

Vision 2025 “World No.3 Shipping”

Korean Shipping Industry 2016 and Vision



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1. Industrial Status

Korea, ranked as the 5th in global shipping industry

Jan 1995			
Rank	Country	No. of Vessel	10K DWT
1	Greece	2,821	11,311
2	Japan	2,800	8,560
3	USA	905	4,914
4	Norway	1,179	4,704
5	China	1,655	3,373
6	Hongkong	603	2,943
7	U.K	629	2,077
8	Korea	598	1,919
9	Russia	1,784	1,775
10	Germany	1,329	1,596

Jan 2016			
Rank	Country	No. of Vessel	10K DWT
1	Greece	4,439	32,440
2	Japan	4,187	24,374
3	China	4,770	20,307
4	Germany	3,456	12,079
5	Korea	1,635	8,197
6	Norway	1,607	6,357
7	USA	1,124	5,716
8	Singapore	1,368	5,581
9	Taiwan	887	4,764
10	Italy	1,085	4,632

※ Source : Institute of Shipping Economics and Logistics

■ Transition of Fleet and Revenue

- Fleet Size : 1,088 ships / 43M DWT
- Revenue in 2015 : 34.53 billion USD

< Transition of Fleet and Revenue >

Year	1970	1980	1990	2000	2005	2010	2014	2015
Fleet (10K GT)	76	514	905	1,065	1,346	2,784	4,259	4,327
Revenue (100M USD)	1.0	18.7	39.7	148.6	241.8	380.9	346.0	345.3

※ Source : Korea Shipowners' Association

Seaborne Trade Volume in Korea

- Korea's Trade Volume in 2015 : 970M tons

(M tons)

Year	Export	Import	Total	(%)
2013	629	285	914	0.1
2014	659	293	952	4.2
2015	674	296	970	1.9

※ Source : MOMAF

- International Seaborne Trade Volume : 10.7 Billion tons

■ Status of Shipping and Management in Korea

- Ocean-going Shipping: 185 companies, 1,088 ships, 43M DWT
- Coastal Shipping: 2,135 companies, 4,047 ships, 7.1M DWT
- Management: 177 companies, 1,994 ships, 104M DWT
 - Korean Shipping Companies: 1,096 ships, 70M DWT
 - Foreign Shipping Companies: 898 ships, 34M DWT

■ Recent Trend in Korean Shipping

- Members of Korea Shipowners' Association (KSA)
 - Since 2009, 93 companies went into liquidation but 114 new companies joined the Association.

< KSA member >

2009	Liquidation (2010-2015)	New Members (2010-2015)	2016
168 companies	93 companies	114 companies	185 companies

■ Annual Report of Korean Shipping Industry

● 2012, 42.3B US\$ ► 2015, 34.5B US\$

[Transition of Revenue (2009~2015)]

(100M USD)

Year	2009	2010	2011	2012	2013	2014	2015
Revenue	249.8	380.9	384.9	423.3	361.7	346.3	345.3
Profit / Loss	△11.9	18.2	△3.3	△2.2	△0.5	10.2	14.0

- Operation Status of Shipping Companies

- In 2015, 99 companies recorded profit, whereas, 52 reported loss.

Profit	Loss	Total
99 companies	52 companies	151 companies

2. Significance of Shipping

■ Shipping: the lifeline of Korean economy

- 99.7% of the import/export volume is transported by vessels.
- Trade Volume: 950M tons by Seaborne, 240M tons by Airborne

■ Dependence on Foreign Trade higher than those of other Countries

(2015)

No	Country	Dependence on Foreign Trade (%)
1	Greece	41.7
2	Japan	32.6
3	China	41.6
4	Germany	70.7
5	Korea	87.9

※ Source : Bank of Korea

- **Stable transportation** for raw materials and export goods of “**industries of national growth engines**” such as electricity, chemicals & petroleum, steel, etc.
 - National key products and items of major companies such as POSCO, KEPCO & KOGAS, etc. are carried by sea.
- Shipping industry is the source of national wealth creation and is considered as a major growth engine.
 - Shipping is the 5th foreign exchange earning industry in Korea.

[2015, Major Foreign Exchange Earning Industry]

Item	semiconductor	petrochemical	automobile	shipbuilding	shipping
Export Income	62,900M USD	45,700M USD	40,100M USD	32,500M USD	34,500M USD

- Shipping contributes to **direct & indirect employments**
 - Seafarers & shore staff
 - Shipping-related industries
 - 500,000 employed from 40 maritime/port industries with 136 billion USD revenue in 2015

	Shipping/Port & auxiliary industries	Yards & ship parts	Total
Revenue (Billion USD)	61	78	136
Employed (10,000 Persons)	28	22	50

- Merchant vessels, acting as **4th military forces** in emergency situation (i.e. Falkland islands war in 1982)

3. Shipping policies

- Withdrawal of the “Import duties on ships”(Year 1997)
- “International ship registration system” (1998)
 - 100% acquisition tax exemption & 50% property tax reduction
 - Foreign crews to work on board Korean-flagged vessels
- Establishment of “Korea P & I Club” (2000)
 - 943 vessels, 31 million USD annual insurance (as of October 2015)

- “Jeju special ship register scheme” (2002)
 - 100% ship-related local tax reduction such as property, acquisition, registration, education tax
- “Ship investment company scheme” (2002)
 - 4 companies
 - 209 vessels with 9 billion USD investments
- “Tonnage tax scheme” (2005)

4. Recent Trend of Korean Shipping

Status of Korean Shipping

Liner Shipping		Tramp Shipping	
Classification	Status	Classification	Status
Major companies (Hyundai Merchant Marine, Hanjin Shipping)	Re-structuring	Major Companies (Daehan, Pan Ocean, SK, Jang-guem, Polaris etc.)	Stable Profit
Small-and-Medium size Companies (10 companies including Goryeo, Jang-guem)	Stable Profit	Small-and-Medium size Companies (around 160 companies)	Re-structuring within the market

- Hyundai Merchant Marine (HMM) and Hanjin Shipping: Normalization through 3-Step Re-structuring Processes
 - ① Charter Rate Cut Negotiation ② Debt Recast Approval by Bondholders ③ Self-Regulatory Agreement by Bondholders
 - The Korean government strongly supports the two major companies to overcome the current difficulties and get back on track of their businesses.

5. Trend of International Container Market

■ The 1st Round of Chicken Game

- Maersk deployed about 70 container vessels at Asia-Europe route in 2011
 - Maersk announced restructuring plan as loss incurred at shipping business (Jan 14, 2015)
 - Layoffs of 4,000 workers by 2017
 - Interrupt 4 Asia-Europe service in order for adjusting capacity
 - Cancellation of Ship Orders (3 ships of 19,630 TEU, 8 of 14,000 TEU, and 2 of 3,600 TEU)
- Negative effect on employment, trade and shipbuilding market
- Alphaliner said Maersk deployed vessels for expanding market share, so Asia-Europe route's freight was the lowest figure in history.

■ The 2nd Round of Chicken Game

- CMA CGM deployed about 6 container(mega size) vessels at Asia-US in May 2016
- Due to the Panama Canal expansion, 14,000 TEU vessels will be able to pass through the Canal.
- Accordingly, against this backdrop of a Cascading Effect, the size of vessels that operate within the Asian region will increase, and will ultimately generate long-term disruption in the global shipping market.
 - Chicken Game among the European shipping companies will cast negative effects on their business profits and on other industries as well including trade and shipbuilding.

VISION 2025 (Long term)

WORLD'S 3RD SHIPPING
REVENUE: 100 BILLION USD REVENUE & TONNAGE: 150 MILLION TONS

Shipping business friendly environment

- Advanced ship financing system
- Better image of shipping industry
- Cooperative ties with shippers

Growth of shipping-related industries

- Laying foundation for co-growth of shipping/shipbuilding/steel industries
- Vitalization of ship management and brokerage
- Enhancing cooperative ties with KP&I, KR and Pilotage/towage industries

Competitiveness of sea transport market

- Offshore market
- Overseas special cargoes (heavy weight cargoes, etc)
- Pendulum service



ECO-shipping

- High qualified manpower
- Eco-friendly shipbuilding
- Safe navigation system

Vision 2020 “World No.3 Shipping”

A close-up photograph of a map of Irian Jaya, Indonesia. A silver compass and a silver pen are resting on the map. The text "IRIAN JAYA" is visible on the map. The background is a light blue and white gradient.

Thank you for your attention.