

Demand for ships on the rise

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SABAH-based shipbuilder Coastal Contracts Bhd remains upbeat on ship demand from the oil and gas (O&G) sector this year.

Executive chairman Ng Chin Heng expected robust activities in the O&G sector to drive up the demand for offshore exploration platforms and rigs, which in turn would generate demand for offshore support vessels (OSVs).



“Shipbuilders that are enjoying a steady flow of OSV orders over the past few years can expect the momentum to continue,” he told *StarBiz*.

“Capital expenditure of global oil majors for exploration and production activities will also remain high, buoyed by the soaring crude oil price.”

He said the price of OSV would also continue to climb this year under the prevalent demand-supply mismatch.

Ng Chin Heng

“This mismatch is unlikely to be corrected anytime soon, due to three main factors: the world's aging fleet, long queues in securing ship components, and shipyard capacity constraint.

“As the majority of the world’s OSVs have an average age of more than 20 years, owners and operators are vying to renew their fleet to meet the more stringent safety and operational requirements of oil companies.

“Also, the long waiting time – from 20 to 30 months – for the supply of marine engines and other equipment as well as highly occupied yard capacity would increase the price of OSVs,” he said.

With its current order book standing at RM850mil with deliveries up to 2010, Coastal is continuously upgrading and expanding its second shipyard that it acquired in September 2006.

“To date, we have only used less than 10 acres of the 52-acre land, and the company will progressively increase our capacity to cater for more shipbuilding, maintenance and overhaul works as well as offshore structure engineering and fabrication jobs,” he said.

Coastal's first shipyard was located on an 18-acre land. Both shipyards are located in Sandakan. Combined, the shipyards can construct six units of OSVs and four units of tugboat or barge at any one time.

On the back of the positive outlook, Ng said, Coastal expected a steady growth revenue and profit for 2008, with order book renewals staying at a healthy level.

For the first nine months of its last financial year (FY) ended Dec 31, Coastal recorded an increase of 136.7% in its net profit to RM52.3mil against the same period in 2006. This was achieved on the back of a turnover of RM208.6mil.

On challenges, Ng said the global shipbuilding industry was likely to experience shortages of marine engines and equipment supply as well as skilled workers.

“In addition, steel price is projected to rise due to incessant industrial consumption as a result from Asia's booming economy, particularly China, India and Vietnam.,” he said.

Despite the looming inflationary pressures, Ng said, shipbuilders could still anticipate growth in orders of OSVs this year given that demand was expected to trend up amid a global rush among oil companies to beef up their hydrocarbon reserves, stimulated by record-breaking oil prices.

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