



Ship finance forum in Dublin
charts way ahead

If the mood at the fourth annual Irish Maritime Development Office (IMDO) Irish Ship Finance briefing, recently held in Dublin, was anything to go by, then 2010 could be as much a year of opportunity as a year of survival for the country's shipping industry, writes *Hugh Oram from Dublin*.

Indeed, while there are notable trends moving forward, Andrew Gregory of Force 3 Offshore shipbrokers, described the many opportunities for the shipping industry in the fast growing European offshore wind farm sector.

Addressing the meeting in the Fitzwilliam Hotel, Dublin, Glenn Murphy, IMDO director, said the panel of four speakers had between them over 100 years of experience in the shipping industry. The purpose of the forum was to point ahead to new opportunities in the industry.

Indeed, Howard Knott, of Fleet Maritime, said: "The attendance spoke volumes about the gathering momentum of shipping sector development in Ireland. The attendance of representatives from the Department of Transport, the government department responsible for all marine matters, was also indicative of a strong interest in the sector and its development," he said.

According to Anthony Gurnee from Seacove Shipping Partners, a company with \$1.5 billion of assets under management and which is currently set to invest \$200 million in shipping and offshore, in the current economic climate, investment opportunities abound and that there are signs of a demand recovery in the marketplace. Gurnee listed 10 major banks that are currently supplying ship finance, including BNP, Calyon and Deutsche Bank, but said that they are only interested in core clients. He also outlined the expensive rates for finance from non-bank sources and stressed that shipyard over-capacity will also remain a factor for at least the next decade.

Mark Harrison of Clarkson Shipbrokers, said that for most of 2009 they have been as low as they could realistically go, but they should be a bit better for 2010. He pointed out that smaller short sea vessels had the advantage of delivering closer to customers, but that over the past 10 years, no significant construction of smaller cargo ships had taken place. However, plenty of newbuilding was expected in the 4,000dwt to 8,000dwt range. As a result, the fleet of ships with cargo capacities of 2,000 to 3,000 tonnes was ageing and diminishing, a neglect which he feels should be rectified. But he added: "It is very difficult to make the economic case for building small ships. Any new capacity is coming in larger ships, but rates have now reached a plateau and the demand and supply balance will see fleet oversupply in the near future," he said.

The problem is that a 4,000 dwt to 4,500 dwt vessel can be built for about the same cost as a 3,000 dwt unit and with similar daily running costs on both sizes, investors will obviously opt for the larger potential earning capacity. But he said that there has to be a cut off point below which we cannot ultimately lose the ability to move cargo. "In my opinion, that size is about 3,000 tonnes".

If Mark Harrison was downbeat about immediate short sea prospects, Anthony Gregory was positively ecstatic about the development and investment opportunities for the shipping industry in the offshore wind farms sector.

He said that the offshore wind farm market was currently in the state that the North Sea oil and gas sector was at in the 1970s. "The offshore wind farm market in the UK only began in 2000, in Blyth, but it's a potentially huge market, worth up to \$130 billion by 2020". He said that round two of the UK offshore windfarm development plan shows planned capacity of 7.2 GW.

While some European countries, like Denmark, Germany, the Netherlands and the UK, are forging ahead with wind farm installations, other countries like Ireland are lagging behind. In Ireland, only about 1% of electricity generated by just one offshore wind farm.

But he expects the sector to forge ahead throughout Europe and to create many more opportunities for the shipping sector. "There's a huge need for purpose built vessels and the emphasis should be on designing new types of vessels. We can't rely on using existing ship types: "The vessels needed by the sector include barges, DP 11 vessels, anchor handlers, multcats and crew boats".

Gregory forecast that for ship owners, rates will remain strong, having increased by about 50% since 2000, while for charterers, they will be given the opportunity of building longer term relationships.

But he warned that owners will need to improve safety management systems and improve crew welfare. Anthony Gregory concluded by saying that the fast ongoing development of the offshore wind farm sector had certainly brought a wind of change in marine broking.

John Lynch, General Manager of Rosslare Europort, owned by Irish Rail, said: "The conference was very interesting and I was particularly interested in Andrew Gregory's presentation. Rosslare Europort is already well-established in this market and we believe we have a lot to offer in terms of new constructions of offshore wind farms in the Irish Sea".

The final speaker was Jim Healy, from KPMG, Dublin, who said that Ireland continued to offer tax benefits for ship owners and managers. He gave the recent example of TBS Shipping, which had recently decided to move its headquarters from Bermuda to Dublin, in order to avoid US President Obama's planned crackdown on tax havens. Healy expects this trend to continue.

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He pointed out the advantages offered by Ireland, including 12.5% corporation tax, an eight year tax depreciation, a favourable pro business tax regime with no CFC rules, a good double taxation treaty network and flexible financing, all within the context of Ireland being an onshore EU location.

Other plus points include a vital but intangible asset tax depreciation. One recent improvement was the improved tax credits for R&D, which means that the net cost to owners of shipping and maritime R&D in Ireland is now 62.5% of the actual cost. He said that activities in R&D such as developing anti-fouling solutions, navigation and logistics management, shipbuilding and design could all potentially qualify. "Companies relocating R&D activities could miss out on a massive opportunity if they do not consider Ireland", he commented.

He also highlighted the favourable tonnage tax regime in Ireland. As an example, he highlighted a 2,000 tonne ship that if it's registered in Ireland, pays tonnage tax of less than €1,000 a year.

Healy noted that the Irish tonnage tax regime was very competitive. "There are no complicated rules regarding the financing of vessels by way of leases. No training requirements are attached and Ireland was one of the first countries to include ship management activities within its regime".

One upcoming area of development, that's starting to be put into practice in Ireland is Islamic financing, which could be very beneficial to the shipping industry. Some Islamic funds are already established in Ireland, but some areas still need more work done on the new rules that are required.

Overall, said Jim Healy, the future is bright. "Ireland provides certainty and clarity, as well as a pro-business flexibility and a continuing competitive tax regime".

Commenting on his attendance at the event, Mark Young of Asia Maritime Pacific (Hong Kong), said: "I found it very educational and useful. For someone like me, who came from Hong Kong and Shanghai, it gave me another angle to look at the present market and its possible future evolution".

Brian John Maguire, Ireland Country Manager for Germanischer Lloyd, headquartered in Hamburg, and who has a particular interest in offshore wind farm and short sea coastal shipping developments, concluded by saying that the IMDO had once again provided a valuable resource to the entire Irish shipping industry, bringing together all the stakeholders and outlining specifics of possible future developments. ■