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## South Korea retains title

IT WOULD be patronising to say that South Korea punches above its weight in global shipping. In fact, it has been a genuine knock-out heavyweight for at least forty years, and improving its position, on average, year on year. Among a handful of leading shipping nations that have also done so, it has consistently improved the character of global maritime transport as its shipowning and shipbuilding companies developed their competitive skills.

Perhaps only Japan has combined a kind of high-mindedness with ferocious competitive instinct in

shipping endeavours. South Korea's shipyards have consistently upped the quality of the vessels they produce.

A casual observer standing at the guest overlook to Hyundai Heavy Industries' Ulsan yard, for example, is treated to an unimaginably busy scenario, an organised flurry of Lilliputians pushing out giants of every description: liquefied natural gas vessels, all variety of tankers, the biggest containerhips, offshore vessels, and more. The highly organised dance, in fact, is the result of decades of perfecting a difficult, dangerous, complex and vital craft. In one example, this yard and a handful of others are capable of delivering two ultra-large boxships per week.

It is instructive to view this scenario in person and in the open air, rather than read of South Korea's accomplishments on a computer screen or in a newspaper. The narrative often used to describe South Korean shipbuilding puts it at a deficit to China. In 2010, China surpassed South Korea as the world's biggest shipbuilding nation, and the tone of the announcements implied that it was forever. Chinese officials have for some time openly declared that retaining dominance as the world's largest

shipbuilder was a national security goal, so that China could ensure the cost-effective transport of vital commodities and other goods.

The Chinese government made a now-famous offer to Greek shipowners for at least \$5bn in loans at attractive rates from Chinese banks if the owners built in Chinese yards. Yet the Greeks have flocked to South Korea this year. South Korea has its title back. More to the point, the orders flooding into South Korean yards have been for higher value containerhips and LNG vessels.

As long as shipbuilding remains a market where owners have choice, then owners will still favour yards that put quality ahead of volume and discounts. South Korea's secret appears to be that it is building for the world, as well as itself.

## Dubai danger

DUBAI is famed for its seven-star hotel, stern disapproval of drunken canoodling on its magnificent beaches and, most of all, for nearly going bust a couple years back. Had not oil-rich neighbour Abu

Dhabi stepped in with a \$20bn bailout in 2009, the emirate would no longer be a going concern.

Given the wide-ranging extent of its essentially state-owned businesses, this is a matter of concern for everyone in the maritime industries, at two levels.

First, and most parochially, the tentacles of Maktoum family holding company Dubai World are all over the sectors this newspaper covers.

One way or another, affiliates include DP World, which operates around 50 ports in over 30 countries, as well as shiprepair multinational Dubai Drydocks World, major agency chain Inchcape Shipping Services and, almost as an afterthought, P&O Ferries.

Second, the last thing the world economy needs right now is a sovereign default.

Accordingly, news that a US hedge fund has lodged legal action against DDW in London's High Court will generate more concern than the average debt claim of this type. Perhaps this is simply hardball negotiating.

Nevertheless, \$1.7bn of DDW debt matures next month, and that total rises to \$14bn for the country as whole over the next year or so. While all eyes are on Greece, the writ is a timely reminder that many other countries are in difficulty too. ■ [www.lloydslist.com/comment](http://www.lloydslist.com/comment)

### Industry Viewpoint



MICHAEL GREY

# Don't mess about with maintenance

A return to 1980s accountant-driven 'savings' will result in loss of lives at sea

WHY is it so difficult to persuade the bean counters — people, we are led to believe, who have more than the average human's size of brain — that ships deteriorate quickly when left untended in a salty, corrosive atmosphere, and that maintenance is not some optional extra unreasonably demanded by extravagant seafarers?

There is a curious coincidence in the emergence of this belief of accountants with their elevation from the basement of shipping companies where they were once perched on high stools with their ledgers, to the boardrooms, where they displaced the marine advisers and technical directors who knew that just as water would wet you, untended steel corroded.

People 'who can tell you the price of everything but know the value of nothing' don't seem to be able to mentally digest the fact that every ship is a compromise and that the defensive maintenance against corrosion and wear and tear is just one of the many elements that have to be considered, whether you are considering the construction of a capesize or the procurement of a patrol vessel.

We learned some very salutary lessons during the 1980s with merchant ships, when that compromise was forgotten and 'minimum maintenance' became the acceptable norm. This accountant-driven regime saw nothing maintained and replaced only when it catastrophically broke. Classification society surveyors found themselves forced into ridiculous arguments with superintendents as to whether a steel structure was so corroded that it had to be cropped out, or whether it could last for another year or so.

Quite how many lives were lost during this period because of this neglect will never be known, as frames detached from their shell plates and the cruel seas rushed in, or beams collapsed under the weight of the boarding waves. You can build your ship to heavier scantlings, and have to push around all that extra steel, or you can spend money on good preparation, the best coatings and regular structural maintenance. What you cannot do is build a light ship in the cheapest possible manner, and then ruthlessly economise on the effort to keep corrosion and wear at bay.

Every mariner knows that maintenance is not something that can be neglected, as you never catch up with the structural deterioration, even if you realise your mistakes and start to throw money at the ship. It's not rocket science, but try and defend this position to some finance director who sees a pot of paint and a scaling hammer as avoidable costs, and you will find a level of incomprehension that is, I am told, dispiriting.

Who remembers those appalling sights of the Russian Navy in the years immediately after the fall of communism? Beautiful ships were just virtually abandoned for the elements to do their work, and within a short time much of this



Ships deteriorate quickly when left untended in a salty, corrosive atmosphere.

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huge navy was damaged beyond repair. But you don't need a collapsed regime and its enforced reconstruction to see such neglect. If you doubt such matters have a look at what has been going on in Australia, where major units of the Royal Australian Navy were so crippled by neglect and a lack of maintenance that they were deemed, when they were needed, to be unsafe for operations.

The Royal Institution of Naval Architect's excellent Warship Technology journal tells this grim tale well, in an article about the recent review by Mr Paul Rizzo that led to the damning Rizzo Report, which is well worth examining on [www.defence.gov.au/oscdf/rizzo-review/](http://www.defence.gov.au/oscdf/rizzo-review/) for its full frightfulness. The lessons are plain: you just cannot, as so many governments do, neglect complex military units for months or years on end and expect there to be no negative aspects. The Australians have learned the hard way and were fortunate indeed to find the UK government practically handing a large amphibious vessel to them on a plate, for a bargain price, as their own were found to be so deficient.

**Every mariner knows that maintenance is not something that can be neglected**

You might suggest that different criteria apply with warships, which are at the mercy of treasury officials and political people uninterested in the detail of structural and equipment maintenance. But as the recession (and don't bother to tell me that we haven't reached that stage yet) bites, people responsible for the maintenance of merchant ships will find that the same battles have to be fought once again. We are heading for the 1980s again and as ship values plummet, and lay-ups increase, and lenders find that they have become owners, people who love to say "no" will be making decisions on critical matters of ship maintenance. The specifications of new ships will be cut back from the "adequate" to the "barely bog-standard" and the view that "there's no point in spending on a ship we are going to sell within 10 years" will once again come to the fore.

Nobody, as they slashed the maintenance budget from some capesize barely paying its way in the 1980s, actually considered that in doing this, they were condemning its crew, somewhere along the line, to a violent and watery death. But, 30 years on, we know enough to make such associations, and, hopefully, to persuade that slate-eyed accountant that maintenance for a ship is as essential as a human's food and drink. ■

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### Maritime Blogspot

## Ecsa spreads the word on CO<sub>2</sub> emissions regulations

SULPHUR emission regulations, like the proverbial time and the tide, wait for no one, writes Roger Hailey.

With the clock ticking on a 2015 deadline for 0.1% sulphur bunker content in the Baltic and North Sea under the Marpol Annex VI amendments, the frustration of the maritime industry is almost palpable.

When the new president of the European Community Shipowners' Associations, Juan Riva, addressed an audience of automotive logistics companies in Paris, he described it as the "hottest issue" facing the industry.

His audience, who know all about game-changer regulation on fuels, heard that Ecsa recognises the need to reduce sulphur levels, which contribute to acid rain and dangerous particulate matter in the atmosphere.

For Mr Riva, the issue is that the deadline is unrealistic and that it will mean a 75% increase in bunker costs, handing truckers an unexpected bonanza which will force cargo off the motorways of the sea and back onto the motorways of the land. A lose-lose game for shipping and the environment.

Rubbing sea salt into an already raw wound, the European Commission intends to extend the 0.1% rule to Europe's non-emission control areas from 2020.

In addition, the commission's so-called toolbox of measures to mitigate the effects of the 0.1% limit appear to be less than complete.

In private, the Paris after-dinner chat was that the maritime industry should adopt a twofold strategy. Accept that Annex VI is inalienable but keep applying pressure on Brussels directly and also through such bodies as car manufacturers, emphasising the effect on supply chain costs and thus the competitiveness of Europe plc.

The feeling is that an 11th-hour compromise will be reached, throwing shipowners a lifeline, but only on the condition that the industry has done its utmost meanwhile to comply with the regulations. One Brussels insider said that "escape and denial" is not the correct approach, making it clear that the maritime industry should not establish an entrenched position early on.

Instead, the industry should demonstrate clearly to the commission that shipowners and the maritime industry in general have made a genuine — and expensive — effort to comply with Annex VI.

Of course, this was made as a sotto voce observation and not as an outright promise. It still means that shipowners will have to invest money in the hope of reprieve, a bit like a condemned prisoner in his cell awaiting the governor's call.

It is not much of an offer, but it is the best hope so far for the shipping industry. ■

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