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## Shipbuilding &amp; Marine engineering

**ZPMC delivers derrick pipelay barge to COOEC**

**Shanghai Heavy Industry Co. Ltd**, also ZPMC, on July 5 delivered a 1,200-tonne shallow water pipelayer CNOOC-202, the first pipelayer designed and built in China, to **China Offshore Oil Engineering Co., Ltd.** (COOEC), the offshore engineering arm of Chinese offshore oil and gas producer **China National Offshore Oil Corporation** (CNOOC).

The vessel has been granted the classification of **China Classification Society** (CCS) and designed by **Marine Design & Research Institute of China** (MARIC) under **China State Shipbuilding Corporation** (CSSC).



Construction of the vessel started in February 2008. It was floated on the water in November 2008 and then outfitted with crane and equipment by April.

CNOOC-202 is capable of performing heavylift operations of up to 1,200 tonnes and installing offshore pipelines in up to 300 metres of water and laying up to three km of pipelines per day. It will join three other vessels chartered from **Saipem**, **Cal Dive** and **Hyundai Heavy** in Bohai Bay of China for offshore pipelay in CNOOC's oilfields, possibly including work at the Jinzhou 25-1 project.

Prior to CNOOC- 202, ZMPC has completed and delivered two other derrick barges, Hua Tian Long and Blue Whale to **Guangzhou Salvage** and COOEC, respectively. ZMPC is building four other pipelayers in addition to CNOOC-202. The shipbuilder plans to branch out to building drilling and floating production units. Construction on its first jack-up is expected to wrap up by the middle of next year

Meanwhile, COOEC aims to join the league of the world's top five offshore engineering companies. It plans to input 15 billion yuan in construction of a series of deepwater equipment including deep-sea drilling vessels, ready to focus on deepwater prospecting, since most of the country's newly discovered oilfields are deep undersea.

In addition to CNOOC-202, COOEC has ordered a newbuild derrick pipelay barge at **Jiangsu Rongsheng Heavy Industry Group Co., Ltd.**

The second unit CNOOC-201, a 4,000 tonne heavy-lift deepwater construction vessel, is scheduled to be delivered from Rongsheng in 2010.

Adopting a series of advanced technologies and equipment, including a full-electric propulsion system, a heavy lifting crane and an automatic pipe-laying operating line, CNOOC-201 will boast a capacity of laying up to five km of pipelines a day in addition to a heavy-lift capacity of 4,000-tonne. The vessel will also be equipped to operate in up to 3,000 metres underwater.

## WS secures PSV contract

**Wuchang Shipbuilding Industry Company Ltd.** (WS) bagged a contract from the Salvage Bureau of China's Ministry of Transport to build a DP2 deepwater diving platform supply vessel (PSV). Construction is expected to start soon.

According to director of the bureau Song Jiahui, the PSV is used to support operations for deep sea diving, rescue and salvage, and ocean engineering operations. It introduces **Vik-Sandvik** conceptual design and was awarded to **Shanghai Merchant Ship Design & Research Institute** (SDARI) to carry out detailed design.

WS chairman Yang Zhigang said the vessel is equipped with remotely operated vehicle (ROV), capable of detection and recovery of underwater wrecks and flight device at a water depth of 300 metres. It can also support and rescue malfunctioned vessels. In addition, it has a helicopter platform.

The vessel is scheduled to be completed and delivery in 2011. It will help the bureau to dive from the current 200 metres to 300 metres underwater by then.

## Ten accidents happen in June

The month of June was a grief to Chinese shipbuilding industry. There were at least 10 accidents during the month, involved in large-scale state-owned and private shipyards.

Most happened at the Yangtze River Delta area, and in particular, Jiangsu province accounted for half. Accidents are also varied, but the most common is gantry crane collapse, including seven gantry cranes at four shipyards.

In terms of yard status, most of them are nearly completed or under construction. This could have much to do with intensive delivery schedules at Chinese yards in the second half.

On June 29, a steel-structure waterproof shelter, which is under construction, collapsed at Jiangsu-based **Yangzhou Dayang Shipbuilding Co., Ltd**, leaving four dead and two serious injured.

On June 28, a fire broke out on a containership under construction at Changxing Island-based **Hudong-Zhonghua Shipbuilding Co, Ltd** (HDZH), where gantry crane collapsed last year. According to local media report, a fire occurred in a lower part of an 8,530 teu large boxship being built at the Chinese shipyard on June 28, leading to one worker killed and two burned. Investigation is now under way on the cause of the fire but it is believed the fire took place during arc welding work. The casualties are said to be workers from a collaborative company called **Nantong Huajian Shipbuilding Co., Ltd**.

On June 22, the being-built barge Auto-5 suddenly slipped from the slipway and crashed with a loading-off vessel called Anda-003 at Jiangsu-based **Nantong Hongqiang Marine Heavy Industry Co., Ltd**, leaving a large hole at Anda's hull. No one was injured.

On June 14, two 200-tonne gantry cranes and a small one at the No. 3 slipway

collapsed at Jiangsu-based **Nantong Mingde Heavy Industry Stock Co., Ltd** when strong wind and hailstone stroke the yard. The weather also slightly damaged a 30,000 dwt bulk carrier under construction at the slipway. The accident caused no casualties.

On the same day, a 120-tonne gantry crane at Jiangsu-based **Yangzhou Kejin Shipyard Co., Ltd** was also blown down in the bad weather. No casualties were heard. As well, a 200-tonne gantry crane collapsed on the day at **Jiangsu Taizhou Sanfu Shipbuilding Co., Ltd**.

Also on the day, a 72-metre PSV drifted in the Yangtze River after a mooring rope tied to the vessel broke off at Anhui-based **Wuhu Xinlian Shipbuilding Co., Ltd**. The PSV was dragged back to the yard with the help of **Jiangdong Shipyard of China Changjiang National Shipping (CSC)**.

On June 13, three workers were injured by fire at a shipyard in Shujiang, Taizhou city of Zhejiang province.

On June 8, also at Wuhu Xinlian Shipbuilding Co., Ltd, when the shipyard was launching a 30,000 dwt bulk carrier WO719 owned by a Germany line, current sucked six staff under water. Two were confirmed dead. The workers, who just graduated from colleague, were sneakingly watching the launching.

On June 5, two 220-tonne gantry cranes collapsed when severe rainstorm hit Anhui's **Tongling Tongbei Shipbuilding Co., Ltd**.

## **Keppel O&M awarded rig upgrade contract from COSL**



**Keppel Verolm**, a subsidiary of Singapore's **Keppel Offshore & Marine Ltd** (Keppel O&M) has secured contract with **China Oilfield Services Ltd** (COSL) for the repair and upgrade of a semi accommodation unit COSLRival, formerly known as Port Reval.

The unit arrived in May 2009 and has been docked in the 500,000 dwt mammoth dry-dock for general class renewal surveys, inspections, overhauls and repairs. The work scope includes the upgrading of electrical switchboards, piping systems and then overhauling of marine equipment as well as deck crane reinforcement.

COSLRival is the third accommodation support unit for Norwegian waters to arrive in Keppel Verolme for a major overhaul and upgrade.

## **Chinese duo in talks with NITC over VLCC deal**

China's state-owned **Dalian Shipbuilding Industry Co, Ltd** (DSIC) and **Shanghai Waigaoqiao Shipbuilding Co., Ltd** (SWS) are said to be in talks with Iran's **National Iranian Tanker Company** (NITC) over VLCC newbuilding requirements.

Discussions are said to be still in the early stages, but NITC are reported to build six

320,000-dwt tankers for delivery from 2012 onward at each shipyard respectively.

NITC, which was looking to order VLCCs in South Korea, turns to China because Chinese financial institutions are offering loans to foreign shipowners if they choose to build new ships there. Chinese banks have arranged newbuilding loans to support the nation's shipbuilding industry and the banks are keen to finance reputable shipping companies if they order newbuildings at Chinese yards.

Despite the availability of Chinese loans, NITC would not order VLCCs directly at the yards. It might get a Chinese shipowner to place the orders and then charter the ships with purchase options.

Meanwhile, the Iranian owner is not completely discarding South Korea as an option. NITC may order up to 20 VLCCs in total, of which eight will be booked with South Korea shipyard.

### **COSCO, KHI postpones Dalian facility**

**COSCO Shipyard** and Japan's **Kawasaki Heavy Industries** (KHI) have delayed the second phase of construction at its shipyard in Dalian city of Liaoning province by three years as the global recession dries up demand.

According to Yusuke Kamada, a spokesman of KHI, the second dock with a 1 million dwt capacity originally slated for operations in early 2012, will be delayed until 2015 at the earliest.

The new production site in Dalian will build VLCCs and iron ore carriers. KHI will offer technical assistance on the new dock.

However, the first phase of the project, which was commissioned in 2007, will be completed on schedule at the end of this year and will offer 2 million dwt shipbuilding capacity.

The first phase, which cost \$500 million, will be used primarily for the construction of tankers and large bulk carriers.

COSCO owns 70 percent of the new facility with the remaining 30 percent owned by KHI.

In addition to Dalian facility, **COSCO** and KHI also jointly established Nantong COSCO KHI Ship Engineering (Nacks) at Nantong in Jiangsu province in 1995. Nacks, which was set up at a cost of \$240 million, has a 300,000 dwt dry dock and focuses on the production of handymax bulkers, VLCCs, 5,400 teu boxships, 173,000 dwt capesize bulkers and 5,000 vehicle capacity pure car/truck carriers(PCTC). And half of the vessels built at the yard are designed for COSCO.

By the rescheduled date of completion of 2015, Nacks and the Dalian facility would have an annual capacity totalling 5 million dwt.

### **STX opens new shipyard in Dalian**

**STX (Dalian) Shipbuilding Co Ltd**, a subsidiary of South Korea's **STX Group** began

operation the shipyard on July 1 at Changxing Island in Dalian, a coastal city in northeast China's Liaoning province.

STX (Dalian) said the boatyard was now the largest in the world in terms of physical area. The firm did not reveal the cost of the yard.

Used for final assembly of big ships, the yard is 460 metres long, with a width of 135 metres and a height of 14.5 metres. It is able to accommodate two ships each with 320,000 dwt to be built simultaneously.

STX Group started to invest in Changxing Island in 2006 and has since increased its investment there to 13.4 billion yuan (\$1.96 billion).

### **SHGSIC completes SPS repair project**

Hebei-based **Shanhaiguan Shipbuilding Industry Co., Ltd.** (SHGSIC), a repair arm of China Shipbuilding Industry Corporation (CSIC), has completed repair of the 150,940 dwt capesize bulk carrier *Star Ypsilon*, owned by **Greek shipmanagement company Starbulk S.A.**, a subsidiary of **Star Bulk Carriers Corp.**

The project requires reinstatement of a 2,757 square metres area of tanktops and hoppers for *Star Ypsilon*, with SPS (sandwich plate system) overlaying an area of existing steel with a 10 mm thick steel section of new steel, and sandwiching a 20mm thick injected elastomer core.

Initial expectations had been that the project would take around 21 days. However, the shipyard and owner jointly completed the job only taking 18 days, ahead of schedule.

This is the fourth capesize SPS overlay project to be completed at SHGSIC this year.

### **COSCO Dalian completes VLOC conversion**

**COSCO Dalian Shipyard** has completed a VLOC conversion work and delivered the ship to Japan's **Nippon Yusen KK** (NYK) on July 1.

The shipyard is said to have successfully completed the conversion work in a short period of time.

The vessel has a length of 322 metres, a width of 58 metres and a height of 29.5 metres.

### **Guangxi plans to shipbuilding**

South China's Guangxi Autonomous Region government has given approval to the plan of developing itself into a shipbuilding base.

According to the plan, Guangxi will have a ship building capacity of two million dwt by 2020 and an annual repairing capacity of 900 ships. Its shipbuilding dock will be able to build ships of 100,000 dwt.

Guangxi boasts of 1,629 km coast line, which provides strong support in natural resources to its plan of developing shipbuilding industry. By 2010, the region's annual throughput is to reach 100 million tonnes in 2010 and 300 million tonnes in 2020.

## CSIC sales up 16.4 percent by May

**China Shipbuilding Industry Corporation (CSIC)** posted an increase of 16.4 percent year-on-year in sales while its net profit jumping by 23.3 percent in the five months this year, indicating the shipbuilding group is developing stably despite the current economic downturn.

Considering its current tendency of growth, CSIC is expected to achieve revenue of more than 130 billion yuan this year with operating profit also exceeding 120 billion yuan.

CSIC has set a development target by 2020, called 'Three Steps Forward & Quadruple Growth'. In the first step, by 2010 the shipbuilder aims to triple its main economic indicators against 2000. And it hopes to rank in the group of global top 500 companies in the second step. Finally, CSIC intends to quadruple its core economic indicators from 2000 by 2020, in the third step, becoming China's largest shipbuilding company.

## CANSI: one third capacity to be idle after 2011

China's shipbuilding facilities are expected to have idle capacity of more than 20 million dwt, or one third of the total, after 2011 as new shipyards commence operations amid a severe demand slump, the China Association of National Shipbuilding Industry (CANSI) said.

Citing the London-based shipbroker Clarkson Plc., the association said on July 1 that new shipbuilding orders worldwide totaled 1.6 million dwts in the first five months, down 98 percent from a year earlier.

China's total shipbuilding capacity has reached 60 million dwt, while monthly new orders have been lower than output over the last eight months.

Order cancellations and contract renegotiations are also increasing.

The association said that incomplete statistics show that nearly one million dwt in new vessels have been built but cannot be delivered as scheduled due to customers' financial problems.

The same data also show that from October 2008 to May, orders of 152 vessels, or 4.4 million dwt, were canceled, accounting for 2.3 percent of total orders the country's shipbuilders held at the end of May, according to the CANSI.

It added that the real cancellation rate could be as high as up to 5 percent if all the nation's shipbuilders are surveyed.

The association predicted that in the second half of 2009, the impact of lower prices for used vessels will continue to be felt by the new-vessel market, and that the bearishness facing the shipbuilding industry is not expected to turn around soon.

CANSI urged shipbuilders to review existing orders they held to prepare for any possible disputes with buyers.

Ministry of Industry and Information Technology figures show that in the first five

months of the year, major shipbuilders' combined revenue rose 45.8 percent year-on-year to 159.96 billion yuan, with profits down 2.7 percent at 12.1 billion. Total shipbuilding output grew 61 percent year-on-year to 12.2 million dwt in the first five months, with new orders plunging 96 percent to 1.2 million dwt. Customer orders for at least 55 new vessels with combined capacity of 2.3 million dwt were cancelled over the January to May period.

## Equipment & Material

### Southernpec eyes bunker trade

**Southern Petrochemical Co Ltd**, an affiliate of China's top refiner **Sinopec**, plans to sell marine fuel in Singapore and has paid about \$15 million for a 284,000-tonne supertanker to store fuel oil.

Guangzhou-based Southernpec, which aims to sell bunker fuel in the city-state on an ex-wharf or wholesale basis, is the latest entrant in the fuel oil market, after **Strong Petroleum** leased a VLCC and **Itochu Petroleum** took on landed tanks recently to beef up their fuel oil trading operations.

To store the cargoes, Southernpec bought VLCC Nanfang Sanhao, formerly called Agios Nikolaos III, from a Greek shipping firm early June. The tanker is already anchored off southern Malaysia's Tanjung Pelepas port and Southernpec is expected to start operations in August.

It also plans to lease out part of the VLCC's storage capacity to other oil firms.

However, Southernpec's entry was unlikely to have a significant impact on the regional bunker market.

In 2008, Southernpec traded a total 4 million tonnes of oil, chalking up revenues of over 13 billion yuan (\$1.9 billion). The company has total storage capacity of more than 800,000 m<sup>3</sup>.

Sinopec and Asia's largest oil and gas producer **PetroChina** are stepping up efforts to tap growth in bunker fuel demand, as China's fuel oil market shrinks.

### Chongqing Steel to supply plate to HPS

China's steelmaker **Chongqing Iron & Steel Co Ltd** signed the strategic cooperation agreement with **CSSC Guangzhou Huangpu shipbuilding Co., Ltd** (HPS) on June 30.

Both didn't release more details but vow to expand their cooperation ranges after the relocation of Chongqing Steel.

The steelmaker said that its newly-built 4100mm wide & heavy plate lines would be put into productions and enable itself to produce more quality products to clients, such as HPS.

Chongqing Steel is aiming to build up one of largest SBQ plate base. According to chairman Dong Lin, the company plans to build itself into one of the largest ship plate

production base by 2010.

The mill produced steel products of 3.5 million tonnes last year including medium plate of 1.3 million tonnes in which high value added ship plate output reached 1 million tonnes.

Dong also said the ship plate, which won authorizations of nine classification societies, contributed profits of 70.57 million yuan to Chongqing Steel during the first four months of 2009 with the sales revenue posted at 4.85 billion yuan. That's a success against the percentage of loss-making company up to about 40 percent in steel sector.

At present, the mill is busy in its relocation to Changshou District, Chongqing. Dong disclosed the company would complete its 4100mm wide & heavy plate line in the third quarter and put the line into production in end-2009.

The mill plans to put the first phase project in the new works into operation by end 2010, forming one of the largest ship plate bases in China and shut down old plants at the moment.

### **Hempel starts building new facility in Guangzhou**

Leading marine coatings manufacturer **Hempel A/S** on June 26 held a ground breaking ceremony of new chemicals facility in Guangzhou of China.

Hempel has three production facilities in China, including Kun Shan, Yan Tai and Shenzhen. It is now Hempel's plan to establish a new manufacturing facility in the Yong He Development Zone, located in Guangzhou.

The selected location, with a site area of 55,000 square metres including structures measuring approximately 22,000 square metres. On-site facilities will include a single workshop area, three multi-class warehouses (A, B & C), and an office building, R&D Centre, Utility Building and Tank Farm.

This project is due to be completed in August 2010 with a capacity of 39,000 tonnes per year.

### **Hamworthy supplies equipment to Chinese yards**

London-listed marine engineer **Hamworthy** signed a contract with China's **Taizhou Wuzhou Shipbuilding Co Ltd** for an LPG cargo handling system, its first in China. Its scope includes equipment and engineering services for a fully pressurised (FP) LPG carrier.

Hamworthy's scope for the 5,000 m<sup>3</sup> FP LPG carrier newbuilding encompasses engineering the cargo handling system and the cargo tanks which will be carried out by Hamworthy Gas Systems with assistance from Hamworthy Baltic Design Centre.

All main equipment related to the cargo handling systems will be included: cargo tank materials, cargo pumps, cargo compressors, inert gas generator, cargo heater, control system, measurement system and instrumentation.

Engineering and equipment delivery will start at the end of 2009 and continue until the

beginning of 2010. Delivery of the ship is scheduled for the beginning of 2011.

The Chinese shipyard has built gas carriers for domestic customers and for export, and this latest ship is on order for the Indonesian state-owned oil and gas company **Pertamina**. This is the first LPG carrier newbuilding contracted by the owner, which has experience of operating gas carriers.

Hamworthy has also recently won contracts to supply cargo systems for six 30,000 dwt carriers being built for delivery in 2010-2012 to Pertamina by **Zhejiang Chenye Shipbuilding Co Ltd**, newly established on the island of Daishan near Shanghai.

## Shipping

### SSE to launch container index

**Shanghai Shipping Exchange** (SSE) said it plans to launch Shanghai Containerized Freight Index (SCFI) in the third quarter and will also develop container forwards and begin to list container futures between 2009 and 2012.

Spokesperson Yao Weifu said the exchange has completed all preparations for the SCFI launch.

SSE started to release China Containerized Freight Index (CCFI) since 1988. Yao said, due to its limitations, CCFI can only serve as indicator or barometer for the shipping market, but not for long-term freight settlement standards. There are four limitations as following: long cycle of data sampling; sample only referred to shipowners but lack of cargo owners, forwarders and other market players; lack of price sensitivity as a result of including both spot market and forward market; lack of individual shipping line price.

But CCFI helps development of SCFI. Yao said some institutes who have taken part in the development of Baltic Dry Index (BDI) are seeking to develop SCFI with SSE.

Yao also gave a timetable of the container futures which is between 2009 and 2012. SSE will cooperate with Shanghai Futures Exchange or China Financial Futures Exchange (CFFEX).

SSE president Zhang Ye said in May that the exchange was still working on introducing more financial derivatives, such as developing futures products based on CCFI.

"Although BDI remains the key indicator to reflect maritime trade in general, the financial crisis has propelled more investors to watch CCFI, which expresses a much broader picture of the status of international sea borne trade," Zhang said.

China is the world's largest container market. The container throughput surpassed United States in 2003 and ranked the first in the world. Statistics show that China holds five seats among the top ten global container ports in 2008.

Some insiders however concerned if SSE can collect widely-recognized concise data to reflect market movements, which is supposed to be the biggest challenge.

## CSCL partnership in boxes

**China Shipping Container Lines Co., Ltd** (CSCL), French giant **CMA CGM**, and Chilean line **CSAV Norasia**, which operates mainly on the Latin American route, teams up on trade between Asia, Mexico and the Caribbean, starting from July 17.

The partnership covers Far East/Mexico/Caribbean routes and pulls together valuable experience built up by each company within their respective regions.

The companies will now provide a single weekly service, operated by 10 vessels of a capacity of 4,300 teu, replacing the PEX2 and Pacar services.

The new service will follow an eastbound route around the world, through the Pacific, then the Panama Canal, the Atlantic, the Cape of Good Hope and the Indian Ocean, before travelling back to Asia. The port rotation will be Hong Kong, Chiwan, Kaoshiung, Ningbo, Shanghai, Qingdao, Pusan, Ensenada, Manzanillo (Mexico), Balboa, Manzanillo (Panama), Cartagena, Kingston, Caucedo, Puerto Cabello, Port of Spain, Hong Kong.

CSCL will provide one vessels, CSAV five and CMA CGM four.

The joint operation is the latest in a series of efforts by liner companies around the world to use vessel-sharing agreements to maintain service while reducing capacity. CSCL and CMA CGM last month announced an enhanced agreement on joint Asia-Middle East service.

## SITC, SFI set up JV

Vietnam's **Sea and Air Freight International Joint Stock Co** (SAFI) announced setting up a joint venture with Singapore-based **SITC Shipping Asia Pte**, a subsidiary of China's leading private container line **SITC Maritime (Group) Co., Ltd**.

The joint venture is named **SITC Vietnam Co, Ltd** with a chartered capital of seven billion dong, of which SAFI holds 51 percent and SITC owns 49 percent, specialising in cargo logistic and shipping agent.

## CSDC to ship coal for Yudean Group

**China Shipping Development Co., Ltd.** (CSDC) signed an agreement with **Guangdong Yudean Group Co., Ltd.** upon their cooperation in ocean coal shipping.

From July 2009 to December 2010, CSDC will transport 4 million tonnes of coal by sea for Yudean Group, the largest power generation company in Guangdong province, south China.

The move will enable the power generation company to enjoy stable and strong transportation service in the nearly two years and enhance the development of its thermal power business, in spite of the financial crisis.

From 2004 to 2008, CSDC shipped 40.61 million tonnes of coal for Yudean Group, accounting for 32 percent of the latter's domestic coal transportation demand.

## **COSCON, Evergreen combine services**

**COSCO Container Lines Co., Ltd.** (COSCON) and **Evergreen Marine** will combine their existing joint ESA and FAX services linking the Far East, South Africa and east coast of South America into a single new weekly ESA service.

The carriers said the move aims to minimize the impact of soaring bunker prices and is a response to deteriorating market conditions in the trade.

The service will comprise eleven 3,500 teu vessels, four from COSCO and seven from Evergreen.

The MASS 0816W, the first vessel in the new service, will depart Shanghai on July 6.

Port rotation is Shanghai, Ningbo, Kaohsiung, Yantian, Hong Kong, Singapore, Tanjung Pelepas, Durban, Cape Town, Montevideo, Buenos Aires, Paranagua, Santos, Durban, Singapore, Hong Kong and back to Shanghai.

The service will offer fixed-day weekly departures.

## **COSCON to levy peak season surcharge**

**COSCO Container Lines Co., Ltd.** (COSCON) announced a peak season surcharge for shipments from Asia (excluding Japan) to Mediterranean and north Europe and the Baltic.

The surcharge, \$200 per teu and \$400 per feu, takes effect August 1 and will continue until September 30.

## **Yantian launches New Zealand service**

Shenzhen's **Yantian International Container Terminal** received the maiden call of the JKHN service, which is its first service offering direct calling at New Zealand ports.

Jointly operated by **COSCO, Hamburg Sud, MOL** and **NYK**, the service uses six ships in 3,500 teu range, calling at Tokyo, Kobe, Busan, Shanghai, Yantian, Hong Kong, Brisbane, Auckland, New Plymouth, Nelson, Wellington, Lyttelton, Napier and Tauranga.

The service covers seven New Zealand ports, removing shippers' need to detour to Hong Kong, helping to save both cost and time while facilitating the trade between south China and New Zealand.

## **CSCL signs agreement with Haikou and Yingkou ports**

**China Shipping Container Lines Co. Ltd** (CSCL) has entered a cooperation agreement with **Hainan Harbour & Shipping Holding Co Ltd**, operator of southern China's Haikou and Yingkou ports.

The agreement will further enhance CSCL's core competitive edge besides boosting the reefer container shipping service between Haikou and Yingkou and giving impetus to

the development of internal trade in agricultural produce between the two markets, hence leading to the economic development of the two regions.

Senior executives from the three parties, including CSCL's president Li Shaode and company managing director Huang Xiaowen, and officials from government of the two cities attended the agreement signing ceremony.

## Ports & Terminals

### Chang urges more open to Chinese investment

Foreign governments and businesses should be open to Chinese companies - especially state-owned enterprises, and do not raise investment threshold intentionally, Chang Dechuan, president of China's **Qingdao Port Group**, said on the sideline of the Global Think Tank Summit July 4 in Beijing.

"Foreign governments and enterprises can not offer irrational terms to stop Chinese investment. Chinese enterprises are responsible." He noted.

The governments should continue to introduce preferential policies to create a favorable investment environment and attract international capital amid the global finance crisis.

Chang however praised Beijing's measures. He said the Chinese government has phased in a number of sound investment policies, such as stimulus plans of the top ten industries, including logistics, to encourage foreign investors to participate in development.

He added many ports and terminals in China are joint ventures with multinational companies. The Chinese government has also recently released the bonded port policy and approved eight bonded port areas, aimed to bring more margins to investors.

#### *Port throughput up in H1*

Qingdao port saw its throughput reach 157.57 million tonnes in the first half of this year, up 5 percent year-on-year, Chang said.

Despite the sweeping effect of the global financial crisis, the port's profits grew 5 percent and total revenue rose 2 percent for the period.

"The port's total throughput will keep growing at above 5 percent for the whole of 2009," he said, adding he expects profits will maintain the current growth momentum in the second half.

But as global trade continues to shrink, Chang believes the ongoing financial crisis has yet to bottom out.

"In the first six months, the port's iron ore and crude oil throughput grew a respective 5.9 percent and 12 percent, but the throughput of steel, chemical fertilizers [and] containers showed no sign of recovery," he said.

Chang noted the problem of overstocking iron ore at the port, which was quite severe at the end of last year, has been eased so far thanks to the government stimulus policy and the improved distribution management service at the port.

The port is expected to be built into the shipping center of northeast Asia in the next two to three years, Chang added.

### **Lianyungang aims to be international port**

Lianyungang, a northern port city in Jiangsu province, is in bid to build an international port after winning State approval to construct a 300,000 dwt deepwater channel.

Lianyungang Port, situated north to the Yangtze River Delta and south to the Shandong Peninsula, is among the first group of coastal cities to open up.

On June 10, the State Council approved the development strategic plan of Jiangsu, a major part of which is about building Lianyungang Port into a Euro-Asian transportation hub. "This strategic plan is the best development opportunity for Lianyungang, and we are confident of making rapid strides under the guideline," said Wang Jianhua, Party secretary of Lianyungang.

According to the plan, Lianyungang will build one 300,000 dwt channels and a 300,000 dwt berth for handling crude and ores. The Lianyungang Port is targeted for commodity shipments within a specific region.

Wang also stressed on the cooperation between Lianyungang Port and Shanghai Port. "We will develop a regional all-around port, but it serves as part of Shanghai Port in the northern tip," he added.

### **Port throughout momentum looks uncertain**

Ports in China handled 546 million tonnes of cargo in May, a 5 percent increase from a year earlier as domestic trade grew 5.1 percent to 364 million tonnes and exports by 4.7 percent to 182 million tonnes, according to statistics from the Ministry of Transport (MOT).

Major reasons for the growth were increases in import of bulk cargoes like iron ore and crude oil. MOT figures show ports handled 55.5 million tonnes of imported iron ore in May, a 24.6 percent increase year-on-year.

Imports also included 49.2 million tonnes of coal and 13.8 million tonnes of crude oil in May, increases of 10.8 and 5.1 percent respectively.

But the momentum is unlikely to continue as slowly rising prices and expanding inventories of raw materials will slow imports of bulk commodities in the coming months, analysts said. Statistics from MOT show the price of iron ore dropped 42.4 percent from January to May from the same period the year previous.

Ports in China handled 7 billion tonnes of cargo in 2008, a figure analysts say this year has no hope of equaling due to the steep decline in foreign trade

While cargo volume seems to have stabilized and increased somewhat, the performance of container throughput, which relies heavily on exports, is still dismal.

According to customs data, China's exports dropped 26.4 percent in May and 21.8 percent in the first five months this year. Container volume dropped 9.7 percent

year-on-year to 9.75 million teu in May, hitting the nation's export-oriented ports hard.

Container throughput at **Shanghai International Port Group** (SIPG), which operates the Shanghai port, was two million teu, representing a 17.8 percent year-on-year drop, while the volume of cargo handled fell 7.6 percent to 3.05 million tonnes.

The figures were worse than in May, when SIPG's throughput was 2.08 million teu, representing a 12.4 percent drop, while cargo volume fell 6.9 percent to 3.2 million tonnes. The port's authorities said in May it might miss the full-year target of 29 million teu set earlier this year.

Meanwhile, Chiwan port in western Shenzhen had an average daily throughput of 11,000 teu in June, compared with 12,000 to 13,000 teu in May. Although Shenzhen's container throughput in May was 13.4 percent higher than April, the number of laden containers handled was only three percent higher as there was a large increase in empty boxes.

Ports in northern China, less exposed to export shipping, performed better than those in the south in the first five months.

Cargo through Yingkou Port of Liaoning province and Qingdao, Rizhao and Yantai Ports in Shandong province had increases ranging from 5 to almost 13 percent in the first five months.

In contrast, Shenzhen Port fell more than 18 percent and Ningbo-Zhoushan Port decreased 0.2 percent.

Falling exports, which will take time to rebound, may force many port operators to adjust their strategies. Lianyungang Port in Jiangsu opened three shipping lines to Fujian and Guangzhou in May in an attempt to raise its proportion of domestic trade. Yingkou and Jinzhou Port in Liaoning lowered charges to fight for more market share recently, but such measures will sacrifice profits.

## Finance & Policy

### CSSC granted credit from BOC

**China State Shipbuilding Corporation** (CSSC) signed an all-round cooperation agreement with China's leading lender **Bank of China** (BOC) to strengthen its financial reserves.

Under the terms of the agreement, BOC will extend a credit line of 80 billion yuan to CSSC to fund the latter's businesses, which include shipbuilding and ship repair.

In addition, the two sides will establish a long-term, stable and mutually beneficial partnership and will cooperate in areas such as commercial banking, investment banking and insurance.

BOC will also take advantage of its buyer's credit business to support CSSC's exports.

CSSC plans to raise money to finance its key shipyards in Changxing and Longxue. It is aiming to increase its overall production capacity to 14 million dwt in 2015.

## Coastal economic zone plan in northeast China

The State Council has approved a plan to develop the coastal economic belt of Liaoning province, the only access to sea in northeastern China.

The economic belt, covering about 700 square kilometres, will focus on shipbuilding, petroleum refining, advanced equipment manufacturing, raw materials, high-tech industries and agriculture processing, according to the plan. Liaoning provincial government first raised the plan for the economic zone in 2005.

The zone will comprise the ports of Dalian, Jinzhou, Yingkou, Huludao and Dandong, which opened navigation services to more than 140 countries and regions.

Gao Baoyu, president of Yingkou Port Group Corp, said: "Development of the coastal area will speed up the development of the ports, and development of ports will provide better developing conditions for the coastal economy."

Since the Chinese government started to develop eastern coastal cities such as Shenzhen and Shanghai, the Pearl River delta and the Yangtze River delta have seen rapid growth. Now the government is paying closer attention to the underdeveloped regions like Liaoning and Guangxi.

Previously, China gave the green light to the coastal areas in east China's Jiangsu province, the Beibu Bay in Guangxi and the economic zone on the western side of the Taiwan strait in Fujian province.