

Shipowners scramble to cancel new orders

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A wave of order cancellations for new ships is underway and could support the bulk carrier charter market in coming months, a leading German ship finance executive has said.

Around 30 per cent of ships on the record high global dry bulk carrier order book could be cancelled because of lack of finance and the collapse in charter rates since September, said Martin Strothmann, Chief Executive of German specialist ship finance company Ideenkapital Marine Finance AG.

"Shipowners are cancelling orders on a massive scale when this is legally possible for them to do," he told the Euroforum commodity conference in Hamburg. This was expected to sharply reduce the number of new ships, which are scheduled to enter service between 2009 and 2010, he said. This in turn means the downward pressure on shipping costs, which global commodity buyers were hoping would continue in the next two years, will not be as heavy as expected.

Huge numbers of new ships, especially the dry bulk carriers largely used for commodity shipping, were ordered up to autumn 2008 as increasing demand for commodities kept shipping rates high, Strothmann said.

Many of these were ordered speculatively, without finance or advanced charters being settled as shipyard construction capacity was so scarce.

This meant just under 20 million deadweight tonnes (dwt) of new bulk carriers were scheduled for completion and entry into the world commodity shipping market in the second quarter of 2009, followed by about 24 million dwt in the third quarter and more than 25 million tonnes in the fourth quarter of 2009. Dwt is a measure of ship cargo capacity. Only about 25 million dwt of new bulk carriers would be delivered this year. Commodity companies, especially in metals and grains, had been hoping this high level of new deliveries would keep downward pressure on shipping rates.

But the collapse in bulk carrier charter rates – down by about 60 per cent since September – coupled with the global financial crisis has made it immensely difficult to finance shipbuilding, he said.

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