

Drydocks World sees renewed interest in conversions

Craig Eason - Thursday 11 June 2009

THERE has been a resurgence of interest in conversion work as companies look at offshore units again.

According to Drydocks World executive chairman Geoff Taylor, the company has seen increased interest in offshore conversion projects and other offshore work as oil prices continue to rise.

Mr Taylor said that there has been a turn in the market over recent weeks, and his yards, in Dubai, Singapore and Indonesia, are seeing more enquiries for special projects.

But the overcautious nature of owners, while oil prices are low and the economy weak, could lead to a bunching of orders as delayed projects come on line at the same time.

“Oil prices are up over \$65 and people are more confident,” said Mr Taylor. “But people have let a poor market cloud their judgement.”

Although the high oil prices in the middle of 2008 were too high, he said that owners should be taking a more long-term view.

However, the economic crash has already led to the bankruptcy of one of the company's clients. Norwegian oil production shipowner FPSOcean went into bankruptcy earlier this year after failing to attract a buyer to rescue it from financial trouble.

FPSOcean had ordered a floating production storage and offloading vessel from the Dubai-based shipyard but ran out of money before the conversion work was complete.

Drydocks World was converting the 1981-built, 68,139 dwt, shuttle tanker *Nordic Laurita* at Drydocks World Dubai, but costs rose to \$375m. Mr Taylor said that the yard and the bond holders of the failed company were close to resolving the sale of assets.

Drydocks World is confident that the winding up and sale of FPSOcean will mean work can resume on a conversion project later this month.

Mr Taylor said Drydocks World was keen to make the most of the downturn. The company has expanded rapidly over recent years, from being a dedicated repair facility in the Middle East to becoming a repair, conversion and shipbuilder with additional facilities in Singapore and Indonesia.

“There is still newbuild work out there,” said Mr Taylor. “So we have intensified our efforts and the marketing of ourselves is a priority.”

Drydocks world focuses primarily on newbuildings for the offshore sector. It has a dedicated rig building yard in Indonesia, as well as three facilities now in Singapore.

As the level of newbuilding orders has dried up, some standard shipyards have been contemplating a move into the repair market as they search for additional revenues.

Having experienced the difficulties of moving into the newbuilding market while being an established repair facility, Mr Taylor advises caution.

“Beware yards that go from newbuilding to repair work,” he said.

Repair yards are finding that some owners do less work on their vessels, while others will use the market slowdown as an opportunity to get their vessels into the repair yard to have maintenance done that was difficult when the market was buoyant.

But the long-term contracts the company has with companies such as oil major BP has helped it through the last year.

BP has signed a deal with Drydocks World for a number of its vessels in the region to be docked in Dubai.

This is an increasingly popular contract between larger owners and yards that guarantees yard slot time for the owner at a lower price, and secures a base level of work for the yards over the period of the contract.