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The AHTS FAIRMOUNT SUMMIT passing st. Johns island (Singapore) Photo: Capt Jelle de Vries (c)

Happy New Year to everybody, and I hope to continue this year with providing maritime information with nice and interesting photos from all of you around the globe.

# **EVENTS, INCIDENTS & OPERATIONS**



Your feedback is important to me so please drop me an email if you have any photos or articles that may be of interest to the maritime interested people at sea and ashore PLEASE SEND ALL PHOTOS / ARTICLES TO:

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An average of 13 per cent of ocean-going ships calling at Hong Kong each day have registered with the **government's low-sulphur fuel incentive scheme**.

which aims to cut pollution from vessels, a South China Morning Post investigation found.

The percentage is higher for massive container ships using Kwai Chung container port. The survey showed almost one in four container ships using Kwai Chung registered with the Environmental Protection Department (EPD) programme, launched at the end of October.

Former Marine Department director **Roger Tupper** was surprised the figures were so high. The Post investigation, which tracked vessel arrivals and departures over a week, found around 70 large container ships, tankers, general cargo vessels and cruise liners visited Hong Kong each day. Of these about eight or nine are signed up to the scheme, which will cost the government HK\$260 million over three years.

Around 550 ships were registered with the EPD scheme up to mid-December, of which 192 had made a total of 460 calls at Hong Kong by the end of November. Some HK\$2.45 million in port dues had been waived, according to a department spokeswoman.

Operators of ships registered under the scheme receive a 50 per cent cut in port-related fees if the vessels burn low-sulphur fuel while berthed in Hong Kong.But the scheme has been criticised, as the rebate only offsets between 30 and 45 per cent of the increased cost of using the more expensive low-sulphur diesel. The scheme also sidesteps a key demand from environmentally aware shipping lines for government regulations mandating the use of low-sulphur diesel.

While the EPD has introduced its incentive scheme, regulations have yet to materialise. Veronica Booth, Civic Exchange senior project manager, said: "It's government's job to regulate. [The maritime sector has] put its money where its mouth is through participating in the Fair Winds Charter. It's government's turn

Civic Exchange, the public policy think tank, said marine sources of sulphur dioxide emissions accounted for 519 premature deaths a year in the Pearl River Delta, including 385 in Hong Kong. Some 75 to 80 per cent of all emissions come from container vessels, it said.

The Post found that some shipping lines are enthusiastic supporters of the EPD scheme, registering massive fleets even though they face higher costs. These include Orient Overseas Container Line, Maersk Line, CMA CGM and Hapag-Lloyd. But other container lines, like Singapore's APL, have either yet to register any ships or have registered just a handful, even though they were signatories to the Fair Winds Charter, a voluntary industry initiative to use low-sulphur fuel in Hong Kong. Source: South China Morning Post

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# **ESVAGT SERVER** joined the fleet





The latest addition to the **Esvagt-fleet** has just before New Year entered it charter-agreement after an extensive

rebuilt and upgrading in Denmark. The vessel arrived from Singapore in the end of October and entered the drydock at Soby Vaerft for docking and painted in Esvagts special red colour on hull and superstructure. Furthermore the vessel was

equipped with an sternthruster and had extra auxilary engine installed. Also a full DP2 system has been installed for the charter for Maersk Oil and Gas. For the coming five years the vessel will work in the Danish sector of the North Sea as a combination of anchorhandling vessel to conduct rig moves and standby-safety vessel in a multipurpose role. When the vessel isn't engaged in rig moving it will be used as "inter-field shuttle", which means moving cargo from one platform to another in a certain areas. The has present been the role for **Esvagt Preserver** for several years. Esvagt Server was originally built at Pulau Batam as Montet Tide for Tidewater-group, but was sold upon completion to Esvagt. The vessel is fitted with a double Yanmar-plant with two engine of their type 8N330-EN, developing 2 x 3.310 kW and to a measured bollardpull of 118 tons. The vessel measures 72 meters in length and 16 meters in breadth and has tonnage of 2,576 GT. **Text/ photo: Bent Mikkelsen** ©

# Seafarers suffer from holiday sickness

When the month of December comes, numerous seafarers ask for leave, saying they have a relative who has died. Captain Ronaldo Enrile, vice president for operations of **Philippine Transmarine Carriers (PTC)**. PTC is now requesting seafarers to present death certificates and other supporting documents to prove that their leave request is not just an alibi for a holiday leave. Another thing shipping executives note is that seafarers are suddenly difficult to call during the holiday season. In other months, seafarers anticipate their calls to board. "Of course, that is the most significant message for our seafarers, especially for those who are first timers," he said. Rear Admiral **Adonis onato**, president of **OSM Maritime** Services also observed that the boarding schedule excitement does not seem to apply in the month of December.

If they are already on vacation mode in the Philippines, they will turn off their mobile phones so that OSM nor PTC cannot reach them. Actually, what they want is to reset their boarding schedule to January when the celebrations of December are over. On the other hand, Enrile and Donato note that a seafarer has been working overseas for a long time, the ones they call "timers," do not want to leave the ship during the holiday season. Maybe they do not want to spend a lot for parties and gifts in the Philippines. The family of a seafarer plays a role in the holiday mood of eafarers. They should be the "katiwala" of our seafarers and not "katiwaldas," shipping executives quip. They are the ones who should encourage seafarers to spend easonably during these times. Additionally, our seafarers should not be pressured to come up with numerous reasons just to be able to return home in December. With holiday smarts, seafarers do not have to start the New Year saddled with debts. Source: Philippine Inquirer

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The APLHA VISION outbound from Rotterdam. Photo: Henk van der Heijden (c)





SAL's ANNEMIEKE at the river Seine enroute Le Havre. Photo: Fabian Montreuil(c)

# Shipping MLP sector is small, but there's plenty of room for investors

The entire universe of master limited partnerships engaged in the transportation of liquefied natural gas, crude oil, refined petroleum products, other chemicals, dry-bulk shipping and other marine transportation services comprises just five names: Capital Products Partners LP (CPLP), Golar LNG Partners LP (GMLP), Navios Maritime Partners LP (NMM), Teekay LNG Partners LP (TGP) and Teekay Offshore Partners LP (TOO).

We'll start our discussion with the highest-yielding member of the group. Capital Products Partners transports oil, refined oil products and chemicals by sea. Its current fleet consists of 18 product tankers (13 of which are Ice Class, which means their hulls are strengthened to enable them to navigate through sea ice), six crude tankers and one Capesize vessel. The company operates its vessels on a mixture of short- and long-term time charters.

The product tanker market softened over the course of the third quarter, with long-term contracts drying up and spot rates declining as a consequence of weakening global economic growth. One- and three-year time charter rates are down by 7 percent and 3 percent since mid-2012, to roughly \$12,500 per day and \$14,000 per day, respectively.

But the case for a gradual recovery for product tankers is supported by a relatively limited number of new ships under construction as well as still-rising demand from Middle Eastern and Asian refiners.

Capital Products has a number of ships coming off charter in 2013 and 2014, but its sponsor, **Capital Maritime & Trading Corp**, has already exercised its options to extend charters for two Suezmaxes at above current market rates and continues to support the MLP's distribution.

Capital Maritime will decide whether to exercise options on two Very Large Crude Carriers, the Alexander the Great this month and the Achilleas in February 2013; these options are priced well above current one-year market rates.

Capital Products has three vessels on bareboat charters to Overseas Shipbuilding Group Inc (OSG) until 2018; OSG filed for Chapter 11 bankruptcy protection last month. The company expects to continue operating through its restructuring, but Capital Products' charters are at above-market rates and could be "marked to market" as part of the bankruptcy proceedings.

Capital Products posted a distribution coverage ratio of 1.16-to-1 during the third quarter. This ratio could come under pressure should the restructuring of OSG's obligations result in court-enforced reduction in Capital Products' charter rates. However, Capital Maritime's support should ensure a coverage ratio of at or above 1-to-1 even in a worst-case.

On Dec. 4, presenting at the Wells Fargo Energy and MLP Conference, CEO Iannis Lazaridis noted that the risk of a reduction to its OSG charters had been built into guidance it issued along with third-quarter earnings.

Mr. Laziridis also reiterated Capital Products' commitment to its current annualized distribution level of \$0.93 per unit and noted the continuing support of Capital Maritime. Mr. Lazaridis also noted that the operating environment for petroleum product tanker operators is getting better, albeit at a slow pace. Although the potential for distribution growth is constrained by the OSG situation, even a modest recovery in the product tanker market would more than

offset this drag. The Capital Maritime extensions this month and in early 2013 are of greater significance from a distribution-growth perspective.

Management also noted the possibility of the drop-down of a containership already under time charter. Realization would also provide support for the current distribution.

Although it's organized as a publicly traded MLP, Capital Products has elected to be treated as a C corporation for tax purposes, which means unitholders receive a Form 1099 and not a Form K-1.

Capital Products' current yield is 13.9 percent, which clearly suggests the market is pricing in a distribution cut. But management continues to express confidence in its ability to maintain the existing payout level, this confidence is built on the support of a solid sponsor in Capital Maritime.

This is an MLP investment for aggressive investors who understand the potential risks: that the OSG bankruptcy could put significant pressure on an already tight distribution coverage ratio and that recovery for the product tanker market could be pushed further out based on global economic developments, including the success or failure of US Fiscal Cliff negotiations.

Meanwhile, Navios Maritime Partners took a steep dive in early November, closing at \$12.11 on Nov. 15 after hitting an end-of-day peak of \$15.78 on Nov. 2. The units have recovered some of that decline but are still priced to yield 13.5 percent.

That's despite the fact that from an operational perspective Navios has remained somewhat insulated from the prevailing dry bulk market weakness, with 2012 and 2013 charter coverage at 99 percent and 83 percent, respectively. The MLP posted increased third-quarter revenue on the drop-down of the Buena Ventura, a Capesize vessel, in June and two second-quarter purchases, the Soleil and the Helios, a Panamax and Handymax respectively. The latter transactions marked the first time Navios has ventured away from parent Navios Maritime Holdings Inc (NM) for growth.

Management noted during its third-quarter conference call that it will continue to evaluate the market for growth opportunities and is focused on adding four to six additional vessels using internal funds and 50 percent leverage.

For the third quarter Navios posted a 15.6 percent increase in revenue to \$55.5 million, a 33.1 percent increase in net Income to \$22.1 million and a 21.5 percent increase in operating surplus to \$35.6 million. Distributable cash flow per unit was \$0.45, and the MLP declared a distribution of \$0.4425 per unit.

Navios completed \$44 million in new financing in August to partially fund the acquisitions of the Buena Ventura, Soleil and Helios at Libor plus 350 basis points with a maturity of February 2018. The MLP also refinanced its two existing facilities with a new \$290 million facility that matures in November 2017 with an interest rate of Libor plus 180 to 205 basis points.

Combined with the \$52 million cash on hand as of the end of the third quarter Navios is in good position to add to its fleet and generate new cash flow. Source: Market Intelligence Center

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# Shell drilling rig to wait out storm in Gulf before seeking safe harbor



The Coast Guard Cutter SPAR takes water over the bow while underway in the vicinity of the mobile drilling unit Kulluk in 23 mph winds and 4-foot seas more than 40 miles south of Kodiak City, Alaska, Monday, Dec. 31, 2012. The SPAR, a 225-foot buoy tender homeport in Kodiak, was on stand by to assist the tugs and the Kulluk for the past several days. U.S. Coast Guard photo by Petty Officer 3rd Class Nicolas Santos.

Petty Officer 3rd Class Nicolas Santos — U.S. Coast Guard

Shell drill ship to ride out Gulf of Alaska storm

Royal Dutch Shell and a team that includes the Coast Guard have decided the **Kulluk** drilling rig and the ships holding it in place with tow lines should wait out another winter storm coming Monday night in the Gulf of Alaska, said Coast Guard Petty Officer David Mosley. The vessels will seek safe harbor, likely in Port Hobron on Kodiak Island, when the weather clears, the Coast Guard says. Meanwhile, technicians were being flown to the Kulluk to inspect the towlines already attached.



The Kulluk and accompanying ships are trying to maintain position offshore about 10 to 20 miles south of Kodiak Island, according to Shell. The weather cleared temporarily Monday morning when 4-foot seas and 32-mph winds were reported, a break that allowed crews to secure towlines between the Kulluk, the Alert -- a Crowley Marine tug normally under contract to Alyeska Pipeline Service Co. to use for spill prevention in Prince William Sound -- and a Shell-contracted vessel, the Aiviq.A new storm is expected to move in Monday night, with winds topping 60 mph and 28-foot seas, according to forecasts.

Update, 12:15 p.m.:Just before noon Monday, Shell spokesman Curtis Smith said the command team, which includes the Coast Guard, is still evaluating options on whether to try to get the Kulluk drilling rig to a safe harbor, probably on

Kodiak Island, or whether to continue to wait out the Gulf of Alaska storms offshore. A morning break in the storms is not expected to last, he said. "Weather is largely in play here. That is something that needs to be considered very carefully before we make our next move," Smith said.

Update, 11:45 a.m.:

A small contingent of Alaska tribal groups is planning to protest Royal Dutch Shell's Alaska operations at noon today outside the oil company's Alaska headquarters at the Frontier Building, 36th Avenue and A Street. The effort is being led by Carl Wassilie of Alaska's Big Village Network, Nikos Pastos of the Center for Water Advocacy and Delice Calcote of the Alaska Inter-Tribal Council. The protest organizers say Shell doesn't appear prepared to work in Alaska and that the Coast Guard also doesn't have enough assets to respond to incidents such as the weekend drifting of the oil drilling rig Kulluk.

#### Update, 6:40 a.m.:

Tow lines were reconnected overnight from the Shell drill rig Kulluk to support vessels in the Gulf Alaska, according to Shell and the U.S. Coast Guard. The vessels are 19 miles southeast of Kodiak Island. according to a joint statement issued Monday morning by Shell,



the Coast Guard and others.

The Kulluck is again under tow by the vessel **Aiviq** and another vessel, the tug **Alert**, said the statement, issued at 6:06 a.m.

Around 12:45 a.m., the statement said, the Alert "was able to secure the 400-foot line that was previously the tow line used by the Aiviq. The Alert successfully added tension to the line to test its ability to hold." The Aivik then reconnected its line to the Kulluk later in the morning, the statement said.

"Difficult weather conditions are anticipated to continue over the next several days. Unified Command is evaluating all potential options to further secure the vessel until the weather clears," the statement said.

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#### Sunday night story:

An unmanned mobile oil drilling rig owned by Royal Dutch Shell is adrift -- again -- south of Kodiak Island after it lost towlines Sunday afternoon from two vessels trying to hold it in place against what have been pummeling winds and high seas, according to incident management leaders.

A team of 250 people from the Coast Guard, the state of Alaska, Shell, and one of its contractors was hunkered down Sunday, mainly in Midtown Anchorage's Frontier Building, trying to resolve the ongoing crisis with Shell's drilling rig, the **Kulluk**.

Before the latest turn for the worse, representatives of Shell, the Coast Guard and the state Department of Environmental Conservation told reporters in a briefing early Sunday afternoon that the situation was critical, but under control.

Then towlines from two Shell-contracted support vessels, the Aiviq and the Nanuq, "separated," the joint command team said in a statement sent out at about 4:30 p.m. The setback happened sometime after 1 p.m., just as commanders were briefing news media on what appeared at that point to be a successful response after a series of failures. They didn't yet know the towlines had broken free, said Shell spokesman Curtis Smith, who is part of the unified incident command team.

A third vessel, the tug **Alert**, which is usually stationed in Prince William Sound as part of an emergency response system, has arrived on the scene. And another Shell-contracted support ship, the Guardsman, is on location.

"The crew is evaluating all options for reconnecting with the Kulluk," the command team said. Towlines are still attached to the Kulluk and conceivably could be reattached to nearby ships, Smith said. Shell crews use 10-inch steel cables or synthetic lines that attach to vessels with hardware, he said.



With the Kulluk crew evacuated for safety reasons, there's no one on board to winches tend the maneuver equipment, Sean Churchfield, Shell's incident commander the company's operations manager for Alaska, told reporters earlier on Sunday.

All decisions, including the evacuation, are being made by the group as a whole, said Capt. Paul Mehler, the Coast Guard's Anchorage-based commander.

**HEAVY SEAS FOIL TOWS** 

Crews are waiting for a break in the weather to secure the towline, Smith said.

The Gulf of Alaska storm has been fierce, with near-hurricane winds on Saturday night, Mehler said. Only a small lull is predicted for Monday morning, according to the National Weather Service. The forecast for Sunday night was 28-foot seas and winds in the range of 50 mph or more, about what it was on Saturday, said meteorologist Bob Clay. Seas and winds are expected to diminish early Monday morning, then pick back up later in the day as another storm moves in, he said.

With no towlines securing it in place, the crewless Kulluk was drifting about 25 miles south of Kodiak, Smith said Sunday evening. He didn't have an estimate on how many hours it would take the Kulluk to reach shore if it continued adrift. A number of variables, including currents and wind speed, would affect when and where it hit, if it came to that, he noted.

The incident team also must find a safe harbor for the Aiviq, as well as the **Kulluk**, to undergo inspections and possible repairs before heading south to Everett, Wash., where the Kulluk had been headed for off-season maintenance before the troubles began.

The \$290 million, 266-foot diameter Kulluk is a conical-shaped mobile rig that began drilling a single exploratory well in the Beaufort Sea this year. But it cannot propel itself, and a series of failures involving it began on Thursday during a stormy Gulf of Alaska crossing.

The 360-foot, \$200 million Aiviq is a new ship commissioned by Shell for its Arctic work, built and owned by Louisiana-based maritime company Edison Chouest Offshore. It has 24 crew members on board, Smith said.

The Kulluk lost its towline from the Aiviq on Thursday. A second towline was attached for a time, but then early Friday all four engines on the Aiviq failed. The Coast Guard sent the Alex Haley, a 282-foot cutter. It delivered a towline to the **Aiviq**, which was

still attached to the Kulluk, but the sheer mass of the ship and the drilling rig, combined with 40 mph winds and building 35-foot seas, broke the connection and the line became tangled in the cutter's propeller and damaged it. The **Alex Haley** turned back to Kodiak for repair, but now is back at the **Kulluk** scene.

#### 'FULL INVESTIGATION'

On Saturday, the Kulluk's 18-person crew was safely evacuated to Kodiak in two Coast Guard helicopters. A Coast Guard video shows the Kulluk bobbing in rolling seas as a helicopter approaches to lower a basket and lift the crew members out, one by one.

The Aiviq's engines were repaired with new fuel injectors, and the Nanuq put a towline on the Kulluk for a time. The **Aiviq** then was running with two engines at a time, as a precaution, officials said Sunday.

The towline mishaps and the engine failures are under investigation, Churchfield said. Initial reports suggested that contaminated fuel might have caused the engines to malfunction, but that hasn't been confirmed through fuel analysis, he said.

"I don't really want to speculate as to the causes of the propulsion failure on the **Aiviq**," Churchfield said. "We are looking for the solutions and we will have a full investigation. At this stage, I don't have any firm information to pass onto you."



However, the fuel now being used is from a different tank than that in use when the engines failed, said Shell's Smith.

The plan to use just a single ship to tow the Kulluk was reasonable, given the Aivig's features, said the Coast Guard's Mehler.

"This type of operation is very normal. With the vessel the size of **the Aiviq**, with the capabilities of the **Aiviq**, with four engines, it was above and beyond what would be required to be able to tow, even in very extreme conditions," the commander said.

Shell did not have to get Coast Guard approval of its towing plan, because the maritime operation was so routine. But the oil company did consult with the agency about the journey, Mehler said. At the start of Shell's 2012 drilling season, the **Aiviq** towed the **Kulluk** from a shipyard in Washington state to Dutch Harbor though eventually two tugs took over its handling in the Beaufort Sea, Churchfield said.

#### A DIFFICULT START

Two crew members on the Aiviq suffered minor injuries at some point, but both are back at work, Churchfield said.

No oil has been spilled during the incident, according to the state Department of Environmental Conservation.

Shell has had a difficult experience as it tries to drill offshore in the Alaska Arctic, its first attempt in two decades. It couldn't drill to oil-rich zones because its novel oil spill containment dome was damaged during testing. Its other drilling rig, a converted log carrier called the Noble Discoverer, recently was cited by the Coast Guard for problems with safety and pollution discharge equipment. Mehler ordered it held in Seward while the most serious issues were addressed. While the ship now is free to leave for Seattle, it remains docked in Seward because it is waiting for escort vessels working on the Kulluk situation, Smith said.

In October 1980, in a situation eerily similar to what is happening now, 18 crew members were evacuated off a jack-up drilling rig named the Dan Prince as rough seas in the North Pacific 650 miles south of Kodiak threatened to destroy the unit, according to news reports at the time. Crews couldn't attach a towline. The rig then sank, according to an online listing of rig disasters.

Source Alaska daily News.

# Hopes for a New Year

The New Year is upon us, in what tends to be a season full of hope and an opportunity to look ahead, rather than to gloomily consider the disappointments of the twelvemonth now relegated to history. For the shipping industry, the future is tinged with a certain apprehension, which is quite understandable bearing in mind the supply and demand situation, and the fact that in a sector dependent upon derived demand, you cannot easily encourage people to use ships!

But maybe the fact that shipping is so economical to use ought itself to aid in the recovery of world trade. After all, nobody is inhibited in his or her trade by the cost of shipping their stuff – even to the furthest corners of the world. Shipping does not get enough credit in this respect as the vehicle that facilitates everyone's imports and exports. There seems some expectation of global growth in the upcoming year, which will surely help, although the pace of maritime recovery will doubtless be slowed by the increase in the world fleet and that pre-2008 optimism that left a long tail behind it.



So while the New Year carries with it all manner of challenges, it is worth looking back to other stormy periods when there were many worrying similarities. And on these occasions, the industry rose to meet the oncoming waves and emerged into calmer waters. Economic cycles are never identical, but the fact that they come around ought to carry



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with them a germ of optimism. There will be opportunities emerging from even the most unprepossessing circumstances.

It is also worth reflecting that when times get tough, the tough get going, and there is invariably an upsurge in innovative thinking that is not always present in a period when the economic sun is shining. There is no doubt at all that technical innovation is getting into top gear as the engineers and designers, the brightest commercial brains and the people of ideas all combine to ensure the survival of their various companies, whether it is shipyards, engine and equipment manufacturers, shipping companies or those who employ ships. We have seen explosive periods of innovation in the past, and we can be sure that we are already sighting a renaissance of innovation over the horizon. The harder the challenges, the more important this innovation will be. There is a multi-faceted challenge across the whole economic spectrum of ship operation, in the plethora of new

regulations, the environmental pressures, the energy situation and, not least, the uncertainties of what fuel ought to be in the bunker tanks of the future. There are some enormous decisions to be made as ship operators confront these problems which will face them in the coming year. It is why the industry needs the brightest brains and the entrepreneurial skills that will enable it to prosper in the very changed circumstances of the future. In the end, despite all the technology and hardware, it will come down to people. Let us wish everyone a very happy and prosperous New Year. Source: BIMCO

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# **NAVY NEWS**

# **Turkey to Buy Two Logistical Support Ships**

The Turkish Navy is scheduled to purchase two locally built logistical support ships, a senior procurement official said over the weekend. The ships will be deployed to the southeastern Mediterranean and to the eastern Black Sea, two important regions, the significance of which is growing for Turkey. The Undersecretariat for Defense Industries (SSM), the procurement agency, released a request for information for 12 of the country's largest shipyards, and the reply time was delayed until Dec. 19. Now the SSM is evaluating the reply bids for the program. The ships will have a large fuel section and communications equipment, the procurement official said. "It will be quite easy for us to manufacture the two logistical support ships." The ships, depending to their size and communications equipment, are set to cost over \$100 million each. Aselsan, the military communications plant, is set to provide the equipment. "The logistical needs of our sea fleets are quite large, and it has been decided to meet such needs on the location," said the official. Turkey is at odds with Greek Cyprus over oil-and-gas-search activities with Israel in the eastern Mediterranean.

The ships will be protected by nearby frigates and other vessels.

The Turkish Navy has several vessel programs. It is discussing the development of new intermediate-class frigates, currently dubbed the TF100, that would replace the German-made Mekos, to be deployed to the Aegean and the Black Sea in the next decade.

"Our new main frigate will remain the TF2000. The TF100, if decided to be built, would be a follow-up to the German Meko-type frigates and would be something smaller and simpler for the transition to the TF2000 air defense frigates," said the official last week.

The Navy also has programs to produce a land platform dock, resembling a helicopter carrier, and submarines. It also is building eight corvettes. Corvettes and frigates are the smallest warships, but frigates are the largest of these ships in the Navy of Turkey, which has no coasts on oceans. Source Hürriyet Daily News

# China adds destroyers to marine surveillance:

inShare.BEIJING: China has transferred two destroyers and nine other ex-navy vessels to its maritime surveillance fleet, reports said Monday, as it moves to beef up its position in bitter territorial rows with Japan and other neighbours. Beijing renovated the ships and transferred them to surveillance operations to "alleviate the insufficiency of vessels used to protect maritime interests", said a report on Tencent, one of China's major news portals.

China is embroiled in a maritime dispute with Japan that has seen tensions between the two Asian giants, the world's second- and third-largest economies, at times reach fever pitch. It is also engaged in a simmering row with its southern neighbours over its claim to vast swathes of the South China Sea. Beijing has been sending maritime patrol vessels into waters around the East China Sea islands it claims as Diaoyu, which Japan controls and calls Senkaku, since Tokyo nationalised the chain in September.

China is apparently seeking to prove it can come and go in the area at will and on Monday a pair of Beijing's ships were spotted in the waters, according to Japan's coastguard, in the latest perceived incursion. Two of Beijing's newly-refurbished vessels are destroyers, with one each to operate in the East and South China Seas, with the others including tugs, icebreakers and survey ships, according to the Tencent report.

It was not clear whether it was the first time the maritime surveillance fleet has acquired destroyers, or when the transfers took place. The report was first published in the International Herald Leader, a Chinese-language newspaper linked to Beijing's official news agency Xinhua, and the author said the operation had been given significantly more capacity.

"The maritime surveillance team's power has been greatly strengthened and its capacity to execute missions sharply improved, providing a fundamental guarantee for completing the currently arduous task to protect maritime interests," wrote Yu Zhirong, of the government's Research Centre for Chinese Marine Development.

Since 2000 the maritime surveillance fleet, which is tasked with "protecting China's interests and executing law enforcement missions", has also received a total of 13 new vessels, the report said. Daily patrols have been stepped up from six vessels before the disputes heated up to "more than 10" Yu said, adding authorities planned to build another 36 surveillance ships by 2015.

A Chinese plane overflew the islands in the East China Sea earlier this month, in what Japan said was the first time Beijing had breached its airspace since at least 1958. Tokyo scrambled fighter jets in response.

Yu added in the report: "I believe Chinese maritime surveillance authorities will build and buy many ships and planes in the future with strong capabilities and advanced equipment." Source: Indiatimes

# SHIPYARD NEWS



# Singapore rigbuilders Keppel Offshore & Marine (O&M) and Sembcorp Marine have secured a slew of contracts this year.

Analysts have said the two companies could see another strong set of orders in 2013, driven by robust demand for ultra-deepwater rigs. Keppel O&M booked about US\$8 billion worth of contracts this year - its second highest on record.

This follows a record S\$10 billion worth of contracts which **Keppel O&M** secured in 2011. **Keppel O&M** said over 65 per cent (US\$5.36 billion) of the orders in 2012 came from Brazil.

Looking ahead, Keppel said it is developing a new product that will enable drilling in deeper and harsher environments. Tong Chong Heong, chief executive officer of Keppel Offshore & Marine, said: "There are also new frontiers, new areas where more rigs are required, and with the emergence of areas such as the Caspian, Black Sea, Mexico and many parts of Southeast Asia, demand for rigs has gone up."Keppel O&M along with Sembcorp Marine are big players in the offshore rig building industry, accounting for some 70 per cent of the global market share for jack-up rigs. Analysts said the growing demand for ultra-deepwater drilling vessels and equipment will continue to support business growth.

Low Pei Han, investment analyst at OCBC Investment Research, said: "O&M companies have seen very good order books, Keppel and Sembcorp Marine each secured about 10 billion dollars worth of orders this year.

"About 50 per cent of each came from Sete Brasil and Petrobras, which is what the market had more or less anticipated. Going into 2013, we expect Sete Brasil and Petrobras orders to remain about the same level as this year, which will be about S\$4 billion to S\$5 billion."

But the Singapore rigbuilders are likely to face stiffer competition from Korean and Chinese companies. Analysts said some Chinese shipbuilders are offering similar products at a 20 per cent discount.

For example, earlier this month, Yangzijiang secured a US\$170 million order for a jack-up rig, while a similar contract at Keppel O&M cost US\$205 million.

According to the China Association of the National Shipbuilding Industry, China hopes to capture 20 per cent of the global market for rigs, production facilities and offshore products by 2015.

But some analysts said Singapore rig builders are not likely to lose their competitive edge anytime soon. Janice Chua, head of equity research (Singapore) at DBS Vickers, said: "It is a tall order for the Chinese yards to try and get the global market share for rigs.

"In order for the Chinese yards to have a bigger market share globally, what is more important is the soft skills of project management, engineering, design expertise, as well as ensuring that they can deliver the projects on time and according to the clients specification. That will take at least three years to build for any of these offshore structures." Increasing shale gas production in the US could also present a new competitive landscape for rigbuilders.

Jason Waldie, associate director at Douglas Westwood, said: "The wild card here is whether the US is going to export, or how much the US is going to export. Certainly I know the US government is planning to export a very good share of its gas to the market. Now what impact does that have for the yards?" Analysts expect the demand for rigs to come under some pressure should the US decide to export a substantial amount of shale gas. Source:



# JFE, IHI shipbuilding units to merge today

The shipbuilding units of JFE Holdings Inc. and IHI Corp. are set to merge into a single entity called Japan Marine United Corp. on Tuesday in a bid to survive the tough business environment. The units to be merged are Universal Shipbuilding Corp., the second-largest shipbuilder in Japan, and sixth-ranking IHI Marine United Inc.

Eighty-five percent of Universal Shipbuilding is owned by JFE Holdings, a major steelmaking and engineering group, with the remaining 15 percent held by Hitachi Zosen Corp. IHI Marine is a unit of leading heavy machinery maker IHI.

The launch of Japan Marine United is three months behind the original schedule, due to a delay in antitrust screenings in China.

Employing more than 1,200 ship designers, the new company aims to outsell rivals by developing high-value-added ships with energy-saving and eco-friendly features.

Universal Shipbuilding and IHI Marine expect the merger will help boost profits by 10 billion yen in three years.

Despite the three-month delay in its launch, Japan Marine United will adhere to the profit target by accelerating the pace of work, a Universal Shipbuilding executive said. Other Japanese shipbuilders are also taking measures to ensure their survival.

Mitsubishi Heavy Industries Ltd. has pulled the plug on construction of container ships at its key shipyard in Kobe. It is also outsourcing production for a number of ships to the nation's top-ranking Imabari Shipbuilding Co. in Ehime Prefecture.

Additionally, MHI is considering tie-ups with shipbuilders in India and Brazil.

Kawasaki Heavy Industries Ltd. is expanding its overseas operations through investment in shipbuilders in China and Brazil. Mitsui Engineering & Shipbuilding Co. is focusing on offshore oil and gas production facilities.

Japan was once one of the biggest shipbuilding countries in the world. Since 2000, however, South Korean and Chinese competitors have overtaken Japanese shipbuilders, through increased investment to strengthen their production facilities and equipment.

There has been an excess supply of ships in the market amid slumping demand due to the lingering impact of the 2008 collapse of U.S. investment bank Lehman Brothers. Furthermore, Japanese shipbuilders have been struggling with the yen's sharp appreciation.

Sumitomo Heavy Industries Ltd., whose shipbuilding business centers on oil tankers, has received no shipbuilding orders in fiscal 2012. If the situation remains unchanged, the company's shipbuilding division will go out of business in the near future.

The environment facing the shipbuilding industry will likely continue to be tough in fiscal 2013, says Kazuaki Kama, chairman of the Shipbuilders Association of Japan and chairman of IHI.Source: Jiji Press

# Damen Shipyards Extends IFS Agreement

IFS announce that Damen Group, has chosen to extend its agreement with them by purchasing additional user licenses for IFS Applications™.

**Damen Shipyards**, headquartered in Gorinchem, The Netherlands, implemented IFS Applications in 2010 to support business processes across its globalorganization. By extending its use of IFS Applications, Damen Group is reinforcing its strategic, long-term partnership with IFS.

"We will deploy IFS globally for all Damen companies," said Marc de Thouars, Group IT Director of Damen Group.

"This extension of our license agreement will allow us to share resources between the various companies with one central database for parts and resources."

"The maritime sector is one of IFS's target industries. We offer an integrated, industry-specific solution for managing the entire project and asset lifecycle,

from engineering, procurement, materials management and management to installation and commissioning," said Nico van Heuven, Managing Director, IFS Benelux. "IFS staff worldwide has extensive experience in this industry, which we have used to develop best-practice solutions in collaboration with our customers. Our focus and our global IFS network are the reasons that Damen chose IFS in first place, and are also the reasons why they are extending its contract with us."

IFS is a public company founded in 1983 that develops, supplies, and implements IFS Applications<sup>™</sup>, a component-based extended ERP suite built on SOA technology. IFS focuses on industries where any of four core processes are strategic: Service & asset management, manufacturing, supply chain and projects. Source: IFS

# **ROUTE, PORTS & SERVICES**





The SANTA PHOENIX in Rio Grande, Photo: Marcelo Vieira ©

# Wärtsilä to supply dual-fuel propulsion package for two new Dutch tankers

Wärtsilä, the marine industry's leading solutions and services provider, has been contracted to supply the complete dual-fuel propulsion package for two new Liquefied Ethylene Gas (LEG)/Liquefied Petroleum Gas (LPG) tankers being built for Anthony Veder, the Netherlands based shipping company specialised in gas transportation. The contract was signed with AVIC-International Shanghai and Avic-Dingheng Shipbuilding Co. Ltd yard in September 2012. The ships are being built at the yard and they will operate in the North Sea area.

The propulsion package, which includes the main and auxiliary engines, gear boxes and controllable pitch propellers, will be delivered in June 2013, and the tankers are scheduled for delivery in mid 2014.

The Wärtsilä dual-fuel (DF) main and auxiliary engines will allow the ships to operate on liquefied natural gas (LNG), which minimises their environmental footprint. However, fuel flexibility, a primary benefit of the Wärtsilä DF engine technology, means that conventional marine diesel fuels can also be used if required. The switch between fuel types is made seamlessly without loss of power or speed.

The use of Wärtsilä's dual-fuel engine technology will enable these tankers to sail without restrictions in Sulphur Emission Control Areas (SECAs) and Nitrogen Emission Control Areas (NECAs). Natural gas is the most environmentally sound fuel today, and it fulfils current actual and known future marine emissions legislation coming into force in 2016. "We are delighted to supply these new tankers with Wärtsilä's dual-fuel engine technology, which will enable them to operate safely, economically, and sustainably on LNG fuel. This order strengthens our position as the market leader in terms of LNG fuelled propulsion machinery," says Aaron Bresnahan, Vice President, Wärtsilä Ship Power, Sales. More than 2000 gas fuelled Wärtsilä engines are now in commercial operation in both land-based and marine

More than 2000 gas fuelled Wartsila engines are now in commercial operation in both land-based and marine applications. Together, they have accumulated more than 7 million operational running hours; a milestone that emphasizes Wartsila's leading position in gas and dual-fuel engine technology. Source: Wartsila

# **ATTENTION TUG MASTERS**

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as classroom, convention centre or private meeting room with a seating capacity for 60 to 80 pax.

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The Saint Roch at the river Seine Photo: Fabian Montreuil(c)

# Icebreakers in Taganrog Bay lead two ship convoys

Icebreakers deployed by **Rosmorport** in the Russian southern basin are escorting two convoys of merchant ships in the Sea of Azov, the Authority of the <u>Port of Taganrog</u>, as of 8:00am (Moscow Time) of December 29, 2012. The icebreaker **Kapitan Demidov** is en route to for maintenance to Azov.

The Kapitan Moshkin expects improving visibility at the entrance buoy of Azov-Don Shipping Channel. Then the icebreaker will lead cargo ships to Azov, Rostov-on-Don.

The Kapitan Chudinov is paving a path for a 23-ship convoy out of the ports of Rostov-on-Don, Azov and Taganrog to the ice edge. On the way back the icebreaker will be escorting another convoy bound for Taganrog, Azov and Rostov-on-Don. IThe Kapitan Krutov lead a convoy of 10 ships to the entrance buoy of the port of Yeysk.

Source: Port News

# **OLDIE – FROM THE SHOEBOX**



The 1945 PERMANENTE NO 1 yard built CATAWBA VICTORY stored in James River in 1995. Photo: Harry Stott (c)

# .... PHOTO OF THE DAY .....



The AHT TTB SALVOR anchored off Singapore Photo: Capt. Jelle de Vries ©

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