Order activities in the main fleet segments tanker, bulk carriers and container ships are breaking all records, whereas other ship types order activities are stagnating. As of July 1st, 2004, 1,261 tankers equivalent to 88.0 mill dwt were on order. This is an increase of 12.1 per cent compared to figures of the beginning of 2004 and an increase of 24.8 per cent compared to last year’s July figures. During the past four quarters, 789 tankers totalling 51.6 mill dwt were placed in the order book. This more than doubles the ordering activity of 2001/2002.

During the first half of 2004, the order activity for bulk carriers continued at a high level: 210 bulk carriers with 15.9 mill dwt were contracted, compared with 173 ships with 12.1 mill dwt in the first half of 2003 and 69 ships with 4.9 mill dwt in the same period of 2002.

This surpassing development is outstripped by the container ship order book. The peak of 18.7 mill dwt as of July 1st 2003 was more than doubled. As of July 1st, 2004 the order book shows 723 ships equal to 39.0 mill dwt.


<table>
<thead>
<tr>
<th></th>
<th>Tanker</th>
<th>Bulker</th>
<th>Container</th>
<th>Others</th>
<th>Total</th>
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<tr>
<td></td>
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<td>954</td>
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<td>23.7</td>
<td>415</td>
<td>30.2</td>
</tr>
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<td>44.9</td>
<td>415</td>
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<td>2004</td>
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<td></td>
</tr>
<tr>
<td>January, 1st</td>
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<td>68.0</td>
<td>26.1</td>
<td>648</td>
<td>42.5</td>
</tr>
<tr>
<td>April, 1st</td>
<td>1131</td>
<td>68.0</td>
<td>26.1</td>
<td>648</td>
<td>42.5</td>
</tr>
<tr>
<td>July, 1st</td>
<td>1261</td>
<td>88.0</td>
<td>31.3</td>
<td>701</td>
<td>51.3</td>
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</tbody>
</table>

Total order book by ship type

It is nearly incredible. Last year we stated that the last quarter of 2002 was extraordinary with newbuilding orders for 15 mill gt while the whole year summing up to 32 mill gt was quite normal. Since late 2002, the shipbuilding world is not more “normal”. None of the quarters showed less than 13.7 mill gt of new contracts and the total order book rose from 75 mill gt at the end of 2002 to 115 mill gt at the end of 2003 and is now reported to figure at 126 mill gt. The usual revision of the provisional data will add some mill gt more.

The driving factor in new ship demand is replacement demand in the small bulkier or product tankers sector but more important are the high charter rates in all segments. Owners buy ships if they earn money and that is a fact currently. Daily charter rates of up to 100,000 US$ per day for a capesize bulk carrier a few months ago, compared to 10,000 US$ two years before lead to a run for new tonnage.
The dry bulk tonnage augmented by more than 50 per cent while the share increased only marginally. The 12 mill cgt correspond to 50 mill dwt. The largest group by dwt is that of crude oil tankers with 52 mill dwt and 10.7 mill cgt. The increase was only moderate in this segment. Other tanker subtypes are smaller and have a minor dwt capacity. But because of the smaller tanks and more sophisticated pipe and pump arrangements their cgt factor is higher. Therefore, chemicals tankers add up to nearly 8 mill cgt and products tankers to a little more. Also here it is a major increase against 2003. Finally LPG and LNG tankers show absolute increases of tonnage figures but decreasing shares in the total workload. Combined oil/dry bulk carriers are really a type “dying out” with only one small ship on order.

**Fig. 3: Quarterly tanker order book development from January 1st, 1998 – July 1st, 2004**

In the dry cargo segment the tonnage of container ships on order has now more than ten times the sizes of the remaining general cargo ships including single-deckers (coasters), tween-deckers, multi-purpose cargo vessels, heavy load carriers, open-hatch forest products carriers etc. The share of all these types together is less then 3 per cent by cgt and 1.5 per cent by dwt. Of increasing importance is also ro-ro tonnage due to the need to replace many first generation vessels and a trend to larger and faster ships. Otherwise, refrigerated ships are no more in favour because reefer containers make their job.

The only larger market segment showing a folding order activity is the passenger cruise and ferry vessel market. This is the current problem for some specialised European builders. In the longer term more contracts will come because of a need for replacement tonnage in ferry trades and a very good perspective for cruising.

The run for new container tonnage is partly driven by competitive reasons, namely the introduction of new size classes. Whereas only a few operators have ships for more than 7,500 TEU in service, most major operators have ordered them during the last 12 months.

The 8,000 TEU class is a new standard size now and some ships ordered with a 8,000 TEU capacity will carry more than 9,000 when delivered. The step to the much debated 12,000 TEU ships – will they come or not – is only a small one now.

**Fig. 4: Quarterly container order book development from January 1st, 1998 – July 1st, 2004**

The LNG market, being a more Asian-based business, is less prominent in the public awareness but current developments are also spectacular. For decades most LNG tankers were in the 125,000 m³ category, slowly growing to 140 and 150,000 m³ in recent years. For the new Qatar export project eight LNG ships plus eight options with a capacity of 210,000 m³ have been ordered from three Korean yards for delivery 2007/08. Some technological changes are also under way: diesel-electric propulsion instead of steam turbines and plans for pressurised instead of low temperature cargo containments.

To complete the search for size: Royal Caribbean Cruise Ltd. has confirmed the option for the second 160,000 gt “Ultra Voyager” cruise ship and the Carnival Group is said to go on with the planning of 180,000 gt vessels for more than one of its brands. The measurement of the QUEEN MARY 2 commissioned early 2004 is “only” 142,000 gt.

**Order book by shipbuilding country**

The ranking of the shipbuilding countries is now very clear and will probably be like that for the years to come. South Korea has 30 mill cgt in its order books corresponding to 39.4 per cent of the world total, Japan 21 mill cgt (27 per cent) and China 10 mill cgt (13.3 per cent). The number of ships indicates that Korea is constructing the larger ships (892) while
Japan works on 912 and China on 560 vessels. More than 29 mill cgt of the Korean workload consist of tankers and container ships. The Japanese tonnage is split over bulkers and tankers but also includes numerous container and general cargo ships. In China tankers make up nearly one half of the contracts and the other segments are also covered.

The specialisation is more susceptible in the nations following the top trio. The remaining are Germany (2.1 mill cgt), Poland (1.9), Italy (1.7), Croatia (1.4), Taiwan (1.1) and Denmark (1.1). All others have workloads molten down to less than 0.7 mil cgt including the cruise ship manufacturers France and Finland. The German order book is dominated by 1.5 mill cgt container tonnage, the Polish by a slightly larger figure of container and dry cargo vessels. Only Italy has still a large amount of passenger tonnage of 1.5 mill cgt to build while neighbouring Croatia is the leading European tanker builder. The last two countries have a similar industry structure: In Denmark the figures cover only the Odense yard of the Maersk Group leading to 100 per cent container tonnage and in Taiwan it is China SB Corp. with its workload of container and some bulk vessels.

The current situation of full order books in Korea, Japan and China and the continuous problems of many European yards show the danger of specialisation. All builders and shipbuilding nations which are completely focused on special vessels like cruise ships, ferries, offshore vessels etc. cannot profit from the high world-wide capacity utilisation and rising prices because these special markets are exempted from the boom phase. The largest European shipbuilding nation, Germany, is in a better situation because most yards have kept the capability to built container ships. Even Meyer Werft of Papenburg, generally known for cruise ships and ferries, fills some empty dock space with newly developed container ships. Thus, specialisation is good but one should have an alternative.

Overview on shipyard developments

With Korea leading the country league it is no wonder that the leading shipyards are based in that country. However, the size of these enterprises is still astonishing. Hyundai with the plants in Ulsan, Samho and Mipo combines 15 mill cgt in its order book. That means one half of the Korean workload and close to 20 per cent of the world orders. All yards of the 3rd ranking nation together have less tonnage on order than the Hyundai shipyard. Daewoo and Samsung of Korea take the second and third places with workloads of more than 5 mill cgt in each case. On the ranks four to ten are builders with between 3 per cent and 2 per cent of the world orders. These are Mitsubishi of Japan, STX of Korea and the three Japanese companies Universal, Oshima and Tsuneishi. The two later are dry bulk specialists. Dalian New Shipyard and Hudong Shipyard now take the places 9 and 10, both located in China. In China the question arises if they are independent shipyards or should they treated as part of the two big Chinese government shipbuilding holdings. In this case the two corporations could be moved up to a higher rank.

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2 The top 10 World yards are all Asian tollaing a market share of 50.4 per cent (in terms of cgt) and 54.4 per cent (in terms of gt) repectively
The public interest is increasing for the now imminent amalgamation of the two largest German warship builders HDW and B+V. There was a lot of speculation about this step but the owner groups seemed not to be interested. However, when the former owners of HDW (Howaldtswerke Deutsche Werft AG, Kiel) sold their shares to One Equity Partners (OEP) of USA, fears arose that the US industry could take over this pearl of European shipbuilding. HDW is the only builder of submarines driven by fuel cells and the world leader in conventional submarines under license of HDW. Politicians will welcome a German or European solution for the future of HDW. Now Thyssen agreed to take over the majority of 75 per cent from OEP and to bring its three shipyards into the new group. The Thyssen yards are Blohm + Voss, Blohm + Voss Repair and Nordseewerke of Emden. While B+V Repair is a repair yard sharing the same site in Hamburg with Blohm + Voss, the latter is a world-wide renowned frigate and fast vessel builder. Nordseewerke are cooperating since many years with HDW in submarine construction while Blohm + Voss shares contracts for frigates and corvettes with HDW and other German shipyards like Lürssen.

After the merger focusing the sites, which are all said to survive on one or two products only, will increase the productivity. HDW with Kockums and Hellenic SY will concentrate on submarines for which demand is big. Blohm + Voss will concentrate on frigates and giga yachts which formerly were also offered by HDW. Nordseewerke has to make the greatest concession leaving submarines to HDW and taking over all merchant marine business. In addition Emden is earmarked for surface warships. Until now all partners had built merchant ships when navy contracts left some capacity. At the moment all together have an order book of 10 container vessels of 2,500 TEU capacity, thereof four in Emden and two in Hamburg.

According to unconfirmed deliberations this strong German group in the process of formation could form part of a later European group with French and other partners following the example of EADS in the aircraft industry.

From Asia we are used to read positive news - positive for them not for Europe. In Korea Hyundai is said to invest 200 mill US$ into a new block factory to increase the output. Smaller shipyards, which seldom were mentioned in statistics up to now, fill their order books with foreign and national contracts.

The Graig Group of UK has awarded a contract covering five 53,000 dwt bulkers to two Vietnamese plants. It is their largest contract up to now and a major step for Vietnam into the ship export business.

The Nassau-based clipper group has selected the Indian Cochin Shipyard to build four 30,000 dwt bulkers. It is the first export deal for the Indian yard, which were not very successful on the international stage hitherto.

Amulf Hader, Geographer

Tab. 7: The biggest ships lost in 2003/2004

<table>
<thead>
<tr>
<th>Date</th>
<th>Name of Vessel</th>
<th>Flag</th>
<th>Ship type</th>
<th>dwt build</th>
<th>Nature of casualty</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.01.2003</td>
<td>ALLIANCE SPIRIT</td>
<td>Bahamas</td>
<td>tanker</td>
<td>97087</td>
<td>1989 Stranding</td>
</tr>
<tr>
<td>27.07.2003</td>
<td>TASMAN SPIRIT</td>
<td>Malta</td>
<td>tanker</td>
<td>97584</td>
<td>1979 Stranding</td>
</tr>
<tr>
<td>31.05.2003</td>
<td>FU SHAN HAI</td>
<td>China</td>
<td>bulk</td>
<td>69973</td>
<td>1995 Collision</td>
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<tr>
<td>18.06.2003</td>
<td>EFXINOS</td>
<td>Malta</td>
<td>tanker</td>
<td>57372</td>
<td>1978 Fire + Explosions</td>
</tr>
<tr>
<td>28.02.2004</td>
<td>BOW WARNER</td>
<td>Singapore</td>
<td>tanker</td>
<td>39821</td>
<td>1982 Fire + Explosions</td>
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<tr>
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<td>38250</td>
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<td>21.09.2003</td>
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<td>Malta</td>
<td>bulk</td>
<td>37724</td>
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<td>Georgia</td>
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<td>26732</td>
<td>1977 Stranding</td>
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<tr>
<td>30.04.2003</td>
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<td>Liberia</td>
<td>chemical tanker</td>
<td>23470</td>
<td>1976 Stranding</td>
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<tr>
<td>15.09.2003</td>
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<td>Cyprus</td>
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<td>1986 Fire + Explosions</td>
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<tr>
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<td>1978 Founding</td>
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<td>15210</td>
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<td>Singapore</td>
<td>general cargo</td>
<td>15080</td>
<td>1978 Collision</td>
</tr>
</tbody>
</table>

Source: ISL 2004; based on LR/Fairplay

In the year 2003, the number of reported total losses of cargo carrying ships of 500 gt and over amounted to 91 vessels equal to 0.5 mill gt and 0.8 mill dwt. After a peak in 2000 and 2001 with about 1.3 mill dwt, casualties have reduced in 2003 in number as
Maritime casualties

well as in tonnage terms. It is worth mentioning that
the number of total losses for bigger ships, especially
tanker and bulk carrier, decreased within the last
decade. Only 17 vessels over 10,000 dwt were
identified as total losses in 2003 compared to 26

The decreasing trend continued in the first six months
2004. Between January and June 2004 some 33
vessels with 0.24 mill dwt were reported to be totally
lost in casualties.

Fig. 8: Total losses by ship type 1995 –2003

Total losses by flag and division of age

The so-called “flags of convenience” are in lead in
the ranking of the world total losses. Out of the world
total losses of 1,082 merchant vessels with 13.6 mill
dwt reported during the period January 1992 to June
2004, 22.1 per cent of the tonnage were registered in
Panama followed by Cyprus with about 15.0 percent,
Malta with 8.2 percent and Liberia with 7.7 percent.

Most of the tonnage lost is over 20 years old,
amounting for each of the major flags to at least
50 per cent. Concerning the tanker losses Cyprus was
the leading flag with about 15 per cent of the lost
tonnage followed by the flags of Malta and Panama.

Panama remains the largest flag with regard to bulk
carriers (1.4 mill dwt) followed by Cyprus (1.0 mill
dwt) and Liberia (0.6 mill dwt). These open registry
flags together stood for nearly two third of the
reported total losses tonnage in the period 1992 up
to June 2004. Total losses were reported for every
age group but concentrated mainly on the age
groups between 15 and over 25 years. As in the
tanker sector also in the bulk carrier sector the
majority of losses was more than 20 years old (60 per
cent), the predominance of this age group is true for
each of the flags.

Total losses by nature of casualty

During the period under review the type of casualty
most often named was “founderings” (which were in
most cases forced by bad weather conditions) which
led to the loss of 376 vessels with 4.2 mill dwt. This
corresponds to a share in worldwide total losses of
about 31 per cent (based on dwt). While the majority
of the bulk carrier losses was due to weather
conditions (42 per cent), which forced to foundering
or grounding, most of the tanker losses were caused
by fire and explosions (39.0 per cent). Other ship
types are not that clearly affected by one single
casualty cause although also here heavy weather
played the most important role.

During 2003, the share of “foundering” (based on
dwt) was only 21 per cent, however 44 per cent of all
vessels were involved in this. The dwt-share of
“stranding” was 40.3 per cent of all reported total
losses, “collision and contact” stood for 21 per cent
and “fire and explosions” stood for 16 per cent.

Fig. 11: Reported world total losses by nature of
casualty January 1992 - June 2004 (dwt %-share)

Reinhard Monden, Economist
assisted by Dieter Stockmann

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3 Included are merchant ships of 500 gt and over