



PandaNews

COSCO SHIPYARD NEWSPAPER

COSCO SHIPYARD GROUP CO.,LTD.

Website: www.cosco-shipyard.com

Marketing: (86-21)58600111

Subscriptions: panda_news@cosco-shipyard.com



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MISSION STATEMENT To be a world leader in ship repair, conversion, new building and offshore marine engineering, we maintain trusting relationships with our customers, employers, and partners, yielding best returns for shareholders, society and environment. Depending on our talented engineers working alongside with an efficient project management team and a highly skilled workforce, we could guarantee to deliver the projects we undertake timely and professionally.



COSCO GROUP deputy general manager visits COSCO Shipyard booth at ChinaMarintec 2015

On December 2nd, the COSCO Group deputy general manager, Mr. Wang Yuhang, visited the COSCO Shipyards' booth at China Marintec 2015. Mr. Wang Yuhang viewed the green energy-saving ship, offshore drilling units, production equipment and support vessels etc. Mr. Wang Yuhang expressed his approval of the COSCO Shipyards' achievements in the fields of global marine engineering construction and the construction of specialist ship types.



Interview with Captain, Nick Christian, of the M/V Matson Kodiak

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Ormosabulk allstar returns for repair in COSCO Zhoushan for third time since 2013

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Shipping Confidence Continues Downward Trend

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Kick Off Ceremony for 4 Subsea Support Vessels

On December 9, four SSV (Subsea Support Vessel and the deep sea work auxiliaries), which COSCO Dalian built for the Maersk Supply Service company, were put on the slipway.

This project is an EPC contract; Dalian COSCO Shipyard will be entirely responsible for the project design, hull construction, equipment procurement, installation and debugging. The SSVs have an overall length of 137 meters, are 27 meters wide and 11 meters deep. They are equipped with a level III dynamic ship positioning electric propulsion system, 6 sets of main generators, three sets of thrusters, and two conventional propellers at the stern.



Lower Charter Rates Lead Box Ships to Net Loss

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I have really enjoyed my time in Nantong and at COSCO Shipyard

Interview with Captain, Nick Christian, of the M/V Matson Kodiak

Mr. Nick Christian is the Captain of the Container Ship, M/V Matson Kodiak, owned by Matson Navigation Company. The vessel and her two sister ships are part of a recent acquisition by Matson that has increased their market share into the State of Alaska. The vessels are one of a kind with their mechanical lashing system and ice rated hulls. Captain Christian has been a senior officer on the Kodiak for over a decade and previously sailed as 3rd and 2nd Mate on the Kodiak. This dry docking is his 5th on this specific vessel so he is a good judge of character when it comes to shipyards. When asked how he feels about the new purchase of his vessel he replied; "I couldn't be happier, Matson is the best company that flies the American Flag and I feel very fortunate to work for them." This is the Captain's first ever trip to Nantong or



a COSCO Shipyard. "I didn't know what to expect, I had high hopes but truthfully, I was pretty skeptical. I really should have known better, I work for Matson now and

they insist upon the best. It's an incredible team that Matson and COSCO have developed together; the steel work is second to none. The structure and accountability



is very high; this has been a very impressive operation, especially considering we are doing a modification that has never been done on a merchant ship." Captain

Christian is also very impressed with Nantong and Chinese people. "The Chinese are incredible people; hardworking, friendly and quick to smile. Just my type of people!" he laughs "I have made some really good friends here, both in the yard and on the streets, friends I hope to maintain for life. I can't give my experience at COSCO and in Nantong high enough accolades, it's been an amazing experience that I have thoroughly enjoyed. Heck, I like it so much that I volunteered to do the M/V Matson Tacoma, one of the three sister ships, and Matson took me up on it. I'll see you all again in early February!" Mr. Christian will be heading home soon to spend some time with his wife and two children.

Photos: Captain Christian carrying out a visual inspection of the Engine Casing and testing out a Chinese grinder.

GOOD JOB at COSCO Zhoushan Shipyard

Interview with MT COSPEARL LAKE

On October 17th, MT COSPEARL LAKE (VLCC) arrived at CoscoZhoushan shipyard. This vessel belongs to Dalian Ocean Shipping Company and she arrived to have the underside of her main decks in way of all her cargo oil tanks sandblasted and painted utilizing full hanging staging. This is the second time the company has sent a VLCC to CoscoZhoushan's shipyard for sandblasting & painting of the underside of the main deck. They will also send some more of the same type of vessel for the same job in the near future.

CoscoZhoushan shipyard has a lot of experience in sandblasting and painting of the underside of the main deck with hanging staging in a tanker, but this is only the second time they have undertaken this task on a VLCC. The first VLCC also came from Dalian Ocean Shipping Company and so the yard are very familiar with the procedures required for this special job and, in addition, are able to control production progress very well due to their many experiences in the past.

The major job was sand blasting the underside of the main deck and the tank top plate and painting of 15 cargo oil tanks; a total of

more than 50000 square meters. The procedure used is as follows: first Hydroblasting (more than 1, - 200bars) is carried out, followed by chemical cleaning and finally sandblasting and painting. Before the vessel arrived at the shipyard, we arranged a production meeting to discuss the hanging staging manpower/equipment requirements and produced a very detailed production plan based on our previous experience.

When the vessel arrived at the shipyard, we prepared the best jetty and enough manpower/equipment. However, whilst the vessel was in the shipyard the initial progress was hampered and slowed down due to many days of rainy weather and so, in order to make sure the vessel departed on time, the yard borrowed many air-conditioners for the cargo oil tank paint. The superintendents have given us a lot of support for this project, arranging to have their people available 24 hours per day for inspections and they also arranged for the crew to do their best to assist yard.

From the day we started working on board to the completion of the project, many days and nights

passed. The superintendents, our teams, all the crew and many other parties worked together on this, each of them an indispensable link in the chain that led us to success. Along with the vessel, we delivered satisfaction to the owner, in reciprocation for their trust. The project again marks another first in the history of COSCO (ZHOUZHAN) shipyard, which opens up brand new territory for us to explore.



Ormosabulk allstar returns for repair in COSCO Zhoushan for third time since 2013



Now, during the days between the 'Light Snow' and the 'Great Snow' of the 24 solar terms, it is still approximately one month until the end of the year 2015, but Zhoushan has experienced the first of the 'Northern Cold', and the temperature has suddenly dropped to a low of 1 degree centigrade. The lower temperatures have not slowed the repair and conversion work in Cosco Zhoushan, where it is still a very busy season; The huge vessel "Formosabulk Allstar" arrived for repair on 7th Nov.

As a result of our Shanghai Cosco Commercial Headquarters business strategy, and the business concept of 'High Quality, Win-win' to serve ship's owners, FORMOSA PLASTICS MARINE and Cosco Shipyard Group have been in close communication and have held frequent

and closed discussions since 2012, when our shipyard successfully repaired four vessels. The following year, 2013, three vessels were repaired in our yard and the number repaired during 2014 grew to eight vessels. Five vessels were repaired during the past year, which shows an impressive and steady development of cooperation between both groups since the long-term contract in 2014.

This is the 3rd time the vessel Formosabulk Allstar has come to Cosco Zhoushan for repairs since 2013, which prompts the question, why 3 times in 2 years? The simple answer is that the owners want to maintain the condition of the vessel at its current high level whilst also ensuring the safety of their people and property: Cosco Zhoushan has delivered high quality repair work on every vessel and provided great service. In all three instances, there are repairs involved large amounts of steel renewal and structural repairs, totalling 620 tonnes in June and August of 2013 during the 1st visit and 960 tonnes for the second repair in December 2014. This time the total will be more than 1000

tonnes after gauging, which is an astonishing amount for the vessel Formosabulk Allstar, and cements the legendary friendship between FORMOSA PLASTICS MARINE and Cosco Zhoushan Shipyard.

After taking thickness measurements, we faced more and more difficulties and challenge. This year is a very busy year for repair and conversions and, as a result, docking slots and wharf space is quite tight. The planned repair schedule anticipated that docking would be required for the early period of the repair. This was far from ideal for a vessel requiring a large amount of shell plating renewal. When we realized the full extent of the required repair, our commercial department started discussions with other owners in order to ascertain the best option for Formosabulk Allstar without inconveniencing the other owners. After almost a week of negotiation, her docking slot was successfully adjusted to the end of her repair period and we finally saw a smile on the superintendent's face as he pronounced "Cosco Zhoushan is a real Friend partner". The increase in the amount of steel renewal

required not only caused difficulty with the docking schedule; It also caused us procurement problems, as not only had the required amount of steel increased dramatically from the 400 tonnes indicated during the bidding period to an actual requirement of more than 1000 tonnes, but the repair location changed from the renewal of the tank top plates in the original specification to the renewal of side shell plates and shell frames. We had problems supplying both the amount and the grades of steel required from our reserve stocks of steel and we were very concerned production would be stopped if we could not find the necessary new plates. As soon as we were aware of the difficulty, we tried our best to find the plates from the new building stores, and started urgent purchase procedures to buy steel from factories outside the yard and even went to borrow some plates from nearby shipyards. After 10 days of thorough searching, all the plates had been sourced and the prefabrication and availability of plates was no longer a problem. The third and final challenge we faced was deciding on the best and most

efficient procedure for the repair. Given the extent of the required renewal - more than half of the shell plating and side frames were to be renewed in way of the cargo hold area - controlling the deformation of the hull shell was a concern, as was ensuring that a minimum number of days were spent on the repair. The procedure had to be finalized before starting the renewal and so our production dept. arranged a special meeting, inviting all the people involved to attend and discuss several solutions in order to find the best procedure. An optimized procedure was ascertained and it is anticipated that the plating renewal and vessel's repair will proceed smoothly.

In this cold winter, with great expectation from the owners, the yard's workers are busy working on the vessel Formosabulk Allstar day and night in order to ensure the great trust, which our reliable partner FORMOSA PLASTICS MARINE has in our ability to deliver a high quality repair in a reasonable time, is not misplaced and in order to maintain and nurture our great and precious friendship.

Shipping Confidence Continues Downward Trend



Overall confidence levels in the shipping industry fell in the three months to November 2015, according to the latest Shipping Confidence Survey from shipping adviser Moore Stephens.

The average confidence level expressed by respondents in the markets in which they operate was 5.6 on a scale of 1 (low) to 10 (high). This compares to the 5.9 recorded in August 2015. The survey was launched in May 2008 with a confidence rating of 6.8.

Moore Stephens said that all main categories of respondent recorded a fall in confidence this time, most notably charterers (down from 6.5 to 5.5). The confidence of managers was down from 6.4 to 5.8, that of brokers from 5.2 to 4.6, and that of owners from 5.8 to 5.7. Geographically, confidence was up in Asia, from 5.8 to 6.0, but down in Europe from 5.9 to 5.4, and in

North America from 6.3 to 5.7.

Many respondents expressed continuing concern about over-tonnaging and excess shipbuilding capacity.

One observed, "The over-ordering of ships by investment funds, together with the huge shipbuilding capacity created by China, are not conducive to an orderly market, with the result that shipping investments remain very risky."

The likelihood of respondents making a major investment or significant development over the next 12 months was down from 5.3 to 5.2. Charterers, managers and brokers were less confident in this regard than they were three months ago, but the confidence of owners was up, from 5.5 to 5.7.

One respondent said, "A lot of shipowners are like investors in the stock market. Even though common sense tells them they may be making a bad investment, they would rather take the risk than miss out on a possible upturn in the market." Yet another respondent said, "Smart owners wait until rates are low and buy used ships at low prices."

The number of respondents

who expected finance costs to increase over the next 12 months was down by one percentage point on last time, to 47 %. The number of owners anticipating dearer finance fell by 18 percentage points to 35 %, but the number of charterers of like mind rose to 67 %, from 50 % previously.

Demand trends, competition and port congestion featured as the top three factors cited by respondents as those likely to influence performance most significantly over the coming 12 months.

The numbers were down by four percentage points (to 21 %) for competition, which was pushed into second place by demand trends, where there was a one percentage point increase, to 24 %, in the figures.

Port congestion, up 15 percentage points to a new survey high of 17 %, featured in third place, followed by finance costs, in respect of which there was a four percentage point drop to 14 %.

Regulation (up five percentage points to 9 %) featured in fifth place, followed by operating costs (down five percentage points to 6 %). Fuel costs featured as a signif-

icant factor for just 4 % of respondents, compared to a survey high of 16 % in May 2011.

There was a fall in the number of respondents anticipating higher freight rates in the tanker, dry bulk and container ship sectors compared to the figures for August 2015. The net sentiment was nevertheless positive (+7) in the tanker market and in the dry bulk sector (+16), although negative (-5) for container ships.

Moore Stephens shipping partner Richard Greiner says, "Global unrest in general, and in particular the crisis involving Syria, does nothing to help confidence in industries such as shipping, which operate across international borders. Neither does the migrant crisis in Europe, which has escalated significantly in recent months, nor the Paris bombings. Shipping must expect to suffer the downside of such incidents just as, in better times, it can expect to benefit from positive geopolitical changes."

With respect to the issues of oversupply Greiner believes that only increased ship recycling and rationalisation of business plans can effectively address these issues.

"The tanker market is producing comparatively good earnings at the moment, but its fortunes are too closely linked to the price of oil for anybody to accurately predict how long this will last. Expectations of improved rates over the next 12 months in the three main tonnage categories covered by the survey are down. In the case of the dry bulk sector, such expectations are at their lowest since August 2012, while in the container ship market one has to go back to October 2008 to find a lower figure. Indeed, our respondents recorded an overall negative sentiment in respect of the container ship market," he adds.

"This paints a rather austere picture for the immediate future of the industry, which is also facing the burgeoning challenge of funding regulatory compliance with the imminent entry into force of the Ballast Water Management convention. But it is by no means all bad news. Operating costs fell in both 2013 and 2014, which is evidence of the application of a measure of control which shipping has not been accustomed to seeing in recent years," Greiner went on to say.

Lower Charter Rates Lead Box Ships to Net Loss

Athens-based container shipping company Box Ships has reported a net loss during the third quarter of 2015 at USD 0.8 million, compared to a net income of USD 5.6 million during the corresponding period in 2014.

The company's results were influenced by decreased charter rates, as well as by a rise in its idle fleet.

During the third quarter of 2015 and 2014, Box Ships' vessels operated a total of 806 and 827 days, respectively, out of a total of 828 calendar days in both periods.

In the third quarter of 2015, the company's fleet had a total of thirteen unscheduled off-hire days, mainly related to nine idle days of Box Trader, and nine scheduled off-hire days related to the dry-docking of Box China.

"During the third quarter of 2015, the charter rates declined, taking back a large part of the increase witnessed during the first half of the year. Since the end of the third quarter of 2015, charter rates have dropped further. This has been exemplified in our recent fixtures of Box Marlin and Box Queen at USD 6,500 per day and \$6,150 per day, respectively, which are at levels significantly lower than their previous charters.

"In addition to that, the idle fleet capacity has increased consid-



erably, compared to around 1%-2% earlier in the year," Michael Bodouroglou, Chairman, President, Chief Executive Officer and Interim Chief Financial Officer of Box Ships, said.

Box Ships' recorded an EBITDA of USD 4.4 million for the third quarter of 2015, compared to last year's EBITDA of USD 11.2 million.

The company's net revenues for the third quarter of 2015 of USD 11.4 million were relatively unchanged year over year compared

to USD 11.5 million in the third quarter of 2014.

"Given the current market environment, we are mainly focused in maintaining a high level of fleet utilization, by chartering our vessels with quality counterparties, while at the same time further reducing our costs. Indicatively, our adjusted total vessel operating expenses for the nine months ended September 30, 2015 were about 9% lower than the respective period in 2014," Bodouroglou said.

The company chartered three of its vessels during the third quarter period.

The Box Trader entered into a time charter with Gold Star Line Ltd., in October for a period of 60 to 180 days at a daily gross charter rate of USD 7,500 for the first 90 days and USD 8,500 for the remaining period. In November 2015, the Box Marlin entered into a time charter with CMA CGM for a period of two to eight months at a daily gross charter rate of USD

6,500. In December 2015, the Box Queen entered into a time charter with CMA CGM for a period of 100 to 310 days at a daily gross charter rate of USD 6,150.4/Shipbuilding Industry Set to Pick Up After 2017

Despite a marginal deterioration in the growth outlook for the global shipbuilding industry, annualized five-year growth rates for the sector are still forecast to reach a healthy 3 to 5%, before picking up substantially after 2017, according to Castrol Marine Trade Barometer.

The barometer predicts that growth will be driven largely by the Asia-Pacific region, but also Latin America and the Middle East. All European nations but the Netherlands face a downward trend until 2017.

Mandhir Singh, COO at Castrol, says, "The main growth in shipbuilding will come from Asia-Pacific countries to 2019. These nations are well positioned to supply ultra-large vessels, which shipping

companies are increasingly demanding for their fuel efficiency and economies of scale.

"Traditional shipbuilding nations, like Germany and the UK, will need to up their game if they're to compete with the colossal shipyards and deep ports of the Asia-Pacific region."

Based on the report, Hong Kong seems to be the biggest success story, overtaking South Korea and China to become the world's second largest ship-parts trading nation. It is one of the few top 10 trading nations in the sector to see a rise in forecast growth since the last report.

Although China's forecast annualised export growth to 2019 has dropped from 10.05% to 8.08%, the economic powerhouse has displaced South Korea as the world's top exporter of ship parts. The dip in growth may be associated with China's ongoing policy to move away from export-led growth towards domestic consumption.

Algeria has jumped straight into the ten fastest-growing ship-parts trading nations at number one, following heavy investment in port capacity, and in wider infrastructure and skills development. The country's proximity to the EU, soaring energy trade and developing relations with China have also helped.

The presence of Brazil, Mexico and Venezuela, a new entry at number seven, in the list of the fastest-growing ship-parts trading nations indicates the rise of Latin America as an important region for the sector in the years to come.

"Many Asia-Pacific nations have rapidly developing ports, improving infrastructure, low-cost communications and access to potential new customers via valuable shipping trade routes. This places them in a strong position for growth," adds Singh.



Dry Bulk Market to Regain Profitability in 2017

The struggles of dry bulk shipping companies to recover their costs are to resume for at least the following years as the gloomy outlook for the dry bulk shipping market continues.

Ship owners' efforts to recover their costs by downsizing their vessel holdings is expected to enable oversupply to reduce over the next five years allowing for the market to return to profitability from 2017, according to Drewry's Dry Bulk Forecaster.

The second-hand market remains active, as owners with sound

financial backing have acquired many vessels in distress sales. The global dry bulk fleet grew just 2% in the first nine months of 2015, reaching 773 million dwt.

On the demand side, Drewry forecasts that the iron ore trade will grow at a moderate pace of 3-4% over the next few years, coal imports to China have slowed down and a rebound is not expected any time soon. Although India does have an over-ambitious plan to become self-reliant in thermal coal, the country cannot simply lessen its dependence on imported

coal, as demand continues to rise steeply.

"Dry bulk freight rates are expected to improve from the fourth quarter onwards. Drewry's view of a more stable supply-demand balance hinges largely on the expected improvement in the demand outlook and an anticipated moderate growth in the supply perspective. However, a recovery to the point that shipowners start earning profits will remain elusive for at least another year," said Rahul Sharan, Drewry's lead analyst for dry bulk.

