

Shipbuilding and conversion costs expected to fall 20%

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Prices for new shipbuilding and conversions at shipyards across the UAE will go down next year if the prices of the essential raw materials and equipment continue to fall, according to senior industry executives.

The prices are expected to fall by 10 to 20 per cent depending on the size of the vessel and the extra accessories demanded by the owner.

The revised prices, however, will not be on existing orders, but will be implemented for all new orders placed in the coming year.

"Certainly the coming year will come with a downward revision of newbuild prices since most of the necessary materials have gone down, too," Geoff Taylor, Chief Executive Officer for Drydocks World, told **Emirates Business**.

"Steel is an essential part of the total cost of any ship and in recent months we have seen prices falling. Oil prices have also fallen from their pick of mid-2008, so all these will be considered when we review the prices next year."

The majority of shipbuilding firms in the UAE are mainly involved in the construction of service vessels such as workboats, supply vessels, tugs, accommodation work barges and landing crafts. These are on high demand in the region and shipyards prefer them because building such types of vessels does not require very huge budgets.

The high cost of steel witnessed at the beginning of 2008 caused a sharp rise in prices for new vessels of all sizes at shipyards across the world, with prices of some vessels going up by more than 30 per cent.

While the global financial crisis is expected to have mild ripples on the shipbuilding sector in the country, it is not expected to affect the demand for new builds.

"The prices for new builds will definitely go down next year but this is not a sign of weakening demands," said Mohammed Obaid Mubarak, General Manager for Dubai Shipbuilding and Engineering.

"Its true that firms involved in commercial vessels will be affected by the crisis, but our sector remains one of the safest. Any adjustments in prices are purely due to the production costs."

Local shipyards also expect to benefit from the slowdown in the dry bulk and container shipping sectors through increased demand for vessel conversions.

With most dry bulk carriers and container vessels operating below breakeven point, owners are already considering the option of converting part of their fleet to non-bulker tonnage such as Floating Production Storage and Offloading vessels and FSOs.

With tanker rates also beginning to take a slide and the 2010 deadline for phasing out single hulls drawing to a close, experts believe a lot of existing tanker tonnage could be converted to other types of vessels. "This will mean our shipyards are going to remain busy for some time as demand will be there," said Mubarak, adding his company is expecting to grow by more than 25 per cent next year.

According to analysts, more than 100 vessels of different types including single hull VLCCs were due for conversion this year.

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