++ Shipbuilding News ++

Half China's yards to fail

(http://www.tradewindsnews.com/shipsales/662935/half-chinas-yards-to-fail?lots=site)

Half of China's shipyards will go bust by 2014, China State Shipbuilding Corporation (CSSC) has warned. The state-owned group's president Tan Zuojun said the country's yards were competing well currently, but in two or three years, many would be falling behind due to lack of high-value technology. He told CNTV that about 50% of yards would be weeded out and 2012 would see the most closures. Tan added that 2013 and 2014 would see more mergers and takeovers than this year. Investment in research and development is key to yards' survival, he said.

PC over-ordering fear

(http://www.asiasis.com/view_new.php?bbs_id=news&doc_num=15106)

Orders for new product carriers are swelling, with shipping tycoon John Fredriksen reportedly ordering up to 10 MR product tankers at STX Offshore & Shipbuilding's Jinhae shipyard in South Korea for $32.5m-$33m, fuelling fears that oversupply will weaken freight rates in the years to come. According to London shipbroker Galbraith's, owners placed around 45 orders for MR product tankers sized around 50,000 dwt last year. Talk of Mr Fredriksen ordering between six and 10 vessels has raised "concern that the orderbook is creeping up again with the potential to upset future rate gains in this sector", Galbraith's said in its weekly sale and purchase report. Europe's DVB Bank's research and planning division raised concerns over product tanker supply in a report in December 2011. It said the development of the product tanker fleet was healthier than for crude tankers, but "nonetheless, the fleet oversupply situation remains and its effect on market balance cannot be understated".

++ Shipping News ++

Aframax earnings on Caribbean-US Gulf route hit ten-month high

(http://www.lloydslist.com/ll/sector/tankers/article390247.ece)

DELAYS due to bad weather have hit crude loading at Caribbean ports, pushing aframax tanker earnings in the region to their highest level in almost a year this week. Earnings on the Baltic Exchange benchmark Puerto de La Cruz to Corpus Christi route reached W138.18, equivalent to $20,739 per day on Tuesday, marking a fast return from negative earnings which were reported less than three weeks ago. According to a US-based broker, a combination of poor weather at regional ports, including fog and low tides, had created delays around the Caribbean. "There are a lot of vessels out there, just very few that are actually workable," he said. According to the broker, the local market remains "jumpy", with charterers increasingly jittery about their chances of securing a ship and loading dates – known as laycan – pushed further forward. Tighter availability of tonnage means that brokers expect higher rates to be maintained over the week. On the other side of the Atlantic , the last remnants of a rates spike centred in the Baltic Sea have ended. Earlier this month, there was a rush of charterer demand for ice-class tonnage, fuelled by fears of reduced access for non-ice-class aframaxes to Baltic ports, that pushed rates in the region.

Fresh Iran sanctions take shape on Capitol Hill

(http://www.lloydslist.com/ll/sector/regulation/article390259.ece)

A NEW round of sanctions taking shape in Washington would make it mandatory for US-listed public companies to disclose Iran-related activity in their regulatory filings, and hold US firms explicitly responsible for Iran-related activities of their foreign subsidiaries. The Iran Sanctions, Accountability and Human Rights Act of 2012, which contains these provisions, is scheduled to come up for a vote before the Senate banking committee on Thursday, before going to the floor for a full vote. Click here to download a pdf of the Iran Sanctions Bill.The Senate Bill, which has bipartisan support, is understood to be the counterpart of the Iran Threat Reduction Act of 2011, which was passed by the House of Representatives in mid-December. The new proposed statute would add to banking sanctions enacted at the end of December, which are yet to be enforced, and previous Iran-related legislation, including the Iran Sanctions Act of 1996 and the Comprehensive Iran Sanctions, Accountability and Divestment Act that became law in July 2010. Democratic senator Tim Johnson, chairman of the banking committee, and Republican ranking member Richard Shelby said that although previous statutes already provide the US president with "powerful tools to counter the Iranian threat", it has become clear that these steps "have not been sufficient to force Iran to abandon its nuclear ambitions". Maritime regulatory experts, on an initial reading of the Senate Bill, said it contained no radical departures from prevailing policies, but contained enough wrinkles to make it of interest to the shipping industry. The broadening of civil penalties to US firms with foreign subsidiaries that fall foul of the sanctions, and the mandatory disclosure requirement for US public companies, will be watched closely.

Neighbours team up

(http://www.tradewindsnews.com/port/662936/neighbours-team-up?lots=site)

Iran and Iraq have agreed to set up a joint shipping line. The state-run Fars news agency cited Ataollah Sadr, the managing director of Iran's Ports and Maritime Organisation, as saying the venture would be set up by private companies. Its scope and make-up were not elaborated upon, however. The aim is to facilitate transport of goods and passengers between the two nations, Fars said.

China mega-ship ban leaves VLOC market in limbo

(http://www.lloydslist.com/ll/sector/ship-operations/article390215.ece)

MORE than 40% of the very large ore carriers over 300,000 dwt in service called at Chinese ports last year, with vessels still scheduled to arrive at the country's ore terminals in the next two months, exclusive analysis of Lloyd's List Intelligence data show. Despite China's Ministry of Transport posting a statement to its website on Tuesday saying that it would no longer accept vessels exceeding port restrictions of 300,000 dwt, vessel tracking information shows there are bulkers exceeding this size still scheduled to call. The translation of the Chinese statement said: "Effectively from the day of this announcement (January 20), for mega-sized dry bulkers and tankers exceeding approved capacities and wanting to dock at our ports, we won't process their applications on a case-by-

case basis any more. "We don't think it's safe to let mega-sized vessels enter our ports, especially those exceeding approved capacities." It appears that the statement has been made in response to pressure from the Chinese Shipowners Association and the country's steel mills for China's government to stop the monopoly that mining giants such as Vale are allegedly building. Although it will come as a huge blow to the world's largest iron ore producer and its 35-strong fleet of owned and chartered-in 400,000 dwt valemaxes, of which six are already in service, the decision will also have implications for the rest of the bulk carrier fleet over 300,000 dwt. Analysis of LLI automatic identification system data for the fleet of 26 bulkers in service that exceed this size show 11 ships called at least once in China last year.
Not only did this include two Vale-owned ships — very large crude carriers that had been converted to bulk carriers — but also three vessels owned by Norway's BW Group and three Neu Seeschiffahrt vessels. The list also included a Cosco-owned vessel, the 2009-built, 300,000 dwt He Tong, which has hauled Brazilian iron ore to China in the last 12 months, one Japanese vessel and another beneficially owned by a South Korean company. Overall, the 11 vessels look to have completed around 20 voyages in 2011, equivalent to one or two a month, mainly at Caofeidian in Hebei province, Baosteel's port at Majishan and Rizhao in Shandong province. Last year, the 2011-built, 402,347 dwt Vale Brasil became the first valemax to head for China.

++ Finance News ++

Stolt Nielsen reports slight rise in net profits

(http://www.lloydslist.com/ll/sector/tankers/article390270.ece)
STOLT Nielsen has reported a slight increase in net profits after it raked in $108.4m in 2011, compared with $106m the previous year. The results for the Oslo-headquartered chemical shipping specialist come after the company forecast last week that this year would be tough and challenging for the tanker market. Stolt chief executive Niels Stolt-Nielsen said at the time that 2012 will be a flat year for the company in light of continued weak demand.

Mercator faces cash crunch

(http://www.tradewindsnews.com/firstpage/663134/mercator-faces-cash-crunch?lots=site)
Mercator Lines (Singapore) faces a potential cash flow crunch due to higher than expected operating costs and lower rates. SGX-listed Mercator faces a potential cashflow crunch "Upcoming drydocking of some of our vessels and higher than expected operating expenses may put pressure on our cash flows and earnings," it said Wednesday. "A continuance of this trend may require the company to furnish additional asset security or cash top-ups to honour its loan covenants, which may strain the company's cash flows." News of the potential problems came as the company revealed a 77% drop in third quarter net profits to just under $1.2m. Profits have decreased due to "lower spot rates, renewal of contracts at lower rates and an increase in operating expenses", Mercator said. Revenue at the Singapore-listed shipowner was $36m, an 11% year-on-year decline on the $40.5m seen a year earlier. Mercator's fleet

enjoyed a time charter equivalent (TCE) rate of $20,585 per day versus the average market rate of $13,719 per day.

DP World surprises amid gloomy industry

(http://www.ft.com/intl/cms/s/0/9aabd46e-4bed-11e1-98dd-00144feabdc0.html#axzz1l1PNLuOe)

Container throughput at terminals owned or part-owned by Dubai's DP World was 10 per cent higher in 2011 than 2010, revealing the continuing strong growth in trade to and from the emerging markets where the operator is focused. The overall figure masked still higher year-on-year growth of 30.5 per cent at the operator's terminals in Africa – in Mozambique, Djibouti, Algeria and Senegal – and of 22 per cent in Latin America, where the operator has facilities in the Dominican Republic, Peru, Argentina and Suriname. "We expect to perform better than we did in 2011 in terms of growth," Yuvraj Narayan, finance director, told a conference call. The upbeat tone in DP World's announcement was in marked contrast to the gloomy tone expected from most container shipping lines in the forthcoming results season. Container shipping lines – including Korea's Hanjin, which reported a $487m annual loss in container shipping on Monday – are suffering from significant ship overcapacity, which is driving down earnings too low to cover costs. The ship overcapacity is particularly acute on routes between Asia and northern Europe, the busiest long-haul container route. Many emerging markets, however, have too little container terminal capacity and strong demand growth, meaning that operators focused on those markets are seeing both strong utilisation of their assets and enjoy robust pricing power. The 10 per cent growth across all terminals where DP World has a stake took the total number of containers handled at its terminals during 2011 to 54.7m twenty-foot equivalent units (TEUs). Like-for-like growth – excluding the effect of new terminal openings – was 9 per cent. The figures at DP World's consolidated terminals – where it holds a controlling stake – were distorted by the sale in March 2011 of a 75 per cent stake in the company's Australian operations.