

OFFSHORE

Cheaper ships crucial to turn profit in Asian offshore trade

Leong Seng Keat, executive director of Malaysian offshore shipbuilder Nam Cheong Ltd, suggests that offshore-vessel players looking to operate successfully in the Asian trades use cheaper task-specific vessels rather than deploy expensive multi-purpose (MPP) ships.

"The market dynamics in Asia are very much price-performance driven.

"That means the charterer is willing to pay a not-so-high charter rate for a vessel to do a certain job," he explained.

European-designed MPPs that have higher specs and greater costs have a hard time fitting into an environment like the Asian offshore market, he says.

Nam Cheong specialises in building single-purpose vessels, which cost less but can fulfil a specific task.



LEONG SENG KEAT
Photo: NHST Events

"Moving forward, more of this type of vessel will be built in Asia," he said.

The yard is known for building ships on a speculative basis and selling them on once they have been completed. Leong describes his company as a market forecaster. "We read the market and produce the type of asset that matches its requirements ahead of time," he said.

Over the past five years, Nam Cheong has produced no less than 74 offshore vessels, all of which managed to find buyers.

Leong expects Nam Cheong to continue attracting business via orders from operators and buyers for its ships built on spec.

"There is always a gap in the market for certain types of assets that are not available," he said.

"Operator-owners are taking positions by putting in new-buildings and buying up vessels to fulfil their contract obligations."

Scrap calls to kick-start OSV market

Older tonnage in offshore markets is keeping rates down, a TradeWinds conference is told.

Jonathan Boonzaier Singapore

Calls are being made for more scrapping of older offshore-support vessels (OSVs) to restore the supply balance and send rates upwards.

Speaking to more than 140 delegates at the opening session of TradeWinds's Offshore Marine conference in Singapore last week, Hallin Marine business development director John Payne suggested that supply would continue to outstrip demand as long as a market remains for older tonnage.

Payne pointed out that while the offshore sector has recently gone through a major building boom, many of the older vessels that were expected to retire have remained in service.

"Unfortunately they are being sustained by low book price, so there is an opportunity to still sell them into the business," he explained.

This, he says, is the reason why rates in the OSV sector remain low.

Payne's call was welcomed by both operators and shipbuilders, who point out that operators are still looking for the cheapest rates and are therefore bending some of their requirements and allowing some of the older tonnage to keep

operating. Payne welcomes the development of new designs from fellow panelist Torgeir Haugan of STX OSV but questions whether offshore players could afford the new designs in a market where "price comes first, technology second".

Highlighting a long-term shift from anchor-handling tug supply (AHTS) ships to platform-supply vessels (PSVs) in Asia, Fearnley's broker Harald Paulsen Lovik told delegates that European designs incorporating greater fuel efficiencies, carrying capacities and lower emissions were gaining ground in Asian markets.

But despite predictions of growing demand for OSVs to service deepwater activity in China, Malaysia and Indonesia, Lovik predicts that day rates will remain flat for the next 12 months, giving rise to questions of whether charterers would be prepared to pay for more expensive and technically advanced boats.

Wartsila vice-president Riku Pekka Hagg notes that, while there



HALLIN MARINE: Director John Payne is calling for scrappings
Photo: Hallin

was interest in high-tech vessels in Asia, the enthusiasm was not reflected in the charter rates.

He adds that "modest steps" toward high-end vessels were being driven by legislation in a market characterised by an "extreme focus on cost".

Lee Keng Lin, director of the Singaporean offshore player POSH Semco, explains that the PSV and AHTS markets have been performing well this year as utilisation levels have firmed up but rates have yet to follow suit.

Lee expects earnings to improve next year as oil majors increase their investment in offshore oil from 2012 onwards.

"We see this as a positive driver for the utilisation of PSVs and AHTS ships," he said.

Lee points out that increasing cabotage restrictions placed on vessels operating in the offshore markets have led to segmentation of various sectors.

"We can no longer look at the world PSV requirement or the world AHTS requirement per se but rather to anticipate the market we have to look at the more micro level, at the country level," he explained.

When asked what advice he would give players trying to enter the Asian arena, Max Hartvigsen, commercial manager of Solstad Offshore Asia Pacific, the Singapore arm of the Norwegian offshore major, said patience was a virtue.

"Things tend to take a while before they start yielding results," he explained, adding that it is not a market in which operators could expect to be profitable and successful overnight.

Hallin Marine business development director John Payne:

"Unfortunately [older vessels] are being sustained by low book price, so there is an opportunity to still sell them into the business."

Seafarer shortage a concern as Australia plans LNG expansion



JOHN MEADE: Says more OSVs are needed Down Under
Photo: M3 Marine

Jonathan Boonzaier Singapore

Developments taking place in the Australian LNG sector offer a lot of promise for the offshore industry but the country will need to greatly expand its pool of seafarers to meet the expected crewing demands.

Speaking on the sidelines of the TradeWinds Offshore Marine Conference in Singapore, John Meade, chief operating officer of Singapore-based shipbroking and consultancy company M3 Marine Group, said the LNG developments in Australia that are under-

way or forecast for the future will provide many opportunities for offshore shipping.

"Almost all of this LNG is locked away offshore, so it needs to be developed by offshore platforms, pipelines, subsea manifolds and wellheads. To support all of this infrastructure we need offshore-support vessels [OSVs]," he explained.

Meade points out that at present in Australia there are about 165 vessels operating in the offshore markets.

He predicts that if all Australian LNG developments are approved,

it would be to possible treble that number.

But Meade cautions that managing the Australian workforce manning these ships presents the offshore industry with its biggest challenge.

He points out that at the moment there is full employment for Australian seafarers in the offshore sector.

Meade questions whether Australia would be able to provide the necessary number of seafarers required as its offshore fleet grows.

"Australia needs to look very



closely at how we are going to grow the manning of the offshore-support sector via training or immigration," he said.

"Without that, the prospects to sustain and grow the mega-projects means that everything just gets pushed back and everything will not progress as fast as it should."

With several massive projects underway or planned, and long-term supply contracts having been signed, Meade expects that the good times Down Under could be sustained for the next 40 to 50 years.