

ASIA-PACIFIC OFFSHORE PART 2: SINGAPORE




TradeWinds Business Report

COOLING OFF: A guest swims in the Skypark pool at the top of the Marina Bay Sands integrated resort and casino in Singapore.

Photo: Bloomberg News

Anyone who takes just a moment to think about the fundamental global demand for energy will also understand the generally positive long-term sentiments among companies providing ships, equipment and complex services at the sharp end of the oil-and-gas game. However, the sector is at a crossroads, with the darkest days long past and a feeling of short-term caution in the air. As the world's various arenas generate their own particular challenges, TradeWinds has carried out in-depth interviews with a selection of notable players to take the offshore pulse, this time in Asia and Australia. While last week saw Part One: Australia, this week concentrates on Singapore, with offshore correspondent **Darrin Griggs** reporting from the Lion City on pages 20 to 28.

ASIA-PACIFIC OFFSHORE: SINGAPORE



Growth is ongoing but obstacles remain

Singapore is unrivalled as an offshore hub in terms of geographical reach but business in the region is partially hampered by the large number of ageing vessels. The next few years will be crucial to how the fleet develops.

SINGAPORE: Optimism is returning to the offshore sector. Pictured, vertical gardens known as 'Supertrees' in the city centre. Above right, GC Reiber's 4,600-dwt "Greatship Maya" (built 2010)

Many of the participants in Singapore's offshore sector are decidedly more positive these days, although their cheer seems to be grounded in a sobriety that likely comes in the aftermath of nearly every burst market bubble.

Not too many years ago, players in the region were wringing their hands and cursing the state of the offshore orderbook, while around 60 vessels were said to be warm-stacked in the anchorages and waiting for work, apart from the usual ships sitting between jobs.

Today, the general sentiment seems to be mixed with varying degrees of caution and expectation for 2012. Most observers believe more improvements are the way.

The scope of Singapore-based offshore activities is broad and the offshore markets in Asia, with the island nation as the hub, have generally left the dark days of the 2008 crash behind them. Utilisation is rising and rates remain close to their low points.

Reliable figures for the fleet size in Asia can be hard to come by. Various sources include and exclude different sizes and classes of ships, as well as for different nations, which can also be difficult to track. According to off-the-cuff estimates from several broking houses in Singapore, including RS Platou and Fearnley Offshore, the fleet easily stands at more than 500 vessels.

Recent data from Pareto Research shows that the regional demand for operating vessels in Asia has grown from 189 ships in 2001 and 328 in 2006, to 518 in 2011. And while the same is true for other areas, it is particularly notable in Asia.

Generally speaking, sitting in Asia's supply hub and provider of tonnage, the offshore-vessel companies operating out of

Singapore serve key markets such as Malaysia, Indonesia, Vietnam, Thailand, the Philippines and Myanmar, with some projects in India, Sakhalin and the Middle East.

Working in all these countries, within the various systems, has its effect. Unlike the North Sea, the oil majors, national and independent oil companies working in Asia have to do so within the regulations of the various countries, so the extensive tender process means business can be more much relationship-driven.

Captain Mike Meade, founder and chief executive of broking house M3 Marine, explains his take on the scope of Singapore's offshore reach rather clearly.

"If you get out a map of the world and put your finger on Singapore and you look for the parts of the offshore business that are supported from there, then you can look as far west as the west coast of India, even to the Middle East to some extent, or to the east coast of Africa. And you can look all the way north to Sakhalin and all the way south to New Zealand. That is half the world and Singapore is the centre of it," said Meade.

"About 60% of the business is in Asia or about 60% of the world market is here. It's not Brazil, where you have big fancy PSVs [platform-supply vessels]. It's not Norway, where you have spaceships. But for the dollars count, in dollars revenue and dollars cost, it is about 60% of the world market."

The fleet in the area is still about 90% anchor-handling tug supply (AHTS) vessels and 10% PSVs, although more and more people are beginning to talk about the growing interest in the latter.

With a rising expectation of work in deeper water, oil

ASIA-PACIFIC OFFSHORE: SINGAPORE



OSV NEWBUILDINGS BY COUNTRY

	Brazil	China	India	Indonesia	Malaysia	Norway	Singapore	US	Others	Total
AHTS 4,000-7,999-bhp	2	114	1	14	11	0	19	0	13	174
AHTS 8,000-9,999-bhp	1	12	8	1	1	0	4	1	1	29
AHTS 10,000-15,999-bhp	0	4	1	16	7	0	4	2	2	36
AHTS 16,000-19,999-bhp	0	7	0	0	0	0	6	0	15	28
AHTS 20,000+ bhp	5	3	4	0	0	1	0	0	3	16
AHTS Total	8	140	14	31	19	1	33	3	34	283
PSV <500m2	2	14	0	12	1	0	0	1	1	31
PSV 500m2 - 740m2	3	4	0	7	8	2	4	1	8	37
PSV 750m2 - 899m2	2	16	0	6	0	10	0	0	11	45
PSV >900m2	5	37	0	4	0	32	0	27	10	115
PSV Total	12	71	0	29	9	44	4	29	30	228
Overall total	20	211	14	60	28	45	37	32	64	511

Source: RS Platou Offshore Research

SOUTHEAST ASIA AVERAGE RATES PER DAY FOR TERM CHARTERS

	2010	YTD 2011	April 2011	May 2011
AHTS 5,000 bhp	\$7,960	\$7,950	\$7,500	\$7,500
AHTS 7,000 bhp	\$10,191	\$9,726	\$9,500	\$9,000
AHTS 8,000 bhp	\$11,647	\$10,987	\$11,000	\$10,500
AHTS 10,000 bhp	\$12,806	\$13,100	\$13,500	\$13,000
AHTS 12,000 bhp	\$16,200	\$14,900	\$15,000	\$15,000

Source: RS Platou Offshore Research

Photos: Scanpix (main) and Darrin Griggs

companies in the region are said to be shifting their focus more to costs, particularly on fuel consumption, efficiency and the environmental side of operations.

As a result, the AHTS-to-rig ratio is expected to fall 3% over the next three years, while the PSV-to-rig ratio is expected to increase 4% during the same period, according to Pareto Research.

With around 1,690 AHTS units in the current global fleet, around 235 ships are on order, representing 14% of the fleet. More than 220 AHTS vessels or 13% of the current fleet are older than 30 years and are “non-competitive”, says Pareto Research.

While utilisation has risen dramatically in Asia, there is still a substantial number of ships that need to be moved out — retired if not scrapped. Some of the older ships are still cold stacked.

“We’re hoping that they sit there so long that they will not come back into the market. But we’re seeing some players in Indonesia, Malaysia and the Middle East buying some old ships and putting the right flag on the back,” said Fearnley Offshore’s Harald Lovik.

This portion of the fleet is what RS Platou’s Christian Bartz-Johannessen describes as “the old crappy ships” and, in part, he blames regional practices such as the Bumiputera system in Malaysia for keeping them in the market.

Bumiputera, which means “Sons of the Earth”, serves to promote the ethnic Malay people. Companies that want to qualify need to be 30% owned by not just a citizen but someone who meets the ethnic standards.

“We still see some Malaysians, who lend their name to a

company, buying old, old tonnage and putting it on contract and, unfortunately, the oil companies have to comply with the local requirements and sometimes are almost forced to take these old bangers. So we have seen some 1980s-built tonnage bought by dubious companies in Malaysia and these ships continue to trade and drag down the market,” said Bartz-Johannessen.

“Oil companies doing operations in Malaysia have to do all their chartering through the Petronas suppliers list and only Bumiputera companies can provide tonnage for that list. It is a horrible, racist system and nobody likes it.”

Regardless of the various regions’ tendency to keep ageing ships active, the offshore fleet in Asia needs a clean-out and many participants are hoping that current rates levels will force older ships out.

“One thing that could change — and it’s got to happen, as sure as the sun rises in the east and sets in the west — there has to be some level of wholesale scrapping of the older ships in this business. Once that happens there will be a quantum change in this sector. That is a dynamic that everybody knows has to happen,” said Mike Meade.

Age restrictions are also coming in.

“Because of all the new vessels in the market, the expectations of all companies now are a lot higher. That’s why the older ships are struggling, because when bids are coming out it is not uncommon to see ‘no older than 15 years’, while 15 tends to be the number in Malaysia and 20 tends to be used in Indonesia,” said M3’s John Meade. “That automatically sidelines a big squad of the older vessels.”

ASIA-PACIFIC OFFSHORE: SINGAPORE

Platou offers cautious outlook

RS Platou (Asia) says the prospects for the sector could turn on a dime if 'ridiculous deals' saturate the market.

Darrin Griggs

Singapore

Too much shipyard capacity and too many potential new entrants with money to spend have combined as a key concern for the offshore sector, says RS Platou (Asia) managing director Christian Bartz-Johannessen.

After the white-hot boom years that came to a close at the end of 2008 and the following downturn, the darkest days seem to have passed. Offshore prospects are looking up, with vessel utilisation in Singapore somewhere between 70% and 80%, by most accounts, or even higher, according to others.

Do participants in the offshore market feel like they have come through a difficult time and are now on a plateau?

"Yes, they feel something like that but then again, everyone is also afraid that we are not going to catch the wave when it does come because people are running around ordering too many vessels already," said Bartz-Johannessen.

"You have to remember, it takes

much longer to build the rigs and get the oilfields developed than it takes to build the ships."

Cyclical pressures in the rest of the traditional shipping industry appear to have many more yards looking to make a living in the offshore sector. For the drilling side, this has been especially true of builders' recent successful moves to grab orders for low-priced drillships.

However, offshore-service vessels are also on the menu, says the Platou boss.

"The biggest problem is the enormous yard capacity that we have seen build up over the past five or six years. We see so many yards in China, South Korea and Japan that would never have been interested in doing offshore vessels before and now they want to get into this market," said Bartz-Johannessen.

But high capacity plus a willing appetite for risk is a recipe for an orders rush.

"The other challenge is that people who want to put money into steel these days are looking to



RS PLATOU SINGAPORE: Offshore broker John Annat (left) and managing director Christian Bartz-Johannessen at their office

the offshore sector. If you have money and know about investing in steel, you are probably not going to put money in capesizes," he said.

"There is lot of money available for offshore and you are going to see a lot of strange people trying to get into the sector and some of them will manage to do it. You see

people who are willing to do ridiculous deals."

Bartz-Johannessen says an example of a "ridiculous deal" could be an order for 10 or 20 offshore-support vessels (OSVs) in China by first-time investors in the sector.

"And you know what, they would get the money to do it and

when you have all this equipment lying around one way or the other it is going to get into the market and just drag it down," he said.

Apart from his warning about potential overordering, Bartz-Johannessen does see some bright aspects to the current situation.

As the larger, newer vessels are competing downward with the

Christian Bartz-Johannessen: "There is lot of money available for offshore and you are going to see a lot of strange people trying to get into the sector and some of them will manage to do it. You see people who are willing to do ridiculous deals."

Early establishment in Singapore gave broker head start in

Norwegian broking house RS Platou got off to a substantial head start — ahead of the other international offshore shipbrokers that have moved to Singapore in recent years — by building up its offshore focus as early as 2000.

Platou had been in place since 1989 and, when RS Platou (Asia) managing director Christian Bartz-Johannessen, 39, arrived to build up the Singapore office, only five employees were on the scene.

Today, the same Platou outpost, which includes Platou Markets and Platou Finance, has between 65 and 70 staff, with 15 different nationalities in the office.

The offshore desk alone is 16 people, working on rigs, sale and purchase (S&P), newbuildings and chartering.

Back in 2000, many offshore players used Singapore as a hub for operations and little else, while few international brokers had a footprint there — but the market was about to change.

"The Singapore authority had this great idea about creating the

cluster and they introduced all these different temporary tax schemes to attract the business. But the great thing was, of course, that they also demanded something in return to avoid being like Panama or Liberia, or a similar place where you only have a post-box," said Bartz-Johannessen.

"Here they demanded that you actually had to commit to spending the money to build an office

and to actually put decision-makers here and commit to a business plan where you had to build up your fleet, which included moving management to Singapore."

Building up so early meant that Platou was already in place and established to serve new local clients as more offshore companies set up shop in the island nation. It was also able to cash in on the activity of the hot offshore markets

from about 2004 to 2008, not least within newbuildings.

"We were very lucky and we got the timing just right. Singapore was attracting all the companies in and all of a sudden we had a lot of clients — and then the offshore market came up. I think in order for you to really do well here in Singapore, you must have established yourself before 2007," he said.

John Annat: "I think life in the North Sea as an offshore broker is a lot more straightforward because it's a very transparent market. Here you probably do more work for your dollar at the end of the day."

ASIA-PACIFIC OFFSHORE: SINGAPORE



Photo: Darrin Griggs



SINGAPORE: Platou's Asian office now numbers between 65 and 70 staff.

Photo: Bloomberg News

Christian Bartz-Johannessen: "Big vessels that have migrated from the North Sea to Asia are competing with the 10,000-bhp and 12,000-bhp ships here. And so the 10,000-bhp and 12,000-bhp vessels move down to compete with 8,000-bhp bracket, which pushes the 8,000-bhp units down to compete with the 5,000-bhp ships."

smaller older vessels, there is a good chance, as it stands, that the current market could end up pushing more older vessels out.

"You can always compete down in size but you can't compete up," he said.

"Big vessels that have migrated from the North Sea to Asia are competing with the 10,000-bhp and 12,000-bhp ships here. And so the 10,000-bhp and 12,000-bhp vessels move down to compete with the 8,000-bhp bracket, which pushes the 8,000-bhp units down to compete with the 5,000-bhp ships.

"So while the activity level is

booming here, you're still sort of hitting the glass ceiling, when it comes to charter rates."

Scrapping is a difficult prospect because the relatively low weight of an offshore vessel means that most times it costs more to get it to the scrappers than a demolition sale would actually bring — at say \$200,000 to \$400,000 in total.

"Companies are finally able to apply the health-and-safety regulations that they should have always done, as we are finally starting to get rid of all of the 1970s and 1980s-built tonnage. So that is a good thing," added Bartz-Johannessen.

'hot offshore markets'

As a competitive advantage, Bartz-Johannessen says his office draws upon the larger Platou group.

"We have our ear to the ground on the shipbroking side and there's a lot of deal flow we can bring into Platou Markets — when people want to do something on the equity or debt side, debt restructuring, raise more equity and also mergers and acquisitions [M&A]," he said.

Meanwhile, Platou offshore-specialist broker John Annat has been in Singapore for four years now, after previously working in the UK with a focus on the North Sea. So how does Scottish-born Annat compare the Asian and Eu-

ropean offshore sectors?

"The bidding regulations are different here. In Malaysia, companies have to go to Petronas to find a vendor. In Indonesia, they have to go to a local partner, who then comes to us or to an owner directly," said Annat.

"So it makes life a little bit more tricky here as a broker because sometimes you won't have direct contact with an oil company.

"I think life in the North Sea as an offshore broker is a lot more straightforward because it's a very transparent market. Here you probably do more work for your dollar at the end of the day," he added.

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ASIA-PACIFIC OFFSHORE: SINGAPORE

For Fearnley the priority is utilisation

A broker believes a rise in day rates is on the cards but until then owners should ensure their ships are in work.

Darrin Griggs

Singapore

Offshore shipowners in Asia should be positioning themselves now to be able to take advantage of a possible pick-up in day rates in 2012, says Fearnley Offshore Supply Pte Ltd general manager Harald Paulsen Lovik.

Vessel utilisation is certainly up, whether using Fearnley's estimates that place it at above 70%, or that of other brokers who say it is close to 80% or more.

With rates at a low point, vessel earnings are obviously under pressure but holding out for higher day rates now may not necessarily work for owners, says Lovik. The key is to keep vessels working and prioritise utilisation over rates.

"Owners should probably commit their vessels for six to 12 months at this stage but I probably wouldn't go much beyond that because we believe there is an improvement in rates coming around this time next year," said Lovik.

"There will be more activity coming in and less supply. [The reduced supply situation] could



VETERAN: Low rates mean older ships may not return. Pictured, Vroon Offshore Services' "VOS Chancellor" (built 1973) anchored off Singapore in 2009 Photo: Jonathan Boonzaier

relate to older ships being pushed out or hopefully by that time what is left in the yards will be delivered as well. Right now we are seeing new ships every week coming out of China."

Previously, figures from Fearnley Offshore for anchor-handling tug supply (AHTS) vessels show more than 160 will be delivered this year and 37 in 2012. The anchor-handler is still the most relevant type for the Asian markets, as the breakdown for the total area is still about 90% AHTS vessels and about 10% platform-supply vessels (PSVs).

Of the total in 2011, around 75 units are 8,000 bhp or less, while about 35 are of 12,000 bhp or less, meaning that roughly 65% of the ships are of the historically Asian sizes. Nearly as many PSVs are on order but many more larger ones.

As always, some delays can be expected in years with a heavy global orderbook but, generally, it

is thinning out significantly by 2012.

"At least another couple of hundred ships are to be delivered in Asia by the end of this year but I think we'll see quite a bit of spillover again into next year," said Lovik.

"The demand now is probably at the same level as it was in 2008, when the market was fantastic, but there's been just such a massive supply of vessels and this was causing the pressure on rates and utilisation now."

One of the buzzwords heard often in the Singapore offshore market is "fifty-one fifty", which simply refers to a popular size of vessel, the 5,150-bhp AHTS vessel, that has been built in abundance. These vessels are bringing in on average about \$7,500 to \$8,000 per day, while the 8,000-bhp ships are making around \$10,000 per day.

With the differential in rates so narrow, charterers are able to take in larger and newer ships by paying slightly more than they would for older tonnage.

"It should be a good thing for the market in the long run. If we have this situation prolonged for another 12 months then, yes, it is currently too expensive to keep old vessels in class. And it is not going to make any sense to spend another \$1m to \$3m on the ship to put it back into class for the seventh special survey," said Lovik.

"This is one of the reasons, at least in my opinion, that we are where we are today. During the



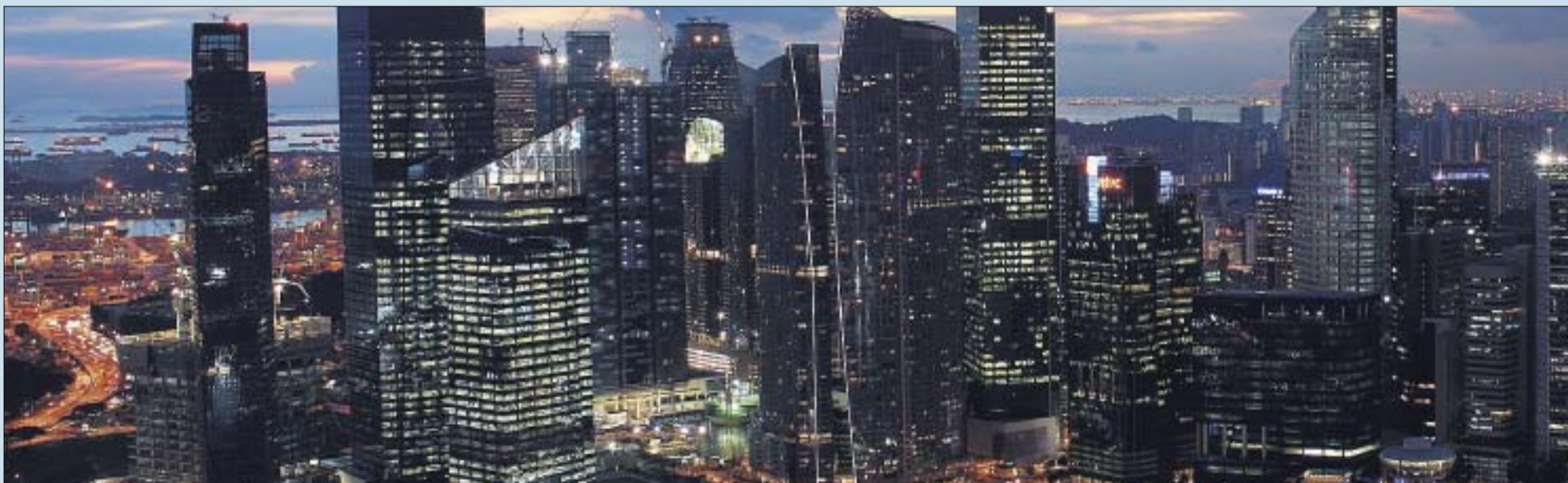
FEARNLEY OFFSHORE SUPPLY (ASIA): General manager Harald Paulsen Lovik (left)

last peak, up until 2008, the rates were so extremely high that it made sense to put the money into a survey because you would make it back over six months. But that means we are now struggling with those ships because they were put

back in class. If we have a long period of time with the relatively depressed market, we may not see those ships come back."

Regarding Fearnley's prediction for a rise in day rates, will the market be heading back to the lev-

Harald Paulsen Lovik: "During the last peak, up until 2008, the rates were so extremely high that it made sense to put the money into a survey because you would make it back over six months. But that means we are now struggling with those ships because they were put back in the class. If we have a long period of time with the relatively depressed market, we may not see those ships come back."



GROWING MARKET: Fearnley set up its office in Singapore in 2006 and is adding two more offshore brokers to its team this year.



and offshore shipbroker Anders C Hagen

Photo: Darrin Griggs

els seen in 2008 anytime soon?

"No, definitely not. I think we are quite a bit off that. It could be 2014 or 2015 before we see those sorts of rate levels, the type of market when people will pay whatever you ask for," said Lovik.

"I'm not sure we really want those extreme market situations anyway," added Fearnley shipbroker Anders C Hagen. "Those peak times create these downturns. A good stable market, when everybody earns money, that's in the best interest of all parties."

Do clients share Fearnley's point of view on the market?

"No, I don't think so. I think a lot of them are much more optimistic. But then again, they don't want to sound pessimistic. But I think a lot of them are expecting the market to pick up sooner than it will," said Lovik.

Hagen added: "I think owners are a little more realistic than they were 18 months ago. Some of the owners in this region kept firm on high rates and extremely low utilisation and now they look like they're willing to drop their rates. They appreciate that the market is as it is but most people agree that the market will get better."

Fearnley adds to offshore team as Asian market grows

Fearnley Offshore Supply Pte Ltd in Singapore is showing some of its offshore-market sentiment by expanding its staff with another two brokers — and perhaps more by the end of the year.

"We are in a pretty advanced stage and have some people in our sights," said partner and general manager Harald Paulsen Lovik.

"There's no doubt that the offshore markets in Asia, among other places, are definitely seeing growth. Of course, we're also seeing a new wave of newbuildings coming on, not just yet, but it will happen."

The Fearnley Asia office was set up in 2006. Currently, it has about 40 staff in total, with a focus on a range of sectors, including dry cargo, tankers, gas, offshore and sale and purchase (S&P). Six people are working in the offshore sector — four on vessels and two rig brokers, who are doing a mix of chartering and newbuildings. Of the 40 staff, six are Norwegian.

"It's extremely important for us to also have local brokers. We are very aware that if we are going to



THE "SEA CHEYENNE": One of a series of six 140-tbp AHTS vessels built for GulfMark Offshore by Keppel Singmarine in 2007 and 2008. Fearnley figures show that more than 160 AHTS vessels will be delivered this year.

Photo: Keppel Singmarine

build this office with a long-term, stable basis, finding those key people is necessary," he said.

Lovik, who moved to Singapore in 2008 to continue to expand the offshore side, says one of the biggest challenges in the area is finding good experienced brokers.

"We had between 200 and 250 applications, I guess, spanning from people working in local supermarkets to very senior guys in some shipping companies," he said, adding that about 10 were viable candidates.

Fearnley Offshore Supply had

already been fairly involved in the Asian markets, especially on the newbuilding side, long before Lovik took up his role in Singapore in 2008.

"We had a desk set up here and so we were ready to move. I spent a fair part of 2007 here, travelling back and forth. When I did get here, it was really like hitting the ground running, definitely," said Lovik.

"That first year was so extremely busy that Anders Hagen had to come out because the workload was just too great."

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ASIA-PACIFIC OFFSHORE: SINGAPORE

M3 sees upside in fresh orders

Broker M3 Marine says players in the Asian market with clean balance sheets should take advantage of low yard prices.

Darrin Griggs

Singapore

The head of Singapore-based broking house M3 Marine Group believes the offshore market is unlikely to see lower yard prices than are on offer now but, in the same breath, he cautions owners to be careful with any potential vessel orders.

Captain Mike Meade, who is M3's founder and its chief executive, also says he expects day rates to rise in 2012 — while brother Captain John Meade, who is M3's chief operating officer, adds that rates cannot get much lower anyway.

"For the Asian market, if you are an owner who has a clean balance sheet, now is the right time to order because you'll get the best prices from a shipyard, better than you'll see in many years," said Mike.

"But be selective about what you order, be careful and make sure you are not using funky finance and there will be a shortage of vessels out there, if the scrapping goes ahead. But that 'if' has got to happen. If the scrapping doesn't happen, then be sure you are the paying right price for your ship."

In illustrating his point, Mike refers to the "fifty-one fifty", which is one of the terms often heard among offshore players in Singapore as a shorthand version of one of that market's popular sizes, the 5,150-bhp anchor-handling tug supply (AHTS) vessel, which typically has a bollard-pull rating of around 60 tonnes.

"We can draw an index on 5150s. In early 2008, to order a 5150 would've cost you about \$11m and a resale would've cost between \$15m and \$17m. If you order a 5150 today, you can get one for \$9m, while a resale will be between \$11m and \$13m, depending on the specification," said Mike.

"The difference now between buying a resale contract and ordering is the cost of capital during construction, so there's an argument for me to say, whether you want to buy a resale or order is the question of whether you have the operational capability. If you buy one now with operations in place, you have the earnings instantly, or

you can place an order if you can wait."

Mike's advice may seem counterintuitive. However, in terms of the oversupply of tonnage, which other market experts have frequently discussed, both M3 brothers say oversupply is a question of vessel type and put less emphasis on vessel count than they do on vessel utilisation.

"We see 5150s keep getting delivered into the market but they also keep getting picked up by projects," said John.

"The market is never in equilibrium for long. It is only ever in equilibrium as it moves from oversupply to undersupply and back again," added Mike.

The Meade brothers say the key measurement is utilisation, which they add is now creeping up above 80%. From their standpoint, an undersupply situation never sees utilisation rise much above 90% and an oversupply situation sees it somewhere between 60% and the upper bound.

In relation to placing orders, Mike says financing is still an issue. "The biggest challenge for any owner, and I don't care whether you are the big guy or the small guy, is liquidity and access to capital. Unfortunately, for offshore owners, the rig business is the sexy story on the street at the moment and all the private equity has gone into rigs," he said.

"The banks are still struggling with the liquidity and how much they can loan out, in relation to the size of the risk profile they're going to take and the debt to equity ratio. They're struggling to come up with 80% to 90% as they did in 2005, 2006 and 2007, so that means owners need to have 30% equity to 50% equity."

However, despite all the talk of various difficulties, including low rates, the current downturn in the offshore market may not be the blow some think it is, if the sheer size of the boom is taken into consideration.

While an internal rate of return (IRR) of 15% is comfortable for many, the last offshore boom from 2004 to 2008 was generating IRRs of up to 40% to 60% for companies in the sector.

"That's when everybody wanted



M3 MARINE: From left, chief executive Captain Mike Meade, managing director Joanna Clark and chief operating officer Captain John Meade.

Photo: Darrin Griggs

to be in the offshore business. For companies like Tidewater, Swire and Norwegians like Farstad, they are smart people and they do projects properly. They put in true equity and they get bank debt at reasonable margins. They do not over extend themselves, and I'm sure they're making an IRR of 15% now and they're happy," said Mike.

"The people who are unhappy are the new entrants who came in between 2004 and 2008 and paid a lot of money for the ships."

In terms of the market going forward, what is on the Meade brothers' minds?

"Utilisation is improving. Rates, on a relatively short-term horizon of about five years, are at an all-time low, so it can only get better.

How much better is a crystal-ball question, and I challenge anybody to answer that. But what I would say, and what I truly believe, is that rates will go up and people are going to be happy with the rates they get," said Mike.

"For the money they've invested, the return on investment, the charter rate, the owners will be happy sometime in 2012. How

'Asian-centric, Asian-focussed' bats against

M3 Marine Group, which celebrated its sixth anniversary this month, is the largest independent offshore broker in Singapore, says founder and chief executive Captain Mike Meade.

"When I say 'largest independent' it's because we bat against Fearnleys, Platou, Braemar Seascope, Seabrokers, who are as you know satellite offices of bigger European companies," said Meade.

"We are Asian-centric and Asian-focussed. We have work all over the world but Singapore is our home, so we do tend to think of ourselves as a Singapore company."

British-born Meade, a former vice-president of offshore-focussed Seacor Holdings, held positions including in the UK, Middle East, Houston and Mexico. He was with Swire Pacific Offshore for 15 years before a total of nine years with Seacor.

When it came time to take up a job with Seacor in the UK, Meade

ended up returning to Asia to start his own business.

"Of course timing is everything and in 2005, the market was rising. I set this thing up and it really took off," said Meade, who is using 24 years of contacts in the sector and doing business within newbuildings, sale and purchase (S&P) and chartering.

By 2008, M3 had grown so active that Meade needed help, so he called on his younger brother John Meade to join the team. John, who is now M3's chief operating officer, was working with oil company Woodside at that time and running an LNG terminal in Australia from the marine perspective.

At the same, M3 saw a rapid rise in its marine consultancy work, which started on the commercial side but has grown significantly on the more technical side.

Meanwhile, broker Steve Clark joined M3 from Seacor in Nigeria, along with wife Joanna Clark,

who was looking to get back to work in her profession as a lawyer, after their young children had reached a certain age.

"I said to John, This is nuts. We've got this burgeoning consultancy business doing quite well. The work is walking in the door but were not actually managing the growth expectations. Why don't we bring Jo on board, set up the consultancy business, offer her a stake. She's got a book of work. Let's see what she can do with it to grow it," said Mike.

Up until 2010, consultancy was 10% and broking was 90% of M3's business but, with M3 managing director Joanna in the chair, the consultancy business has grown to a 30% slice of activity.

The company has 20 full-time employees, with about half of those on broking work, as well as many people on non-exclusive contract basis, such as master mariners, chief engineers or other experts in their fields out on

Broker Marr bets on steady growth

Singapore-based Kennedy Marr is taking in two more brokers as the level of inquiry for subsea business is 'very healthy'.

Darrin Griggs

Singapore

Kennedy Marr Offshore (Singapore), which tends to focus on highly-specialised subsea activity, is adding two more shipbrokers this month as it prepares for more business in its sector.

Singapore-based managing director Alex Marr, who is the 44-year-old son of Kennedy Marr co-founder Nicholas Marr, says he is taking in one trainee and one experienced broker from another company.

"We are fairly bullish. I think there's enough business out there for us to justify taking on these two people. Really, we've sort of been too busy and not had enough people to take advantage of it," said Marr.

"We've always taken trainees throughout the past two years. We've done that quite a lot in London and here, by taking in fresh people who have not been brokers, which can be a lot of work. In what we do, on the specialised side, it is quite a long process to train a person."

The company's core businesses have always been the vessels that are a couple of notches up in sophistication, such as ships that work in construction and production, any sort of subsea vessels, diving-support vessels (DSVs), pipe-lay vessels and floating production, storage and offloading (FPSO) units, for example.

Kennedy Marr was founded in the UK in 1974 but the outpost in Singapore is relatively new. Alex Marr started out in tanker broking in 1989 but came back to the offshore family fold in 2003, before heading to Asia to launch that office in 2007.

How does Marr perceive the differences between working in offshore and the tanker sector?

"You can teach someone what's important about a tanker in a day. When you get into complicated subsea-construction vessels, there's a lot to know and, obviously, when you're dealing with clients, to have any sort of credibility, you have to know what you're talking about," said Marr.

"It is hard to be an offshore broker if you're not truly interested in the vessels. It is fascinating what goes into getting oil out of the ground and all the vessels you need to support those operations. It is really extraordinary and, to



ALEX MARR: The Singapore-based managing director says "there is enough business in the highly-specialised subsea market to justify taking on these two people".

Photo: Darrin Griggs

Alex Marr: "We've always taken trainees throughout the past two years. We've done that quite a lot in London and here, by taking in fresh people who have not been brokers, which can be a lot of work. In what we do, on the specialised side, it is quite a long process to train a person."

me, it is exciting to be a part of all that."

Marr adds that the length of time to see some subsea deals from inception to completion can take years, whereas traditional shipping is a volume activity.

Before starting up in Singapore, the company already had a fair amount of contact with the region, says Marr.

"In our specialised markets as niche players, we tend to talk with everybody whether they're in Asia or wherever. Being physically in Singapore makes it a lot easier and allows for a lot more face-to-face contact," he said.

Marr says personal contact in Singapore is an advantage but adds that face-to-face interaction is essential for the company's office in Beijing.

As for the subsea market going forward, more activity is showing up in the amount of tenders.

"There's been a lot of tendering activity lately in Southeast Asia, India and everywhere but the benefit of that is felt for contractors and vessel owners maybe 18 to 24 months down the line," said Marr.

"But it's huge. You know the en-

gineering that needs to be done just to make it possible, then there's the fabricating of the platforms and whatever needs to be done, it is very long-term stuff."

Kennedy Marr's expectation for the offshore sector is seen in its move to expand, says Singapore-based boss.

"You know our judgment or our perception of how the market is going is based less on statistics and more on talking to people and the level of inquiries we get. We know instinctively whether we're busy or not, so basically, yes, we have a lot of clients wanting to do things, whether it's to charter stuff, to buy stuff or to build stuff," said Marr.

"The level of inquiry is not at the ballistic levels that it was in 2006 but it's very healthy from our point of view."

In terms of how fast and how far the markets will develop around the development of its client inquiry, Kennedy Marr appears to be betting on a steady rise.

"Earlier, everyone said that in mid-2011 everything would take off again. A lot of people in offshore and in general shipping are

looking for this turning point when everything goes 'whoosh' and everyone makes loads of money. It doesn't really work like that necessarily. I think we'll see a sort of gradual improvement in the market from next year onwards," said Marr.

Marr questions the state of subsea-vessel supply. He points out that subsea work can face some important limitations, if engineering capacity is not available, so even if an oil company has massive plans, it may not be able to carry them all off at once. In this regard, he advises owners to be careful about speculative ordering of subsea vessels of less than about 100 metres in length.

"I would argue against real speculative ordering for the sake of it. The offshore sector is probably not as bad as the regular shipping sector but it's similar," said Marr.

"It's a bit of a cliché to say but the hardest thing for any owner to do is nothing. They can't do nothing. They have to do something even if the market logic dictates that they should wait a few years before ordering."



steep that curve is going to be in 2012 is the question. I personally believe it is not going to be as steep as we've seen previously."

He believes a rise in rates this time around will be tailored to rises in utilisation.

John added: "Any rise will be tempered by what has already happened because it's not going to be a bubble that can burst again and that will actually be better all around for everybody."

world leaders

projects around the world.

The consultancy work is heavily focussed on failure mode effects analysis (FMEA) work for remotely operated vehicle (ROV) systems, diving systems and dynamic-positioning (DP) systems.

"Now we have a cadre of experts who write FMEAs, do inspections, get involved in new-building disputes, helping to integrate equipment such as ROV and dive systems. So that has been a major change," said Mike.

When Mike describes M3, he refers to many of his competitors as "brankers", which is his term for a cross between a broker and a banker.

By contrast, M3, especially with its consultancy work, has found its niche as a highly technical broker. This even includes partial ownership in a new offshore-vessel concept, the compact semi-submersible (CSS), and its design.

ASIA-PACIFIC OFFSHORE: SINGAPORE

NEWS



DIRECTOR MORTEN JELERT: 'We're looking to grow at all times but [predicting the] size is difficult.'

Photo: Darrin Griggs

Seabrokers kick-starts expansion

A previously dormant company is ready for growth with new broker hires in its sights.

Darrin Griggs

Singapore

Seabrokers Pte Ltd is on an expansion drive, looking to hire at least two more brokers soon for its outpost in Asia.

Seabrokers in Singapore was a dormant company until May 2010, when Morten Jelert, an offshore-industry veteran from the ownership side, stepped in to build it up.

The company's senior broker, Steve Dimpleby, then made the move from Aberdeen in October.

"We're looking to grow at all times but [predicting the] size is difficult. It's hard to say whether it's going to be two or four more brokers," said Jelert.

Although Jelert calls his shop small in comparison with other international shipbrokers in Singapore, he admits that he is able to draw on the resources of his larger group.

"Yes, we share information about what different owners are doing and Steve is a good example of how we've been able to pull someone out here from the group," said Jelert.

"At the end of the day, it's not

about having a telephone line where you can call up just anyone, it is also about sitting close to the clients."

Danish-born Jelert has been in Singapore for about seven years, first going out to the island nation on a posting with Maersk-affiliated company Svitzer.

From about 2006 to 2010, he was general manager for Nor Offshore, one of Solstad Offshore's joint ventures, which has now been fully taken over by the Norwegian company.

Jelert says he was headhunted for the position, which marked his entry into shipbroking.

Competition must be strong, as quite a few brokers are already well established with large networks and staff rosters in Singapore. On the other hand, the nation is the offshore hub of the region, with many ships, yards and owners.

So does the director feel there is room for another broker on the block?

"Definitely. And we are going to see this in the increased number of deals. Just look at Singapore over the past five years. Look, for example, at the number of compa-

nies, including the one where I previously worked. Many of those came from one or two vessels and have now grown to 10 or 20 vessels and that is amazing," said Jelert.

He adds that not all the expansion has been assisted by brokers but points to the local growth as enormous, adding that these owners will feel an increasing need to look beyond their borders.

"I project that there will be far more business being done because all this new tonnage has to follow the market sentiments," said Jelert.

"I saw it when I was with Nor Offshore during the boom times before the crash. We simply didn't have enough human resources to follow up on all the leads. We had so many vessels, they were coming out of our ears and there simply wasn't enough resources in the office — and we had to use brokers to follow up on those leads."

In terms of his own view of the sector now, the Seabrokers boss says the market may contain a lot of upside both for the subsea and the services markets, including for

anchor-handling tug supply (AHTS) ships and platform-supply vessels (PSVs).

"There is a lot of potential. But even though I don't think we're going to come back to the rates of before 2008, I think we could at least see the rates containing 20% to 30% more than they are today, if not more," said Jelert.

"The oil companies had got used to snapping their fingers to get the next vessel because they were available nearly every time. And that's not really the true picture anymore in all segments. And so maybe they have realised that they need to speed things up a little bit and make charter decisions quicker. But there are still a number of vessels available that can still do the jobs and that's why rates haven't really picked up much."

What sort of sentiment is Seabrokers picking up on among Singapore players?

"I think shipowners are getting more confident and also banks have stopped trying to run shipping companies, which helps a great deal," said Jelert.

"I think owners are confident that the rates will pick up eventually and, of course, they're still seeing supply come into the market — in some segments.

"But for some owners, I think it will not take them long before they start acquiring and buying from the yards again. You are seeing it already but it's only the big guys doing it in numbers," he said.

Tolani plans sale of spot-trading bulker

Pinaki Routray

New Delhi

Singapore-based bulker operator Tolani Shipping is said to be looking to sell one of its bulkers in the next few months.

Mumbai-based sources say Tolani plans to sell the 52,800-dwt *Prabhu Daya* (built 2001), which it bought as *Port Lisboa* in November 2005 for \$31m.

They suggest the ship is worth between \$21m and \$22m. In comparison, the 52,400-dwt *Lepta Galaxy* (built 2002) was sold for \$22m in May.

The latest sales talk has caused some surprise because Tolani bought two ships in April, the 56,000-dwt *Darya Vishnu* (built 2006), for \$29.5m from Chellaram Shipping, and 81,000-dwt *Erica* (built 2009), for \$39.7m from Searland Shipping.

The company is believed to have failed to find long-term employment for the *Prabhu Daya* and now wishes to offload it to reduce fleet operating costs. The vessel is understood to be currently trading in the spot market.

Tolani managing director Rohet Tolani refuses to comment on the proposed sale.

The company currently owns and operates 11 bulkers with an average age of seven years.

IN BRIEF

Shipbrokers dominate at Hellenic Lloyd's

The Hellenic Committee of Lloyd's Brokers' Associates has elected a new board for the next three years, with shipbrokers dominating the seats once again.

Piraeus broker Manos Lorentzos of Groupe Eyssautier is the new chairman, Nikos Apostolopoulos of Eurorisk has retained his position of vice-chairman and Maria Kouliga of Trinity Marine takes the position of general secretary.

Previously Kouliga served as treasurer, her post now taken over by a real-estate broker. Lorentzos had served as a board member.

The committee has retained a majority of representatives from the shipping sector, with seven out of nine chairs, as it did in the previous three years.

Stepping down from the top seat is Takis Bartsiakos of Tirreme, who remains a regular board member. Other shipping brokers on the board are Goerge Caramanos of National Insurance, Yiannis Myriantopoulos of European Link and Thanos Karaindros of Karaindros Hellenic.

The ninth member of the board specialises in the construction industry.

Blystad books car carriers

Norway's Blystad Group has signed up for two new car carriers worth \$100m at Vietnam's Nam Trieu Shipbuilding Industry Corp (Nasico).

The Vinashin-affiliated yard will hand over the 6,900-car-equivalent-unit (ceu) vessels in October 2013 and April 2014, state media reported.

They will be 200 metres long with a draught of 10 metres and designed by DeltaMarin of the Netherlands under the supervision of Det Norske Veritas (DNV).

Nasico also signed a deal with Hoegh Autoliners of Norway, which will see the owner send over 16 experts to help build the vessels.

Hoegh scrapped a contract for two car carriers when Vinashin descended into turmoil last year.

Morten Jelert: "At the end of the day, it's not about having a telephone line where you can call up just anyone, it is also about sitting close to the clients."