Global Maritime Weekly Digest

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*The **Global Maritime Weekly Digest**, based at **Southampton SOLENT University**, provides a regular flow of maritime news and analysis, of significance in a global context.*
Topics covered include shipping fleets and management, seaborne trade, ports, shipbuilding, ship recycling, maritime policy and regulations, and seafarers' labour.

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Editorial comments

- Growth in the ***world merchant ship fleet*** – tankers, bulk carriers, container ships and all other cargo carrying vessels – is now much slower than it was, but capacity expansion is still quite brisk at around a 3% annual rate (item 1).
- Steps designed to drastically cut the ***shipping industry's air pollution,*** contributing to a cleaner environment, were boosted by the recent IMO decision to lower the maximum allowable sulphur content of ships' fuel, beginning in 2020 (item 2).
- A greater volume of ***ship recycling*** is seen as an essential part of the process towards achieving better shipping markets. But the trend this year has been uneven, as shown in item 5, with high volumes of demolition sales in the early months, followed by a slacker period which may now be regaining momentum.
- Hard times in the global ***shipbuilding sector*** are emphasised by the enormous number of job losses already seen in the major shipbuilding countries, and signs suggesting that further employment contraction may be needed (item 7).
- What further action is necessary to ***revive the bulk carrier market***? International shipping body BIMCO describes only a modest improvement so far, from 'catastrophic' early this year, to the current 'terrible condition' and outlines its ideas for ensuring further progress, among which more heavy scrapping of old or uneconomic ships is seen as a vital ingredient (item 3).

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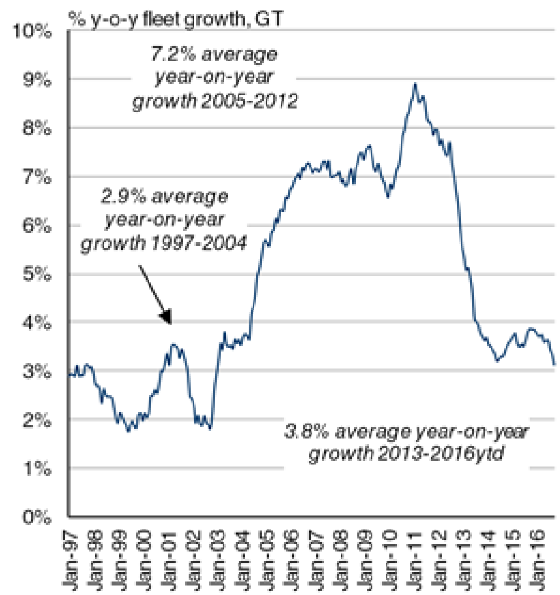
(1) Clarksons Research, 25 October 2016

World Fleet Growth: Let's Do The Time Warp Again?

There has been a rapid expansion in the world fleet over the last decade. However, the pace of growth has slowed dramatically in recent years. Generally more limited contracting and subsequently significantly lower delivery volumes combined with firm levels of demolition and non-delivery have limited fleet expansion which now appears to be returning to its 'pre-boom' levels.

Graph of The Month

World Fleet Growth Stuck In A Time Warp Again?



The line on the graph shows monthly year-on-year growth in the global merchant fleet in terms of gross tonnage (GT) between the start of January 1997 and the start of October 2016.

Source : Clarksons Research

It's Astounding

Over the last two decades, the merchant fleet has grown by 160% in gross tonnage (GT) terms with around 755m GT added to the global fleet. However, the pace of annual fleet growth recorded each month has varied greatly across this period, as shown by the graph. At the start of 1996 the world fleet numbered 58,697 ships of a combined 481m GT. A relatively moderate average annual growth rate of 2.9% was registered up to the end of 2004 when the fleet reached 631m GT. Newbuild ordering was modest, averaging 34m GT pa between 1997 and 2002, while demolition volumes averaged 15m GT pa over the same period.

Time Is Fleeting

The pace of annual fleet growth accelerated in the following years, averaging 7.2% between the start of 2005 and the end of 2012. During the global fleet's surge, vessel earnings had reached record levels and the availability of credit had spurred contracting activity, with 484m GT of tonnage ordered in just four years (2005-08), 100m GT more than was ordered over the preceding nine years (1996-2004). Despite an increase in shipyard 'non-delivery' rates, climbing to a high of 34% in 2010, global delivery volumes rose rapidly and peaked at a record 104m GT in 2011. Demolition was very limited over this period with just 23m GT reported sold for scrap between 2005 and 2008, less than has been reported demolished in 2016 alone so far. Overall, the world fleet increased by 463m GT between the start of 2005 and the end of 2012, compared to a 150m GT expansion between 1996 and the end of 2004.

Got To Keep Control

At the start of October 2016 the global merchant fleet totalled 92,413 ships of a combined 1.2bn GT. While annual fleet growth has averaged 3.8% since the start of 2013, it has slowed dramatically and the

fleet has expanded by 3.1% over the last 12 months, the lowest level of monthly year-on-year growth reported since the early 2000s. Extremely challenging market conditions have started to restrict the supply of new ships. Although firm delivery levels have meant that the volume of tonnage added to the fleet remains significant and the fleet is now 156m GT larger than at the start of 2013, demolition has also been strong with 23m GT reported sold for recycling in 2016 so far compared to 23m GT in full year 2015. Moreover, newbuild contracting volumes have now fallen to levels not seen since the 1980s with just 16m GT contracted in the year to date.
So, there has been a notable slowdown in the pace of growth since the end of the fleet's big surge. Today, recycling activity is strong, deliveries look set to slow and contracting levels are at their lowest in over 30 years. With difficult market conditions likely to continue to disincentivize expansion, world fleet growth just might be in a time warp back to the 1990s.
Source: Clarksons
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(2) Hellenic Shipping News, 31 October 2016/ International Maritime Organization

IMO sets 2020 date for ships to comply with low sulphur fuel oil requirement

In a landmark decision for both the environment and human health, 1 January 2020 has been set as the implementation date for a significant reduction in the sulphur content of the fuel oil used by ships.
The decision to implement a global sulphur cap of 0.50% m/m (mass/mass) in 2020 was taken by the International Maritime Organization (IMO), the regulatory authority for international shipping, during its Marine Environment Protection Committee (MEPC), meeting for its 70th session in London.
It represents a significant cut from the 3.5% m/m global limit currently in place and demonstrates a clear commitment by IMO to ensuring shipping meets its environmental obligations.
IMO Secretary-General Kitack Lim welcomed the decision which he said reflected the Organization's determination to ensure that international shipping remains the most environmentally sound mode of transport.
"The reductions in sulphur oxide emissions resulting from the lower global sulphur cap are expected to have a significant beneficial impact on the environment and on human health, particularly that of people living in port cities and coastal communities, beyond the existing emission control areas," Mr. Lim said.
Further work to ensure effective implementation of the 2020 global sulphur cap will continue in the Sub-Committee on Pollution Prevention and Response (PPR).
Regulations governing sulphur oxide emissions from ships are included in Annex VI to the International Convention for the prevention of Pollution from ships (MARPOL Convention). Annex VI sets progressive stricter regulations in order to control emissions from ships, including sulphur oxides (SOx) and nitrous oxides (NOx) – which present major risks to both the environment and human health.
The date of 2020 was agreed in amendments adopted in 2008. When those amendments were adopted, it was also agreed that a review should be undertaken by 2018 in order to assess whether sufficient compliant fuel oil would be available to meet the 2020 date. If not, the date could be deferred to 2025. That review was completed in 2016 and submitted to MEPC 70. The review concluded that sufficient compliant fuel oil would be available to meet the fuel oil requirements.
Under the new global cap, ships will have to use fuel oil on board with a sulphur content of no more than 0.50% m/m, against the current limit of 3.50%, which has been in effect since 1 January 2012. The interpretation of "fuel oil used on board" includes use in main and auxiliary engines and boilers. Exemptions are provided for situations involving the safety of the ship or saving life at sea, or if a ship or its equipment is damaged.
Ships can meet the requirement by using low-sulphur compliant fuel oil. An increasing number of ships are also using gas as a fuel as when ignited it leads to negligible sulphur oxide emissions. This has been recognised in the development by IMO of the International Code for Ships using Gases and other Low Flashpoint Fuels (the IGF Code), which was adopted in 2015. Another alternative fuel is methanol which is being used on some short sea services.

Ships may also meet the SOx emission requirements by using approved equivalent methods, such as exhaust gas cleaning systems or “scrubbers”, which “clean” the emissions before they are released into the atmosphere. In this case, the equivalent arrangement must be approved by the ship’s Administration (the flag State).
The new global cap will not change the limits in SOx Emission Control Areas (ECAS) established by IMO, which since 1 January 2015 has been 0.10% m/m. The ECAs established under MARPOL Annex VI for SOx are: the Baltic Sea area; the North Sea area; the North American area (covering designated coastal areas off the United States and Canada); and the United States Caribbean Sea area (around Puerto Rico and the United States Virgin Islands).
Source: IMO
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(3) BIMCO, 31 October 2016

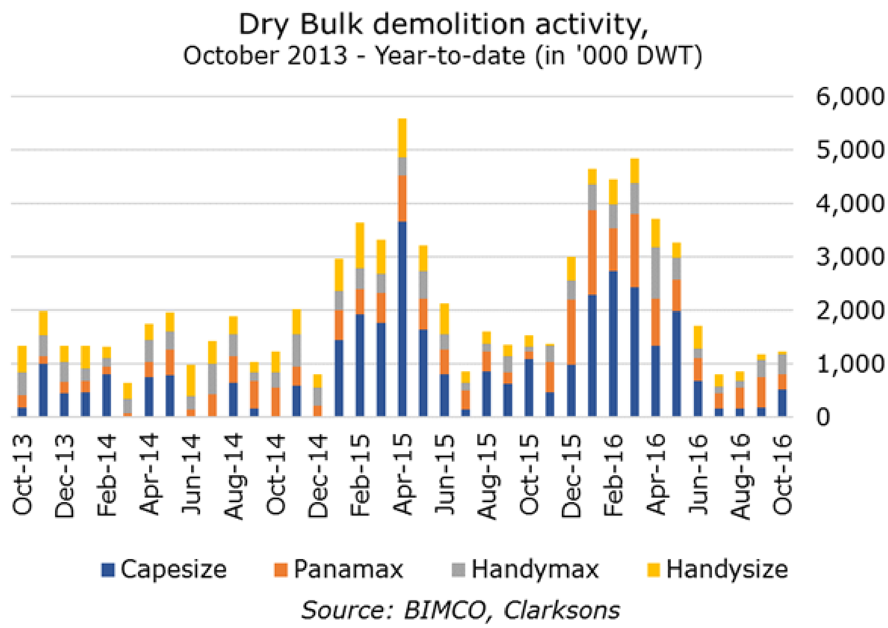
Dry Bulk Market: Improvement On The Demand Side Only But The Supply Side Is Worse Off

Back in May, BIMCO disclosed a projected “road to recovery” for the dry bulk shipping industry. The main message back then on what the dry bulk sector must do to return to profitability was, and still is: “Scrapping ships and no new builds is the fastest road to recovery for the dry bulk market”.
As promised, BIMCO will monitor and report back to the dry bulk shipping industry on the progress made towards a recovery. 2016 must be the turning point in addressing the fundamental imbalance of the dry bulk market. Despite better demand side conditions recently, we cannot expect positive demand side surprises, coming to rescue eternally. The enormous overcapacity of ships must be addressed – starting now – and continued over the next three years at least
.

Strong demand side growth helps as demolition interest has cooled
As shipowners’ interest in demolition has cooled, the supply side is worse off today than earlier estimates projected for 2016. Stronger demand side growth is the only reason for the improved market conditions in the dry bulk shipping sector.
In short, the fundamental balance of the market has improved, and freight rates can still reach profitable levels in 2019. But bringing profits back remains in the hands of shipowners themselves. But staying on the road to recovery requires a series of extremely tough and sustained measures to be taken, year on year.
BIMCO Chief Shipping Analyst, Peter Sand, said:
“The dry bulk market is still in a terrible condition. Regardless of a significant improvement in the BDI from its all-time low back in February 2016, the freight market remains lossmaking and in a very bad state.”
“The market has risen only from ‘catastrophic’ to ‘gloomy’ – so the need for shipowners to take decisive action remains.”
“When you claw your way back from the worst market ever – the road is long, rocky and tough. It requires stamina, adaptation and determination from all shipowners. The market has improved based on growing demand, but the sector cannot rely on this alone – which is out of its own hands.”
“The industry must act decisively to reduce the enormous overcapacity of tonnage by keeping demolition activity high, even as freight rates go up – to make the recovery a sustainable one.”

How are we doing on demolition of excess capacity?
For the first five months of 2016, shipowners were doing just the right thing. They were limiting the impact of new deliveries launched into the market by demolishing ships which were creating excess capacity.
From January to May, a net fleet growth of just 4 million DWT meant that the dry bulk fleet grew by 0.5%.
This was right on BIMCO’s target to reach a net supply growth of 10 million for the full year, based on 50 million DWT of newbuilds fed into the market and 40 million DWT taken out of the market for demolition.
Much more needs to be done
As of early October, the changes to the supply side of the dry bulk shipping market are no longer on target, if judged by net fleet growth. This is because shipowners have halted demolition of excess

shipping capacity while taking delivery of newbuilt ships at an unchanged pace. The dry bulk fleet today is 1.75% larger than at the start of 2016. 38.8 million DWT has been delivered in the first nine months of the year, while only 25.2 million DWT has been demolished.
Whereas our estimate for newbuilt deliveries remains on target for 50 million DWT, BIMCO's forecast for demolition of dry bulk tonnage for the full year of 2016 must be revised downward. We reduce our previous estimate of 40 million DWT down to 35 million DWT. This means that the dry bulk fleet will see a net growth of 15 million DWT or 1.9% for the full year.
In conclusion, the lack of action on demolition means that the development of the supply side of the freight market has made the situation worse – if compared to our original "Road to recovery", where the 2016 net fleet growth was estimated at 10 million DWT.



Surprisingly strong demand side growth
From the start of the year through September, the demand side has certainly improved. Our May 2016 forecast for a demand side growth rate of 0.3% on a volume basis is now expected to reach a growth rate of 0.8% for the full year in this update.
Taking the sailing distances into account as well, the added tonnes of cargoes coming from long-haul trades further improves the picture, as the tonne-miles demand growth rate increases significantly. Our current estimate suggests the demand side will improve by 1.4% in 2016, up from 0.1% in our original tonne-mile estimate.
In conclusion, the demand side has clearly improved in comparison to our original "road to recovery" report in May 2016, where the 2016 demand growth rate was estimated at 0.3% for 2016.
In our projections, we have set the demand side to grow by 2% from 2017 onwards. The developments in 2016 seem to have smoothed the path upwards from the low level in 2015
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The overall fundamental balance has improved
Weighing up the improvements to the demand situation and disappointments of the supply side slips, the overall fundamental balance has improved.
Shipowners did not do enough work on the supply side of the market – the improvements of the market were predominantly driven by a stronger demand side growth.

Why are freight rates still sluggish, then?
Because the market is still awash with excess shipping capacity. Improvements like those seen in 2016 so far are needed for many years to come.
BIMCO Chief Shipping Analyst, Peter Sand, adds:

"The slowdown in demolition activity is alarming. The work needed to be done on the supply side is substantial and the low level of demolition merely postpones the recovery."
"What is clearly keeping the dream of a profitable market in 2019 alive is the fact that global shipowners and investors have stayed away from the shipyards."
"Marred only by the 30 VLOCs ordered from Chinese owners confirmed in March and April, we have only seen a handful of new orders for dry bulk ships."
It remains of key importance to stay on that track, in order to achieve the zero supply growth rate in coming years, as demolition activity is bound to slow upon a gradually improving freight market".
Source: BIMCO; Peter Sand, Chief Shipping Analyst
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(4) Lloyd's List, 27 October 2016

Swallowing the anchor

- by Michael Grey

There are fewer UK officers available for shore-side management in an industry obsessed with cheap labour on board its ships.
Only the terminally deluded shipping company recruiter would expect young ship's officers not to be casting around for a shore job at some stage

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IT USED to be a truth universally understood that when you went to sea, it was for life, except that it was all an illusion. In fact, all but a few seafarers treated seagoing almost as a rite of passage and would leave the sea for shore employment, some more smartly than others.

The ship operating sector treated this disappearance of its workforce with distain — they had paid to train these people, after all, and did not see why they should make it any easier for them to leave their employment. "Why do you want to educate seafarers?" Dr Ronald Hope of the Seafarers' Education Service was asked in 1947 . "They will only leave the sea."

We are all a bit more realistic now and only the terminally deluded shipping company recruiter would expect young ship's officers not to be casting around for a shore job at some stage in their careers.

The logic of this has been accepted and those recruiting cadets and officer trainees recognise that people might be more likely to go to sea in the first place if they can see subsequent opportunities in the industry's shore-side infrastructure. Some really enlightened companies talent spot bright young officers with a view to transferring them into shore-side management. That should be encouraged.

A useful offshoot of the Lord Mountevans' Maritime Growth Study for the UK maritime industry was to take a hard look at the industry's future skills, not least because of the concern expressed at the simple passage of years among the UK's maritime management. This saw the Marine Society, Maritime London, Merchant Navy Training Board and Trinity House undertake what was named Project Ulysses, the object of which was to identify the training and skills needed by MN officers if they were to make a successful transition from ship to shore and help to maintain the reputation of UK as a significant maritime centre.

The project recommended a closer look at five areas. There were suggestions that people coming ashore might have unrealistic assumptions and problems adjusting to the shore life. It might be that their prospects would be improved if they could develop certain useful skills — such as financial and management — before coming ashore. Questions arose about the best time to come ashore — should people wait until they had accumulated both industry experience and their highest statutory qualifications, or would they be more likely to succeed leaving the sea rather younger? It seemed to be a perception that UK ship's officers might lack commercial skills — so how might this be remedied and would not the whole ship-shore exercise be facilitated if there was a single point of advice that seafarers might approach to ask about what opportunities might be open to them?

Five areas

Last week saw a seminar at Trinity House in which an attempt was made to address these five areas. Under the chairmanship of the Master of Trinity House, the Princess Royal, the Lord Mayor of London Lord Mountevans first summarised the project and its findings, underlining its importance if the industry's skills gap was not to widen. It had inquired of a cross-section of the maritime industry and the results were wholly contemporary — it was what people were thinking now.

The MNTB's training and careers co-ordinator Fena Boyle, who had herself made the break from a sea career, summed up some of the difficulties faced by seafarers as they contemplated coming ashore. It remains for many people a difficult transition, with a need for mentoring and advice. "Career mapping" might be a new idea, and the MNTB was gathering together some more accessible assistance.

Spinnaker's Phil Parry provided some cautionary thoughts about the international nature of the industry and suggested that seafarers could do with better information on their career development which was, at present, too difficult to find. But seafarers were doing what they always did, taking their own responsibility for their careers, in an industry that seemed rather too devoted to casual employment. They might need more self-awareness and know-how to acquire the knowledge they needed to help them stand out in a crowd. They might need to acquire presentational skills and to write with confidence. But there was, Mr Parry pointed out, nothing new about this problem and industry participants previously had the problem presented to them, but sadly, on this earlier occasion, had signally failed to act.

Speakers from the Maritime and Coastguard Agency emphasised the timeliness of the project, which could feed with advantage into government research and would help to emphasise the value of transferable skills.

Some might suggest that this meeting, useful as it was, should have been held decades earlier, when the UK had a sizeable seafaring population of UK officers. Lord Rochdale, in his 1970 report into the UK merchant navy, had pointed out the value of a pathway for ships' officers into shore-side management. The writer of this column, in the 1980s, had even written a best-selling book on the subject. Few of the issues are in any way new.

Nevertheless, it is facile to dismiss the real problems that face the industry today. There are fewer UK officers available for shore-side management in an industry obsessed with cheap labour on board its ships. A successful officer, in a job which is relatively well paid and enjoying long leaves, is able to live in a pleasant part of the country, or abroad, and may be unwilling to take a huge reduction in pay and conditions to work in a London-based maritime company.

There are growing numbers of important jobs ashore that need to be filled, with real difficulties in succession planning.

But there needs to be much more realism, on both sides. There are practical things to be done, not least the identification of a source of advice for seafarers. It might be a cheap shot, but industry, if it wishes to avail itself of bright seafarers, needs to stop trying to do everything on the cheap and work together.
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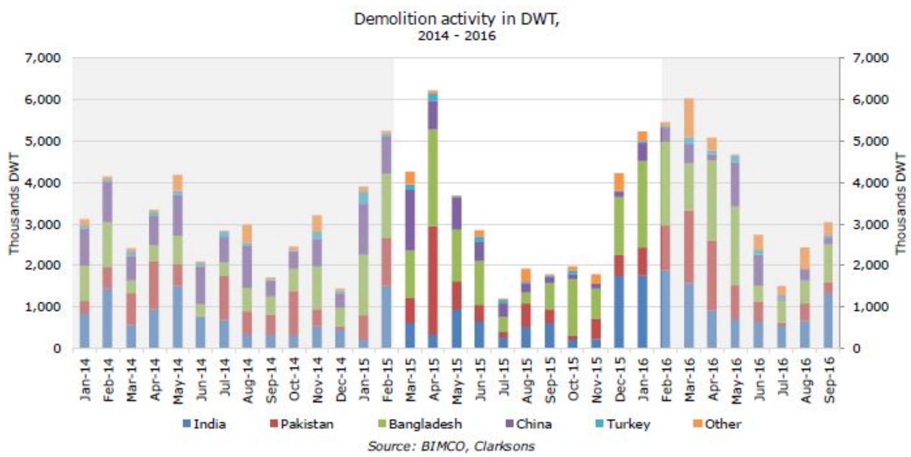
(5) BIMCO, 26 October 2016

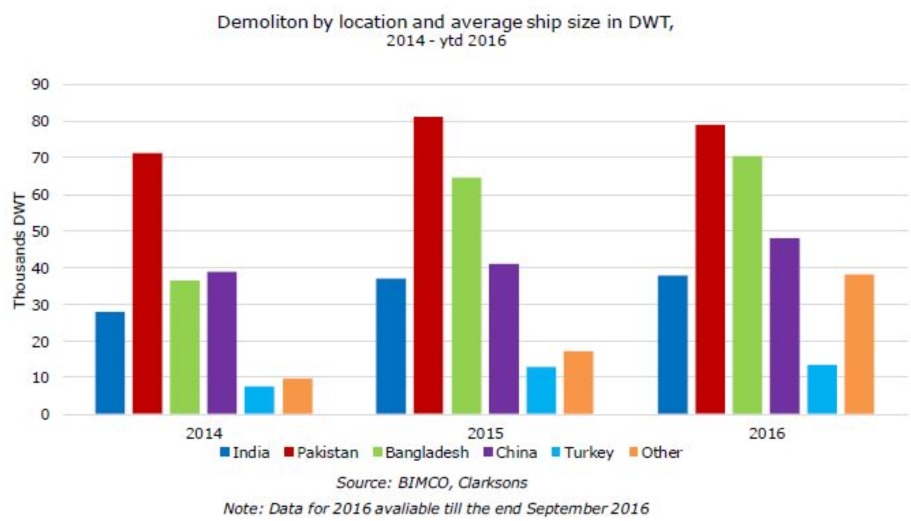
Demolition activity slowly but steadily grows…yet again

Global demolition activity rose in the first nine months of 2016 in comparison to the same period of 2015, by 16%. Showcasing shipping industry action, to counter the imbalance between supply and demand in the market.
However, diminishing demolition activity from March through July was bad for the recovery of the market. But could the recent increase in August and September be seen as a mild sign of hope? Next weeks' update of BIMCO's "Road to Recovery" will shed more light on recent developments, specifically on the dry bulk sector, whereas this analysis focuses on the total shipping industry's demolition activity.

From a broader perspective, a total of 36.2m DWT was demolished in the first nine months of 2016, with most of it taking place in the first four months of 2016. This is equal to 21.8m DWT or nearly twice as much as in the following five months of 2016.
However, comparing the period May – September 2016 in the same period as last year, the growth of demolition activity adds up to 2.9m DWT or 26%. Therefore, the decrease in scrapping from the fourth till the ninth month of 2016 can be accounted for by cyclical demolishing activity.
BIMCO's Chief Shipping Analyst Peter Sand says: "The poor global economic situation, as well as the depressing outlook for most of the seaborne shipping sector caused by excess supply of capacity, needs to be countered by a drastic increase in demolishing activity in order to lower merchant fleet growth."

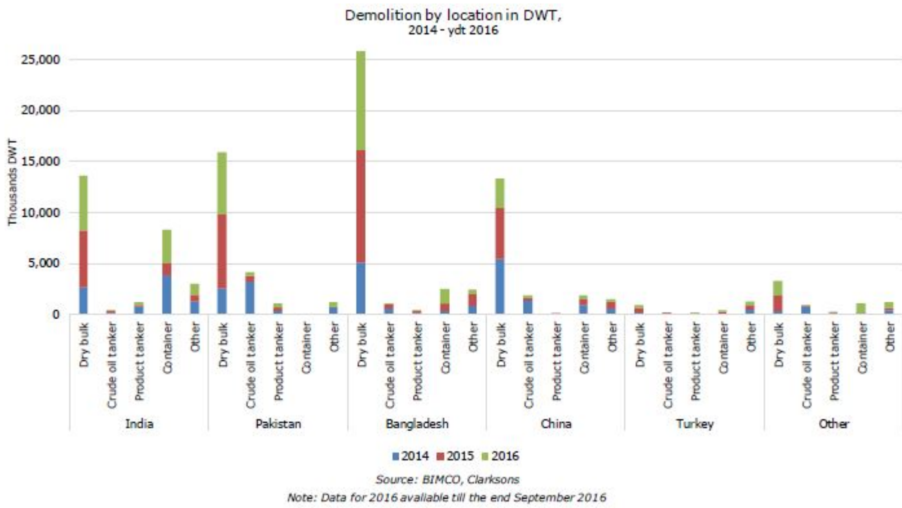


Regional demolition activity
Throughout 2014, 33.9m DWT was demolished; China accounted for 26% and became the major ship breaking location. In 2015, demolition increased in comparison to the previous year by 5.8m DWT 15%. Bangladesh scrapping yards recycled 35% of the total in 2015.
In the first nine months of 2016, the market-share of Bangladesh diminished to 32%. However, it still maintained leading position as the single biggest scrapping location. Comparing the period between January through September 2016 to the total previous year's amount in DWT is a record in the making, 94% is already scrapped in the yards.

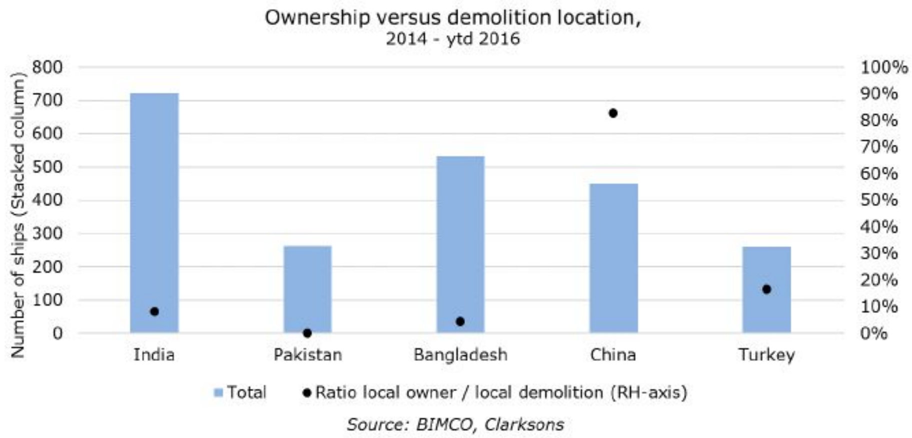


Continuous increase in average demolished ship size in DWT
In reference to the available data from the beginning of January 2014 through September 2016, the average demolished ship size in DWT increased on a year-on-year basis by 32% in 2015 and additionally 13% in 2016.

Peter Sand adds: “The trend for the demolition of bigger ships can be explained by weak global demand, especially for containerships in 2016, which is not growing at the pace needed to match excess containership capacity.
Another factor is the expansion of the Panama Canal, which takes the uniqueness away from the panamax ship segment.”
Pakistan has demolished, on average, the largest ships in DWT in the period between 2014 until present day. In the current year, Pakistan’s scrapping yards have on average ships with 79,077 DWT on their docks, in comparison to the global average of 47,845 DWT per ship.



Substantial differences between demolition by ship segments and demolition location
The dry bulk segment accounted for, from the beginning of January 2014 through September 2016, 72.9m DWT or 66% of the total demolition. Bangladesh demolition yards, took 35% alone of the total bulk demolishing activity. Throughout the years, in consecutive order, 16.4m DWT, 30.6m DWT and 25.8m DWT of the dry bulk shipping segment was scrapped.
Crude oil tankers accounted for 8.6m DWT or 8% of the total demolition in the entire reference period, especially in the year 2014 where 73% of the crude oil tanker total was scrapped. Pakistan alone demolished the majority of this particular segment with 49%.
As a minor segment, product tankers accounted for only 3.2m DWT or 3% of the total demolition in the entire period. In 2014, 46% of the total for this segment was demolished, the majority in India with more than 50%.
Containership demolition accounted for 14.2m DWT or 13% of the total demolition in two years and nine months starting from January 2014. Most notably, India demolished, in the whole period, 8.3m DWT or 58% of the total. The majority of India’s container ship demolition occurred in the year 2014 with 3.8m DWT or 46%. In the first nine months of 2016, 6.1m DWT or 43% has already been demolished, therefore marking the current year a record breaker.
All other ship segments accounted for 10.7m DWT or 10% in the period from January 2014 through September 2016. Bangladesh and India demolished, in total, 5.4m DWT or 51%. In 2016, India has already demolished 1.1m DWT or 35% and is the single biggest location.



Ownership nationality
In the two year and nine-month period from January 2014, India demolished by far the most with 721 ships. However, the percentage of Indian shipowners demolishing in Indian ship demolition yards was only 8%, while Chinese shipowners scrapped 82% in local demolition yards.
Peter Sand adds, “The high ratio of Chinese shipowners demolishing at local shipbreaking yards can be explained by the government-run rebate programme. It provides additional subsidies to Chinese shipowners who choose to recycle their ships in Chinese yards.”
Source: BIMCO; Peter Sand, Chief Shipping Analyst
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(6) Clarksons Research, 28 October 2016

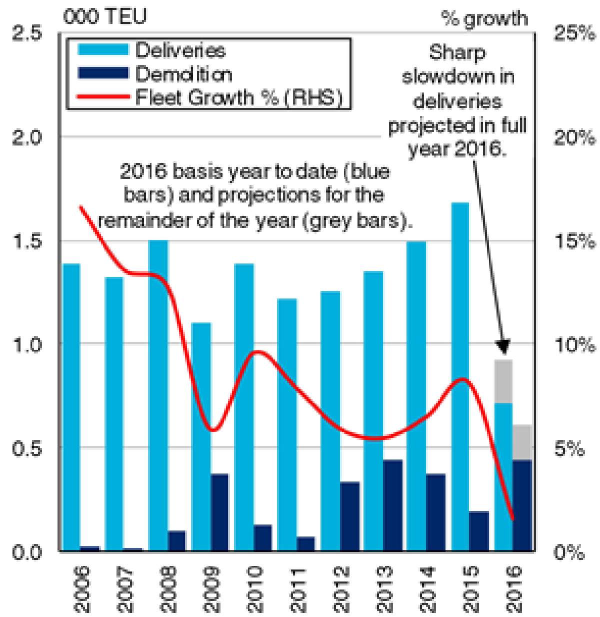
Boxship Fleet Growth: Winding Down Into Winter?

Containership fleet capacity has increased rapidly in recent years, rising by a substantial 8.1% in 2015 and passing the 20 million TEU milestone earlier this year in July. However, with the containership markets stuck deep in wintry conditions, fleet growth has slowed significantly so far this year, and capacity expansion is currently predicted to reach a historically sluggish 1.6% in full year 2016.

Graph of the Month

Containership Fleet Expansion Heads Into Hibernation

The blue bars on the graph show annual containership deliveries and demolition in terms of TEU (left hand axis). Blue bars for 2016 show year to date data, with projections for the remainder of the year shown by the grey areas. The red line shows annual growth in containership fleet capacity, and the current projection for growth in full year 2016.



Source : Clarksons Research

Drowsy Deliveries

The recent slowdown in fleet growth has largely been driven by a reduced pace of deliveries. Just 0.7m TEU of capacity has been delivered in the year to date, compared to 1.7m TEU in full year 2015, with large boxships of 8,000+ TEU accounting for the vast majority (almost 90%) of delivered capacity so far in 2016. One key driver of slower deliveries this year is the shape of the orderbook; at start 2015, the orderbook scheduled for delivery in 2016 totalled 1.1m TEU, around 40% lower than deliveries then scheduled for 2015. However, 'non-delivery' of the scheduled orderbook has also risen this year, with delays to deliveries to some owners in the current difficult market environment. 'Non-delivery' of the scheduled orderbook has risen from 11% in TEU terms in 2015 to nearly 40% so far this year.

Scrapping Wide Awake

Meanwhile, containership demolition has picked up, totalling 133 boxships of 0.45m TEU in the first nine months of the year, nearly four times recycling volumes in the same period in 2015. Scrapping this year has been particularly focussed in the 'old Panamax' sector following the opening of the expanded Panama Canal locks in June, with 'old Panamax' units accounting for nearly half of the capacity scrapped so far this year. Recycling of 3,000+ TEU wide beam ships has also picked up significantly, accounting for around a quarter of capacity scrapped so far this year. Overall, containership demolition is projected to reach a record 0.61m TEU in full year 2016. Continued depressed freight and charter rates have contributed to firm scrapping activity, and a trend towards younger ships being recycled. The average age of boxships scrapped so far in 2016 stands at 20 years, down from 23 years in 2015. The duration of the downturn has also led to increased recycling of German-financed ships, with 50% of the units scrapped this year sold by German owners.

Drifting Off

Overall, while strong boxship scrapping has recently captured the headlines, delivery slowdown has been around twice as important in terms of driving a reduced pace of fleet growth this year. However, fleet expansion still varies between the boxship sizes, with 8,000+ TEU fleet capacity expected to grow 10% this year, whilst fleet capacity in the sub-8,000 TEU boxship sector is projected to fall by 4%.

A Helpful Rest?
The dramatic shift in boxship fleet growth this year is partly evidence of the 'market mechanism' at work, as owners attempt to address significant oversupply. This should help to recalibrate the supply and demand balance in the boxship sector to some extent, and while further significant improvements are still necessary, the wind down in the pace of expansion now being seen may prove a helpful start.
Source: Clarksons
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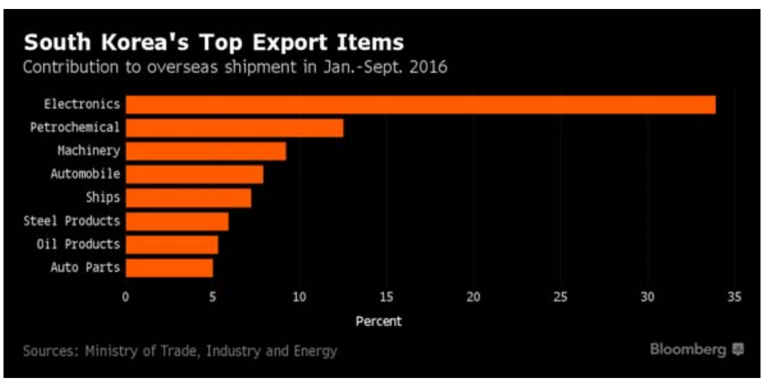
(7) Hellenic Shipping News, 27 October 2016/ Bloomberg

After 20,000 Job Cuts, World's Top Shipyards Brace for More

South Korea's shipbuilding industry — home to the world's top three manufacturers — has eliminated more than 20,000 jobs this year. They may not even be halfway through.
Hyundai Heavy Industries Co., Daewoo Shipbuilding & Marine Engineering Co. and Samsung Heavy Industries Co. are among builders that have sent workers home and the industry could lose as many as 40,000 more positions by the end of this year, the Korea Labor Institute estimated. The sector employed 163,000 people at the end of June, down from 183,000 at the end of December, according to the Korea Offshore & Shipbuilding Association.
The "Big Three" yards have lost a combined 6.6 trillion won ($5.8 billion) in the last six quarters amid delivery delays and a plunge in demand for new vessels and shipping platforms used for drilling oil in deep sea. Once South Korea's biggest export, shipbuilding has now slipped down the ranks of the top 10, prompting a state-led support package.
"If things don't start to turn around next year, we could be on a long and painful path," said Hong Sung-in, a researcher at the Korea Institute for Industrial Economics & Trade in Sejong, South Korea.



Hyundai Heavy reported on Wednesday a net income of 295.5 billion won for the three months through September, its third consecutive quarterly profit on the back of cost cuts. Samsung Heavy, the third-largest, is due to report Thursday, while Daewoo hasn't set a date yet.
Keppel, Sembcorp
Shipbuilders and oil-rig makers like Singapore-based Keppel Corp. and Sembcorp Marine Ltd. have eliminated thousands of workers in the past two years amid weak demand for equipment to explore and transport oil. Keppel said last week that it slashed 8,000 jobs at its offshore and marine business in the nine months through September, while Sembcorp said it scrapped as many as well, without elaborating.
Companies in the oil and natural gas sector have cut more than 350,000 jobs since crude prices started to fall in 2014 and explorers reduced hundreds of billions of dollars in investment to weather the rout.
Hyundai Heavy is the only shipyard among the trio that made a profit in the first half. It has reduced about 1,500 jobs during the period. Nothing further has been decided, according to a company spokeswoman.

Samsung Heavy also cut about 1,500 jobs and is seeking to raise more than 1 trillion won by selling 159.1 million new shares next month. The company is executing a restructuring plan that includes reducing its headcount by as much as 40 percent by 2018, a spokesman said.

Daewoo Shipbuilding, which reported its biggest annual loss in 2015 after missing delivery schedules of offshore projects, is looking at reducing its headcount by about 1,000 workers through a voluntary retirement program by the end of 2016 and another 2,000 by transferring operations that support the company's main business into a separate company. Daewoo may consider further job cuts if the slump in orders continue, a company spokesman said.

Revamp Plans

Hyundai Heavy fell 4.8 percent in Seoul on Wednesday before the earnings were announced, trimming gains for the year to 69 percent versus a 2.7 percent advance in the benchmark Kospi index. Samsung Heavy slipped 2.4 percent on Wednesday. Daewoo Shipbuilding shares have declined about 12 percent this year before trading was halted in July.

The three shipyards submitted separate restructuring plans to their creditors earlier this year that may help them raise a combined 8.41 trillion won. The steps include selling some of their non-core assets, temporarily shut idle yards and cutting jobs.

Most of the job cuts are at the subcontractors, said Bae Kiu-sik, a senior researcher at Korea Labor Institute. After reaching a record 204,000 workers in 2014, of which almost 70 percent were subcontractors, the number of jobs has fallen every year, according to the Korea Offshore & Shipbuilding Association. The Big Three directly employed 51,353 people at the end of June.

"The restructuring measures should help shipyards ride the rough waves next year should orders remain weak," said Lee Jae-won, an analyst at Yuanta Securities Korea in Seoul. "We should start seeing demand come back in 2018, though it won't be back to peak levels."

Source: Bloomberg

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