to see itself play a crucial role in supplying fresh water to drought-prone areas, especially South Asia and Africa. The bulk water exports market via 'water tankers' has been largely unsuccessful so far due to daunting logistics, concerns about natural resource sovereignty, technology and the availability of cheaper local sources.

Shipping, for one, has definitely not done enough of engaging with futurology and thinking 10 to 15 years ahead, according to Michael Cauter, deputy chief executive at the United Kingdom Hydrographic Office (UKHO), a government agency owned by the ministry of defence.

Cauter says the marine industry is quite slow to adopt change even though there is a revolution coming with the use of technology, change in economic centres and increasing competitive pressures, among others. "It's easy to forget the speed with which digital technology has transformed our lives, and equally easy to forget the significant impact

it has had on business in opening up opportunity; opportunity to innovate more quickly, to compete more efficiently and to create better ways of working," he tells Seatrade Asia Week.

"What did we do before the internet, email and our mobile phones? These are just three examples of digital technologies which have revolutionised the world to such an extent that it's hard to imagine life without them."

The adoption of new technology in the shipping industry, however, has yet to witness a rapid transition on the same scale as in other industries, he notes. The initial challenges of the transition to digital navigation are dispensed with, now that the global official Electronic Navigational Chart coverage is in place.

Admiralty, a brand of UKHO, is currently marketing its e-Navigator which can provide mariners with richer, real-time intelligence about the marine environment, and to make each voyage more efficiently than the one before.

TomorrowToday is working with Admiralty to look at the future of shipping under a big research project. The project will look at the opportunities and challenges for the global shipping industry over the next five to 30 years.

Going by another of van Leeuwen's prediction that men will have a permanent base on the moon by 2025, shipping should have no excuses for not adopting transformational technology by then.

# Coal boost for dry bulk market

## Chinese fixtures starting to increase

The seaborne coal market is expected to get a boost in coming months largely from import demand by China and India, lending support to the dry bulk shipping as well.

Chinese thermal coal fixtures are forecast to rise by the end of May as ongoing maintenance to the Daqin railways continues, according to analysts. However, the surge in imports would be gradual due to the relative lower price of domestic coal compared to international coal cargoes.

Commodore Research and Consultancy analyst Jeffrey Landsberg noted that Chinese thermal coal fixtures had begun to increase as had been forecast. The port of Qinhuangdao has seen a 29% fall in coal

stockpiles since the beginning of March to 6m tonnes. "Stockpiles have declined by similar amounts at other Chinese coal ports," Landsberg said.

The last week has seen 10 Chinese thermal coal fixtures, seven more than the previous week, and significantly higher than the four-weekly average of four fixtures.

"Chinese coal import demand is expected to remain firm during the next few weeks, which could lend a bit of support to capesize and panamax freight rates," he said. However, tonnage supply pressures could dampen any potential upside for the dry bulk shipping market.

Straits Asia Resources, the region's leading thermal coal producer, is anticipating



higher demand for its Indonesian coal for shipments to both China and India.

On the flip side, the closure of five Japanese steel mills due to the 11 March earthquake and tsunami will likely reduce coking coal imports by about 10m tonnes.

Analysts are anticipating the restructuring and rebuilding works that follow will trigger an increase in dry bulk chartering activities, since Japan is the world's second biggest consumer for dry bulk commodities after China.

### FIS bulk FFA prices 21 April

Capesize	Average 4 Timecharter Routes 172,000mt dwt
Apr-11	7,500
May-11	8,500
Q2 11	8,666
Q3 11	10,750
Cal 12	14,100
Panamax	Average 4 Timecharter Routes 74,000mt dwt
Apr-11	12,875
May-11	11,875
Q2 11	12,250
Q3 11	12,250
Cal 12	13,000
Supramax	Average 6 Timecharter Routes 52,000mt dwt
Apr-11	14,950
May-11	13,850
Q2 11	13,975
Q3 11	12,875
Cal 12	12,875
Handysize	Average 6 Timecharter Routes 28,000mt dwt
Apr-11	11,650
May-11	11,400
Q2 11	11,450
Q3 11	10,475
Cal 12	10,500

## Be careful what you wish for

Back in the halcyon, pre-recession days, when you could flip a capesize like a two-bedroom apartment, you did not have to look hard for older hands who bemoaned that the younger generation "only knew about good times". These young people had little idea of what the shipping industry could be like in one of its regular slumps, they muttered sagely.

Well, they know now. Let us hope those same managers are suitably chastened, though perhaps they have by now let the younger staff go to avoid having those foolish words played back to them.

An uninspiring start to a short week saw capesizes languishing around the lows witnessed pre-weekend, with TC spot \$6,530. Minimal activity saw Q4 trading sub \$14,000 with few signs of improvement. The nearby was sold down relentlessly with only the back of the curve showing any resilience.

The back end came off further, with Cal12 trading to a low of \$13,750, Cal 14 at \$18,000 – the front end meanwhile, with nothing left to cut, saw some minor support but without any real impetus.

Panamaxes saw very little volume going through and even a big index drop had been priced-in. Q4 was offered below \$14,000 but of more concern is that the end of the curve is sagging too. The sell-off continued with Q2 support at \$13,000 breached.

The market continued its one-way direction with no sign of change afoot - Q3 reached new lows to trade \$12,800 Cal12 offered below \$13K.

Oh, to be a supramax owner then. Even slower and flatter, Q2 traded \$14,100-\$13,900, Q3/4 \$13,350-\$13,400 and April around \$15,000 with spot holding at \$14,600 despite the falls on the larger sizes.

Contributed by FIS: [www.freightinvestor.com](http://www.freightinvestor.com)

\* All prices are basis midprice between best bid and offer 1300 London Time  
 \*\* All prices are indications of current market level  
 \*\*\* Contract routes are as per the current Baltic route definitions

## Conversion naming

One of the world's largest floating production storage and offloading (FPSO) vessels has been successfully converted at Jurong Shipyard. The FPSO PVSM converted for MODEC from the VLCC Bourgogne was named by sponsor Ana Maria Martins, the wife of Gaspar Martins, executive director of Sonangol EP in a ceremony at Jurong on Saturday.

FPSO PSVM will be installed in water depths of 2,000 m and is capable of processing 157,000 barrels of oil per day and 245 m cubic feet per day of production gas with a storage capacity of 1.8m barrels of oil. The vessel will be deployed offshore Angola.



## Indonesian express

Last Friday we were delighted to receive, by courier, an invitation to classification society RINA's 150th anniversary bash in Jakarta. However, there was one minor problem. Despite being couriered it arrived one day after the event had taken place on 14 April. It would seem international express companies in Indonesia operate on the country's infamous "rubber time" as a quick glance at the airway bill showed the invitation had actually been sent on 8 April, taking

seven days to travel a distance of 904km.

## The dog ate my financial results

When it comes submitting its annual financial results on time to the Singapore Exchange Berlian Laju Tankers is beginning to sound reminiscent of the school child who is always late with his homework. The Indonesian shipowner has requested additional time to submit its annual financial results for at least three years running.

For its 2008 and 2009 annual results the company cited the difficulties of reporting for over 100 subsidiaries and the inclusion of its 2007 acquisition of Chembulk Tankers. For its 2010 results the owner again received a waiver for submission from 1 March to 15 April. Come 15 April the company said it would again be delaying its 2010 results still further, this time due to a computer crash.

## FIS double success



It was a night of double success last Thursday for Freight Investor Services, which scooped two awards from Singapore clearing house SGX AsiaClear for its work in OTC cleared

commodity trading in 2010.

The freight and commodity swaps brokerage won the prize for top iron ore inter-dealer broker for 2010 and took second place for OTC FFA inter-dealer broker. Pictured is FFA broker Andreas Loftesnes receiving the awards from Teo Eng Cheong, chief executive of International Enterprise Singapore.

## Events

### The Indonesia International Maritime Exhibition 2011

4 – 7 May  
Pacific Palace, Batam  
Contact: PT Gem Indonesia  
Website: [www.inamarine-exhibition.net](http://www.inamarine-exhibition.net)

### 6th Southern Asia Ports, Logistics and Shipping 2011

5 – 6 May  
Sheraton Park Hotel and Towers, Chennai  
Contact: Transport Events  
Website: [www.transportevents.com](http://www.transportevents.com)

### Bari-Ship 2011

19 – 21 May  
Texport Imabari, Imabari-City  
Contact: UBM Japan  
Website: [www.bariship.com](http://www.bariship.com)

### Nor-Shipping 2011

24 – 27 May  
Norway Trade Fairs, Oslo  
Contact: Norges Varmesse  
Website: <http://messe.no/en/ntf/Projects/Nor-Shipping/>

### Seatrade Asia Awards 2011

17 June  
Grand Hyatt, Hong Kong  
Contact: Seatrade  
Website: [www.seatradeasiaawards.com](http://www.seatradeasiaawards.com)

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