

MMG pushes propeller envelope wide open

By Michael Hollmann
Germany Correspondent

While many experts racked their brains as to whether mammoth container ships of more than 12,000TEU will be able to function without double propulsion, a leading propeller manufacturer has silently created a *fait accompli*.

At Mecklenburger Metallguss GmbH of eastern Germany, CEO Manfred Urban tells *Fairplay* that MMG is producing a series of screws with an unprecedented weight of 130 tonnes at a diameter of 9.5m.

They are 50% heavier than the propellers installed on Mediterranean Shipping's box ships of 9,600TEU, which are officially ranked as the biggest afloat.

Market pundits are convinced that they are destined for Maersk's new jumbo carriers being built at Lindo Odense in Denmark. Capacity estimates for the ships range from 12,000 to 15,000TEU.

Urban is not prepared to comment on the identity of the customer but confirms that MMG's advance would be suitable for container vessels of that size. MMG operates the world's largest foundry for ship propellers, with a capacity of 200 tonnes. The group defended its technological lead during the recent shipbuilding boom. It has several yards in South Korea, Japan and China competing for orders for ships of 8,000TEU and more.

Just a handful of factories can supply what many describe as the most crucial element of the propulsion system. MMG claims a

four-fifths market share in propellers of over 80 tonnes. "In fact, we are the only [factory] in the world that can produce units of more than 106 tonnes," Urban discloses.

Its leadership, he adds, became evident again a few months ago when MMG's closest competitor, Hyundai HI, presented its design concept for a ship of 13,000TEU, based on a double propulsion system with two 7-cylinder engines, shafts and screws.

"While Hyundai's concept suggests that there is no reliable one-screw solution for a ship of that size, we are well able to deliver a proven product that will meet these requirements," boasts Urban, who has a background in engineering.

Driven by the current surge in large container ship projects, MMG sees itself on course for record results

in terms of production and turnover. Its aggregate output is expected to leap from 8,000 tonnes this year to 9,000 tonnes in 2007, while revenues climb from €47M to €54M (\$56.3M to \$64.7M) in the same period.

"We are now fully booked until August 2008," Urban adds.

Propeller production generally follows the ups and downs of the shipbuilding industry. However, the business is not exposed to quite the same risks as the wider industry because the explosion in commodity prices – chiefly for steel – has not had nearly the same impact on MMG as on yards.

"Our material costs are fairly predictable, since we are able to hedge our copper consumption, which constitutes the largest component in propeller production," Urban explains.

In contrast with the steel market,

Viking feud shaping up over Strömstad route

With the largest vessel ever to call at the port, the Norwegian shipping company Kystlink is establishing a new base at Strömstad on the west coast of Sweden.

The port had been regarded as 'owned' by Color Line for many years, but Kystlink will base its 3,810dwt ro-ro cargo ferry *Pride of Telemark* in the port to compete for Color's 'cash cow'

border trade with Sweden. Kystlink is planning one trip a day for the vessel from Langesund, Norway, to Strömstad, where it will dock around lunchtime. The route will start operating in June.

The main route for Kystlink remains Langesund-Hirtshals, where the company has established itself as a 'third corridor' from Scandinavia to central Europe.

Kystlink transports about 140,000 passengers and 31,000 freight units a year between Langesund and Hirtshals. With the Strömstad route, the company will be able to handle both the growing market from the continent during summer

Ro-ro cargo ferry *Pride of Telemark* will compete for Color Line's 'cash cow' border trade with Sweden



Urban: "We reckon that every Chinese province will eventually launch its own LNG programme"



ment programme since German reunification to expand its workshop area and buy another mortising machine.

With the box ship industry fearing overcapacity and investments in the Germans' favourite ship type already slowing, MMG is keenly eyeing the LNG ship sector to sustain its growth.

It has already won "a substantial number of contracts in this segment", says Urban, who pins his hopes for more orders on Qatar's LNG shipbuilding programme, which could involve more than 60 ships, and new projects in China.

The company is supplying the screws for the 147,000m³ LNG carriers ordered at Hudong Zhonghua under the Guangdong LNG project.

"But that is only the beginning," Urban tells *Fairplay*. "We reckon that every Chinese province will eventually launch its own LNG programme."

While competitors such as Wärtsilä have set up their own propeller production in China to gain better access to the world's fastest-growing shipbuilding industry, MMG remains solely committed to its German plant.

"It would cost us a staggering €140M to build a fully fledged production facility in China," declares Urban. "The inherent risks do not warrant such an investment."

Photo: Michael Hebborn

where prices cannot be locked in, the copper markets offer buyers and sellers sophisticated hedging options.

The eastern Germans are more worried about their manufacturing

capacity, which has not kept pace with the surge in demand. But that situation will be rectified within a few months.

MMG launched its ninth invest-



Photo: Steffen Borch

COMPANY PROFILE:

Full company names:
Kystlink **Color Group**

Founded:
1999 **1990**

Headquarters:
Langesund, Norway **Oslo, Norway**

Staff:
70 **3,200**

Ownership:
Privately owned **Privately owned**

Latest financial result:
2004 net sales NK80M (\$12M)
1H05 pre tax losses NK51M vs
NK4.0M profits year on year

and the increasing demand for winter breaks in Norway. And it will do that without interrupting key winter freight traffic. Kystlink will also be using a vessel not currently deployed on the daytime service.

Strömstad's municipal government recently issued a declaration that Color Line has no exclusivity at the port, based on European Union Competition Rules (Article 81 and 82).

Any company wanting to call at the port must only agree with other berthing parties on slot times. For many years, *Pride of Telemark* plied the Gothenburg-Fredrikshaven route under its former name *Stena Danica*.

Company shorts

CARNIVAL REAPS \$2.3BN IN PROFITS

CARNIVAL revealed huge profits for its fiscal year, following strong earnings for its fourth quarter, despite a 50% hike in fuel costs and the worst Atlantic hurricane season in history. Carnival took in \$353M in net income on \$2.6Bn in revenues during 4Q05, up from \$294M in net income on \$2.2Bn in revenues during 4Q04. For the full year, Carnival's profits jumped 21%.

CAPITAL INJECTION FOR LLOYD WERFT

BREMEN'S state government is to inject fresh capital into German repair and conversion specialist Lloyd Werft before the yard's link-up with Fincantieri. The government pledged to invest €5M (\$6M) for a 13.1% share in the company, subject to approval.

MAGSAYSAY TO MANAGE LORENZO SHIPS

MAGSAYSAY Maritime is taking over management of the fleet of fellow Filipino company Lorenzo Shipping with effect from next month. The accord to manage Lorenzo's seven box ships on domestic routes followed an increase in the stake held by National Marine, Magsaysay's domestic shipping subsidiary.

TRINIDAD TRAIN 4 POWERS UP

ATLANTIC LNG of Trinidad began LNG production at its new Train 4, increasing the island's export potential to the US. Train 4 has a capacity of 5.2M tonnes a year. Its launch will increase Atlantic LNG's capacity by three-fifths over its total exports to the US last year.

CHINA MERCHANTS BOOSTS SHENZHEN

CHINA Merchants Holdings (International), the Hong Kong-listed port operator, plans to strengthen its Western Shenzhen port operations with a \$265M land acquisition.