

DAILY SHIPPING NEWSLETTER 2003 – 040



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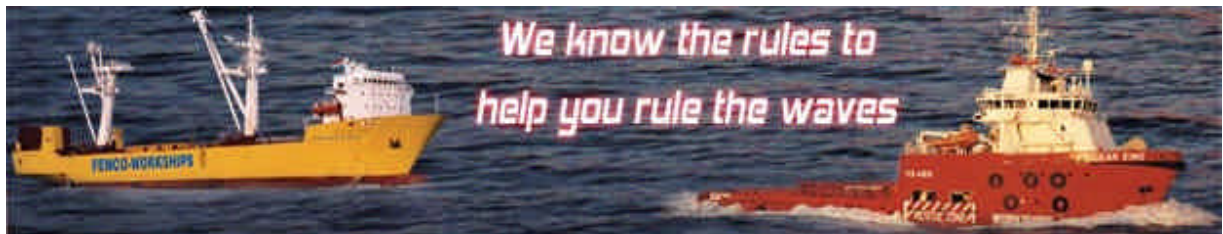
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Spain tries to damage refuge plans

SPANISH proposals to allow places of refuge only to 'safe-ships' were met with concern from other countries at the IMO's Legal Committee meeting last week. Spain submitted three papers proposing substantial amendments to the current draft guidelines on places of refuge being considered by the IMO. The proposals related to liability and compensation issues and specifically requested that only 'safe ships' should be granted refuge. A 'safe ship' is defined in the Spanish proposal as one that offers "financial security of unlimited civil liability in respect of damage that may arise". A source who attended the meeting told Fairplay that delegates were taken aback by the submissions, which threaten to delay the adoption of the guidelines. Concern was also voiced by a number of delegations that the Spanish proposals would make it very difficult for ships to be granted a place of refuge.

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Speaking at the meeting, Cyprus observed that it would be impossible for ships to provide unlimited financial security and that such a requirement would defeat the concept of places of refuge.

P&O Ferries hit by Iraq factor

P&O Ferries suggested today that the fall in the number of passengers using the Dover-Calais service in the first quarter was partly a reaction by the British to French policy towards Iraq. Director Peter Smith said there had been a reluctance to travel to France, combined with a concern over terrorism and the feeling that people ought to be "at home and watching their televisions when British troops are in action". Passengers carried on the short-sea route fell to less than 1.7M from almost 2M in 1Q 2002, although the total was distorted by the Easter break falling in the second quarter this year. P&O Ferries' longer routes also saw a fall, to 586,000 from 647,000. The decline was offset by a steep increase in on-board sales, which rose 15 per cent over 2002. Smith told Fairplay the company was actively developing its sales following clarification of the customs and excise limit for people arriving in the UK. There had been significant transformation of ferry lay-out over the past year to promote the retail sector, he said. Freight units carried on P&O ships increased by 11 per cent over 2002.

NCL admits sewage discharge

NORWEGIAN Cruise Line (NCL) has reported the accidental discharge of sewage from its **Norwegian Sun** while en route to Victoria, British Columbia on May 3.



Left : The **Norwegian Sun** under construction in Germany 29-03-2001 – **Photo : Piet Sinke ©**

NCL said the black water discharge, which

news reports described as 40 tons of raw sewage, occurred about four miles from land, and was reported to the US Coast Guard because it was against company policy. However, NCL does not believe the discharge was illegal. "No other rules and regulations were violated," NCL said, noting that its internal policies "greatly exceed existing laws and international conventions" and that it was extremely disappointed about the incident. An engineer opened valves to release what he thought was grey water, unaware the tank had been upgraded for sewage, a Washington State Ecology Department official told Associated Press. AP said the sewage was released into the Strait of Juan de Fuca in inland marine waters, and was the first incident of its kind in the region. In May 2001, the vessel's sister ship Norwegian Sky discharged treated sewage while en route to Alaska.

Seabulk jubilant over first quarter



CITING “lower interest costs, together with strong performances from our tanker and towing businesses”, Seabulk International posted its first quarterly profit since the third quarter of 2001.

Earnings came in at \$1.6m for the first three months of this year, compared with a \$2.3m loss in first-quarter 2002, this despite a drop in revenue from \$83.2m to \$77.2m over the same period.

The **SEABULK RHODE ISLAND** moored in Port Fourchon – Photo : Piet Sinke ©

The turnaround follows a substantial restructuring of the company over the last two years that has included asset sales, sweeping management changes and a recapitalisation last September that also resulted in a substantial reordering of the company's ownership.

Commenting on the latest results, chief executive Gerhard Kurz attributed the drop in interest expenses over the period from \$12.7m to \$8m directly to the company's recapitalisation.

He added: “The tanker and towing businesses benefited from higher charter rates and increased traffic in certain ports. The offshore business, however, continued to suffer and posted an operating loss for the period, due entirely to poor results in the depressed Gulf of Mexico market.”

In response, Seabulk had moved to cut costs and sell off a number of smaller vessels while expanding its presence in West Africa, Mexico and Brazil “where we see significant long-term potential”. As for the Gulf of Mexico, Mr Kurz shared the widely held view that a recovery would take place later this year. Seabulk Offshore, which runs 125 offshore support vessels, had an operating loss of \$800,000 in the first quarter on revenues of \$37.8m, compared with earnings of \$5.1m on revenues of \$43.3m in first-quarter 2002.

Trico Marine in disastrous first quarter

OFFSHORE support vessel company Trico Marine posted another negative performance in the first quarter of this year, losses widening to \$13.5m from \$4.8m in the same 2002 period.



Left : The **Northern River** which is chartered to THALES – Photo : Jan Plug ©

Revenues also slipped, from \$32.1m to \$29m, with Trico attributing the decline to

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“lower average day rates and utilisation for some of the company’s vessel classes”.

Average supply boat day rates in the Gulf of Mexico dropped from \$6,050 to \$5,277, while utilisation slipped from 53% to 47% over the same period. In the North Sea, long a bulwark against weak conditions and poor returns in the Gulf, average day rates were barely higher, at \$10,459 compared with \$10,443 in first-quarter 2002, but utilisation slid from 89% to 80% over the same period.

The company said the deterioration in the North Sea resulted from a number of factors, including “bad weather, negative market sentiment, newbuilding deliveries and the impact of tax policies on the UK sector”. Meanwhile, as revenues declined, vessel operating expenses were on the rise, jumping 6.1% to \$20.5m following the addition of two new platform supply vessels and two new crew boats in the second half. North Sea labour costs also contributed as the Norwegian kroner appreciated against the dollar, though the cost increases were offset to an extent by lower US labour costs. Interest expenses also jumped to \$7.9m from \$6.1m over the period.

Company chief executive Tom Fairley said: “The two most significant factors in our first-quarter results were the seasonal downturn in activity in the North Sea, and the decline in the rig count in the US Gulf.” He added that “due to weak market conditions in the first quarter, we chose to dry-dock two vessels in our North Sea fleet early, which also affected our utilisation”. On a more positive note, he said: “We have seen improvement in North Sea utilisation and day rates since the first quarter.”

In a conference call with analysts, Mr Fairley said Trico had 16 of its 47 supply vessels warm-stacked in the Gulf of Mexico. It intends to bring those ships back into service as conditions improve, but cautiously so as not to impact the company’s pricing leverage. It would also continue to seek out further opportunities in West Africa and Latin America. Mr Fairley said Trico was “focusing all our efforts on reducing debt” which ran to \$382m at March 31 and has been “a huge drag on the stock”. In addition to redeploying vessels to maximise earnings, the company was also looking at potential “partnerships, joint ventures and asset sales”. Ratings agency Moody’s placed Trico under review for downgrade on Friday on the back of a “deeper and more prolonged down-cycle than expected” and an “absence of a sufficiently robust near-term up-cycle catalyst”.

Seavik makes NKr550m bid for Havila Supply fleet

PER Seavik, chairman of listed Norwegian supply vessel operator Havila Supply has made a NKr550m (\$80.2m) bid for the company’s 11-vessel rescue and recovery fleet.

Mr Seavik has made the bid through his own family-owned company Havila SA, which has a 35% stake in Havila Supply.

The Havila Supply board has indicated that it is favourable to the offer, which is valid until the end of June subject to the completion of financing.

The bid appears to be a reaction to the arrival in the capital of Havila Supply of French supply vessel operator Groupe Bourbon, which wants to use the company with its North Sea know-how to boost its own ambitions in the deep offshore sector.

Bourbon, which bought a 25% stake in Havila Supply last year, recently increased its holding 39.6%.

It has an agreement, however, with the Ulstein family company and fellow Havila shareholder, Borgstein Supply Invest, which provides for it to acquire a further 11.1% of Havila Supply in spring 2006.

Subsequently, Bourbon would be required to bid for the remainder of Havila Supply’s capital, leaving the Seavik family with the choice of accepting the offer and exiting from Havila Supply or of remaining with the company in a much-weakened minority position.

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The Seavik family appear to have decided to act rather than wait for this deadline, however, by seeking to take possession of a part of the Havila Supply fleet which Bourbon does not regard as strategic.

Apart from the NKR550m it has offered for the 11 existing vessels, Havila is also proposing to take on Havila Supply's commitments on a stand-by vessel under construction at Havyard Leirvik.



Top : The **Havila Charisma** departing from Rotterdam – **Photo : Piet Sinke ©**

Havila Supply managing director Robert Welsvik acknowledged yesterday that the Seavik family was in a "difficult situation" and said that the bid for the rescue and recovery vessels could be a way of preparing for the future for them.

"I think this is a step out of Havila Supply in the long run for the Seavik family," he said

SHIPYARD NEWS

Aker yards slash German workforce

MTW and Warnow Werft, the two German shipyards in the Norwegian Aker group, are to lay off 556 workers next year from the 1,450 in Wismar and 1,250 in Warnemünde. The redundancies, one-fifth of the workforce, will hit both shipyards equally. Only last year the employees agreed to payment cuts if no redundancies were made until the end of 2003. Both yard sites will be maintained, but a new concept foresees construction of foreships and superstructures being concentrated in Warnemünde, and building and fitting out of machinery sections carried out in the enclosed building dock at Wismar. Container ships will remain the main focus, but attention will also be directed to new ship types such as LPG tankers. The European Union is reportedly considering demanding a €61M (\$69.8M) refund of subsidy from Warnow Werft, which is thought to have claimed too much of the total €262M granted by the German government during privatisation in 1992. The former Kværner Warnow yard is 60 per cent owned by Aker, which has so far avoided involvement in the subsidies quarrel.

Shiprepair Roundup

China

Huarun Dadong Dockyard, located near Shanghai, has announced a 47% increase in turnover for the first quarter of this year compared with 2002, with the yard receiving contracts worth \$7m.

Japan's Toyo Sangyo, which has completed 11 contracts with HRDD, has confirmed a further three vessels during May this year — the 151,249 dwt bulk carrier **Lady Kadoorie**, Danaos' 40,638 dwt containership **MOL Victory**, and Mitsui/OSK lines' containership 40,499 dwt **MOL Discovery**. Singapore's IMC Shipping, another regular customer, has also placed orders for two bulk carriers, the 47,564 dwt **Maritime Skill**, and the 47,574 dwt **Maritime Diamond**. Taiwan's TMT has contracted the 70,731 dwt combination bulk carrier **Jovial Duckling**, its third vessel this year to the yard in the coming May, and Hong Kong's Anglo Eastern Shipmanagement has awarded the 36,563 dwt bulk carrier **Federal Yukon**, after they completed their trial contract in March. UK's Zodiac Maritime, another regular customer, will drydock the 154,905 dwt bulk carrier **Zetland**, to HRDD this month.

HRDD's new market in May includes the 50,029 dwt wood-chip carrier **Daio Discovery**, from Mizuga Kaiun, Japan, and the 70,677 dwt bulk carrier **Royal Ocean**, from Fuyo Marine, Japan and the 73,652 dwt bulk carrier **Ocean Sneng**, from Japan's Shoei Lines.

Canada

Davie Maritime (Formerly Davie Industries) has two ships in the Champlain Dock at this time. Undergoing a five-year survey is the Canadian-registered 9,748 dwt asphalt tanker **Thalassa Desgagnes**, owned by Transport Desgagnes, and American Torch Offshore's 8,638 dwt barge carrier **Midnight Express**, dock ship with ro-ro facilities. This ship is being converted by Davie Industries into a specialised DP-2 Deep Water Offshore Construction Vessel.

Singapore

Singapore Technologies Marine has two vessels from the Netherlands market undergoing repair — Vroon's 4,482 dwt livestock carrier **Shorthorn Express**, and Ballast Ham 14,705 dwt twin screw trailing suction hopper dredger **HAM 310**, both undergoing general repairs.

Netherlands

Four vessels are under repair at Rotterdam United Shipyard, with three ships booked for repairs in the future. Under repair are Turkish **Baben Tasimacilik's** 77,673 dwt ore bulk oil carrier Vicky, which requires extensive steel renewals to its bulbous bow section. Vicky was the vessel which collided with the sunken Tricolor earlier this year.

The other vessels are Seatrade Groningen's 4,468 dwt reefer vessel **Antigua**, Kotug's 145 dwt harbour tug **SD Jacoba**, and Reederei Schepers' 33,936 dwt container vessel **P&O Nedlloyd Pantanal**, which is undergoing work to replace an auxiliary engine.

Scheduled for various repairs in the future, are Royal v. Lent Shipyard's Yacht **Dream**, and another vessel from Holland's Seatrade Groningen, the 10,086 dwt reefer vessel, **Cold Stream**, both from the Netherlands. Arklow Shipping's 12,334 dwt bulk carrier **Arklow Day**, is set for repairs to its crane.

Italy

Six Vessels are under repair at Cantiere E. Noè's shipyard.

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These include **Stargas**’ 8,614 dwt LPG carrier vessel **Sapphire Star** , undergoing drydocking and a special survey; Hoko Fishing’s 6,900 dwt fishing vessels **Spica** and **Sfinge** are both undergoing main engine repairs, and associated system overhaul at the yard; and two Italian State-owned ferries, property of the Italian government are also in for repair at the yard. These are the 846 dwt ro-ro **Fata Morgana**, undergoing a special survey, and 848 dwt ro-ro **Riace**, a hull repair.

Romania

Five vessels are undergoing repairs at Romania’s Daewoo Mangalia Heavy Industries shipyard.

The vessels include three tankers from Singapore’s Benor Tankers, the 39,988 dwt **Endurance** , the 40,349 dwt **Confidence** , and the 39,834 dwt **Eternity** .

Also undergoing general repairs are Marmaras’ **Proikonissos** , 29,399 dwt handymax bulk carrier, and, still undergoing repair is Keoyang’s 149,330 dwt capesize bulk carrier, which arrived at the Daewoo Mangalia for repair on April 8 after being heavily damaged.

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MOL double-hull move gathers pace

MITSUI OSK Lines (MOL) is going ahead with plans to replace its entire single-hull VLCC fleet by March 2009. Company president Kunio Suzuki said today that orders for six double-hull 300,000-DWT newbuildings have been placed at Japanese shipyards Kawasaki Shipbuilding, Mitsui Engineering Shipbuilding and Mitsubishi Heavy Industries. The orders - for delivery in 2004 and 2005 - are the latest phase of MOL's programme to replace all single-hull VLCCs. The programme will be completed by March 31, 2009, two years ahead of schedule, Suzuki said. The company has steadily been selling off its single-hull ships, with the most recent sale - the 1993-built **Navix Adventure** - going to Fred Cheng's buy-to-charter venture Shinyo International for around \$26M. Sale and purchase brokers anticipate three or four more single-hull VLCCs to be released for sale from MOL's fleet within the next year. MOL's tanker fleet of 76 includes 51 double-hull ships.

Frontline enjoys second best quarter

FRONTLINE, the Bermuda-based VLCC and Suezmax operator, enjoyed its second best quarter ever

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between January and March this year. Net profit of \$177.6M on revenue of \$259M compared with a loss of \$112,000 on revenue of \$95M for the same period in 2002. The turnaround was driven by the strike in Venezuela which prompted shipments from more distant suppliers, the cold northern hemisphere winter, nuclear power plant closures in Japan, market nervousness over Iraq and delays and congestion in the Black Sea. The tanker market showed high volatility throughout the quarter, with VL rates bottoming at 35,000 a day and peaking at \$100,000, compared with breakeven at \$20,700; and Suezmax rates moving between \$35,000 and \$60,000 against breakeven at \$13,500 a day. The company believes the recent weakness is "materially different" for the weak market seen in 1999 and 2002 in that inventories are currently very low. A sustained recovery will need to be supported by re-introduction of Iraqi export and increased seasonal demand, the company concluded.

P&O Ned cuts 1Q operating loss

P&O Nedlloyd saw a three per cent rise in average revenue rates and 11 per cent volume growth in first-quarter 2003 over 4Q02, and an operating loss reduced to \$58M from \$68M in the first quarter 2002. Fuel costs up \$33M in 2003 compared to 2002 dampened results. PONL described the rising revenue as "the key feature" of the quarter, and both rates and volume are expected to continue rising. Rising rates were particularly evident on the Europe/Asia trades and "there are prospects of substantial improvements to come, notably in the trans-Pacific trade," PONL said. The company has not yet experienced any impact from SARS and "has extensive contingency plans in place". Currency movements made operational costs higher in 1Q03, but PONL says "the company remains on track with its \$350M annualised cost savings targets for 2003." Further substantial savings in 2004 will come from full implementation of the new global processing systems being implemented, the company said.

Evergreen set for eight ship charter

EVERGREEN is at an advanced stage of negotiations to charter a series of 8,000 teu ships.

The Taiwan line ended weeks of conjecture about its fleet development plans by confirming that it intends chartering eight 8,000 teu newbuildings from a German shipowner on a long-term lease basis.

The first vessel is scheduled for delivery at the end of 2005, Evergreen told Lloyd's List.

With negotiations between the two sides still continuing, the company said no further details would be released until the deal is finalised.

Evergreen had hinted strongly earlier this month that it was looking closely at 8,000 teu tonnage but would make no formal comment at that stage.

The carrier has been linked with ships ordered by Conti Reederei amid speculation that Evergreen Group planned to make use of the German KG system for the first time.

Evergreen is also in discussions with yards about a series of ships of up to 7,000 teu capacity that would be ordered directly rather than through another company.

Whether these and the 8,000 teu ships would be operated by Evergreen Line itself, or sister companies Lloyd Triestino or Hatsu Marine is not known yet.

That decision would be taken much closer to delivery time.

NAVY NEWS

Royal Navy seizes massive haul of cocaine in mid-Atlantic

Royal Navy frigate **HMS Cumberland** escorts the arrested Honduran-flag ex-torpedo boat, with its eight-man crew. It was found to be transporting cocaine with an estimated street value of more than £250m.

COCAINE with an estimated street value of £250m (\$416m) has been seized on board a Honduran-flag former torpedo boat, following a mid-Atlantic operation by British naval forces.

Eight men on board **Cork** — including a master from the Dominican Republic and a Greek crew — were arrested during last Thursday's bust.

The operation was undertaken by **HMS Cumberland** and Royal Fleet Auxiliary vessel **Wave Knight**. It was mounted in co-operation with the Spanish authorities.

Details of the ship do not appear on governmental or commercial databases.

According to UK customs minister John Healey, the cocaine originated in Colombia — one of the biggest sources of the drug.

MOVEMENTS

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British Trader makes debut in West Indies



BRITISH Petroleum's recently-built liquefied natural gas carrier **British Trader** (pictured) has loaded the first consignment from Atlantic LNG's Train 3 facility in Trinidad and Tobago, writes David Osler.

The 75,000 dwt Isle of Man flag vessel was constructed by Samsung Heavy Industries in Korea last year.

Following its launch in November it has been on charter to NWS of Australia, delivering winter

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cargoes to Korea and Japan, and QatarGas cargoes into Japan and Spain.

Its latest cargo is destined for the import terminal at Elba Island, Georgia, in the US, from where it will be marketed by BP.

According to the company, British Trader is the first LNG carrier to be commissioned by a gas producer that is not directly tied to a specific source or customer.

This will allow BP flexibility in marketing its gas portfolio and meeting various customer needs.

A second vessel, **British Innovator**, was launched in March and the third in the series, British Merchant, is due to be launched next month.

.... PHOTO OF THE DAY

SAVED BY THE TUGS



A Bulk carrier seen May 11th, 2003 at Terneuzen losing her heading and saved by the tugs, The tug **DRADO** can be seen in action at the bow. **Photo : Alain Doms ©**