

Shipping Industry, Cabotage, 2007-2012-2017

Mareforum Indonesia

6 March 2013

Here for good

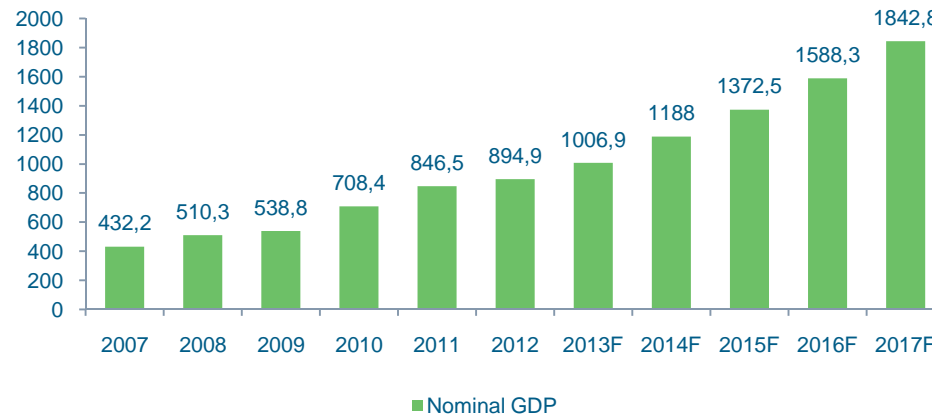
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Summary

1. Indonesia, GDP Growth
2. Shipping Industry
3. Shipping Finance
4. Cabotage Law
5. Conclusions

GDP, 2007-2012-2017

Indonesia Nominal GDP



Source: IMF, World Economic Outlook Database, October 2012

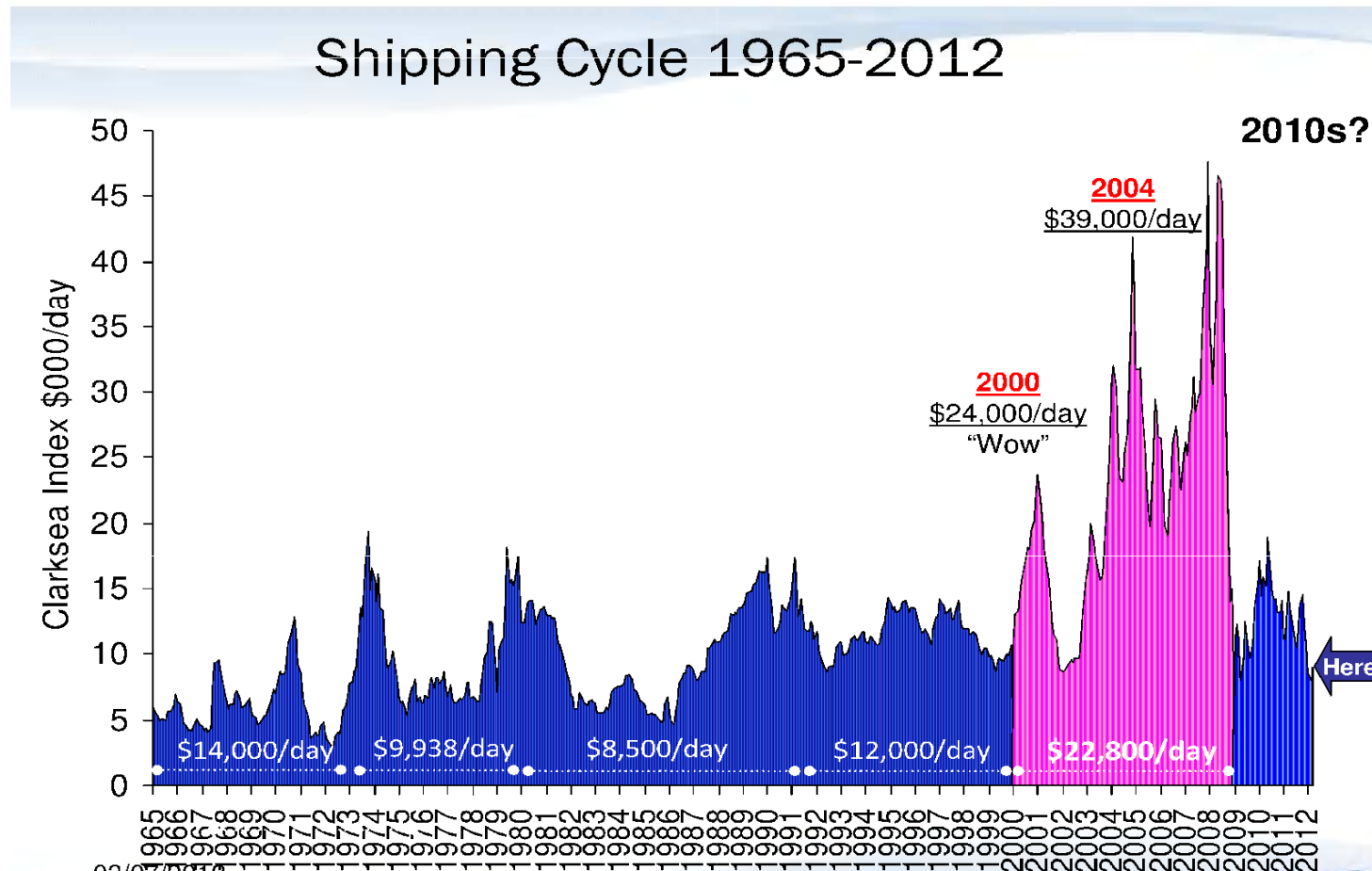
Indonesia / World Real GDP Growth



Source: IMF, World Economic Outlook Database, October 2012

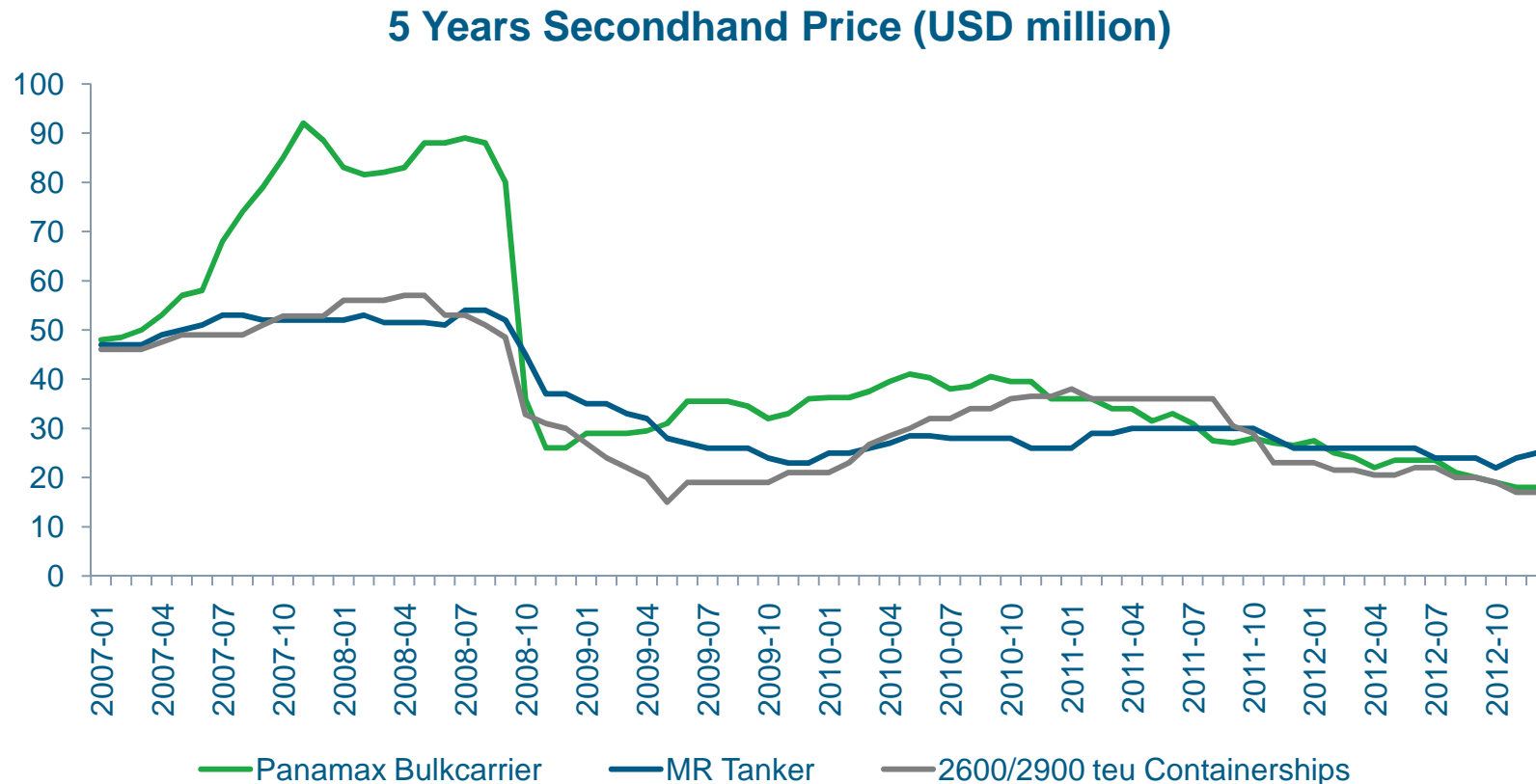
Shipping Industry: Where We Are

Shipping has always been volatile. At the moment, the shipyard capacity is enormous. There will not be any super-cycle in the foreseeable future.



Shipping Industry: Secondhand prices

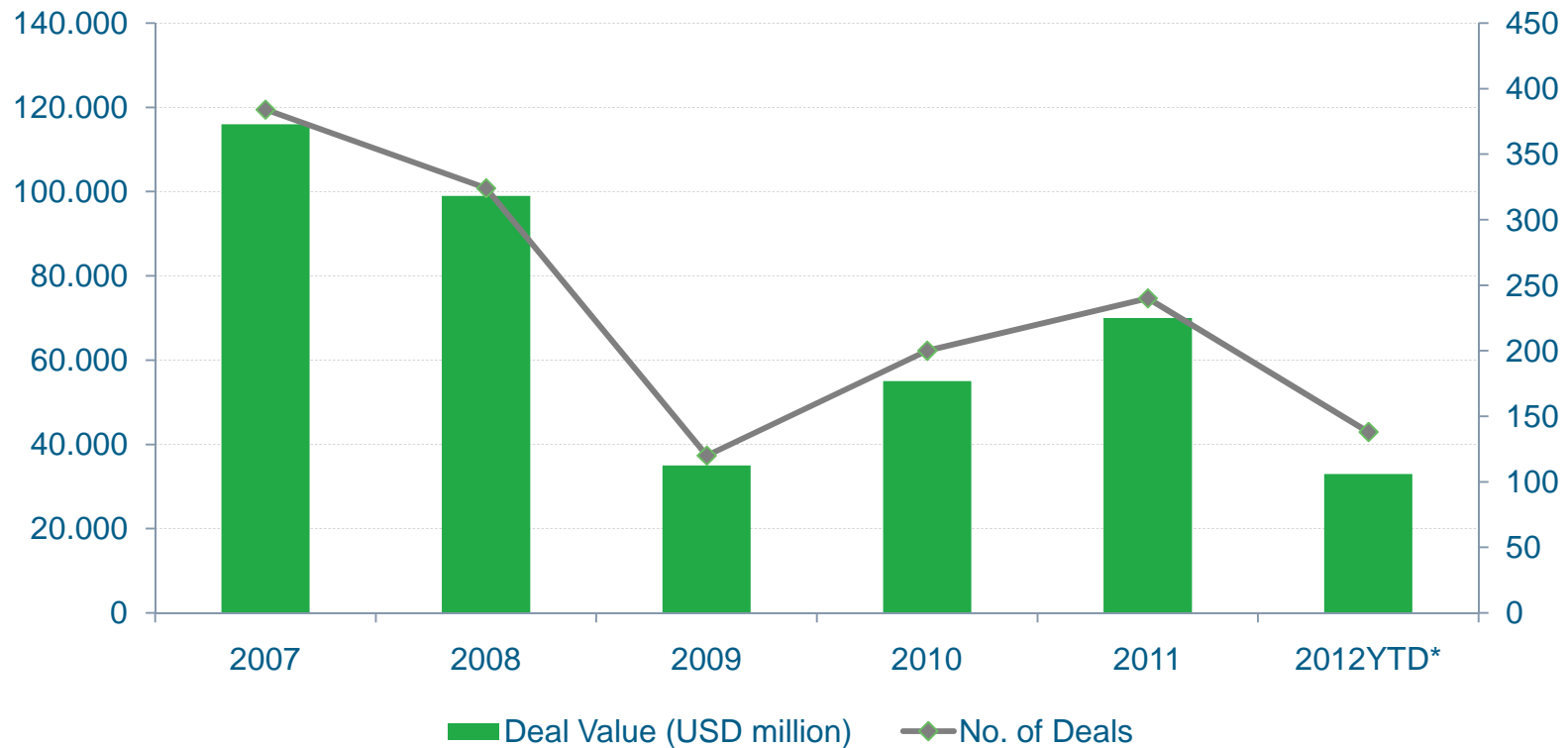
Secondhand prices have dropped to a very attractive level. In certain sectors, prices at historical low or close to historical low.



Source: Clarkson

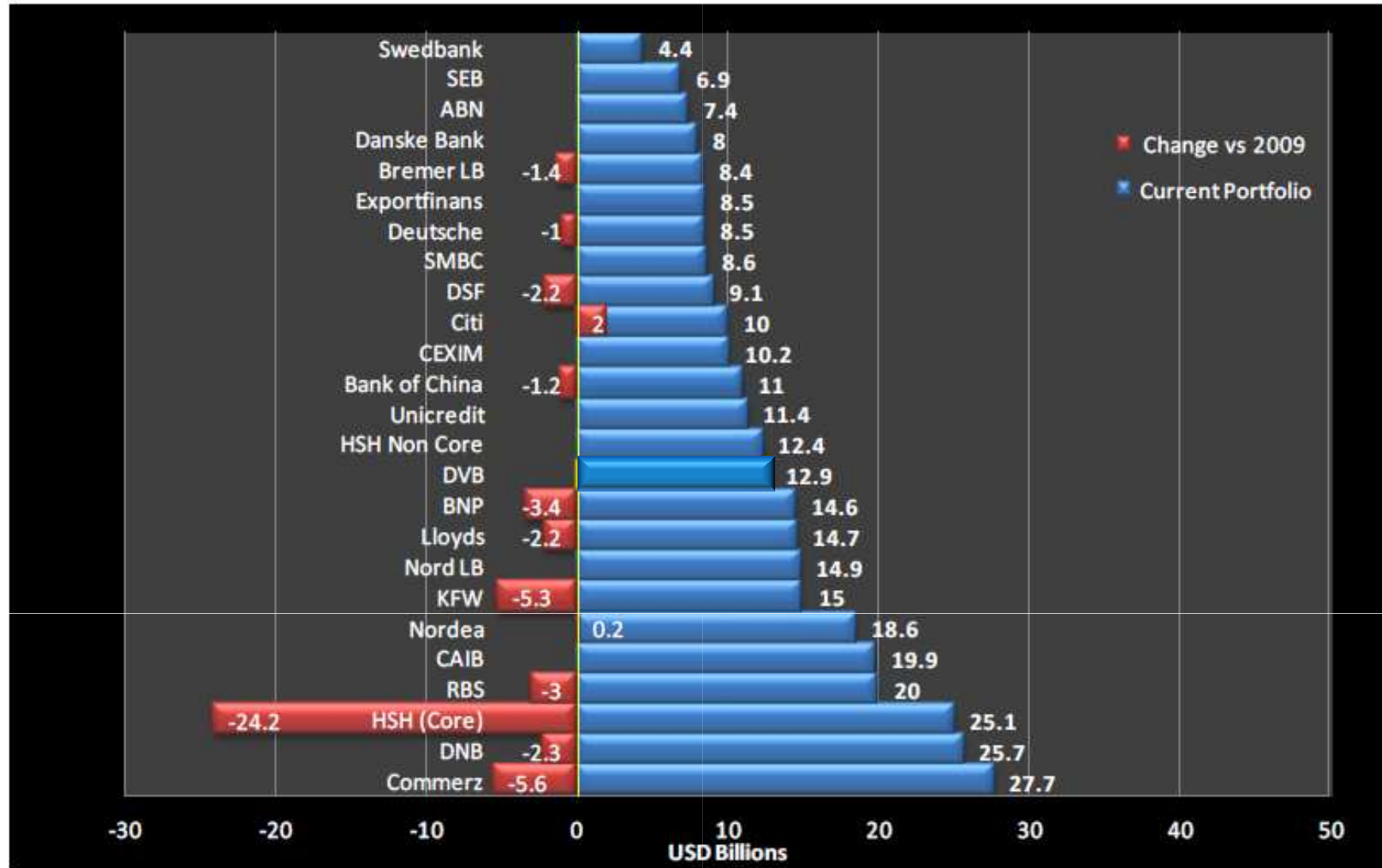
Shipping Finance – Volume

World wise Ship Finance Volume



Source: Dealogic, As of Nov 2012

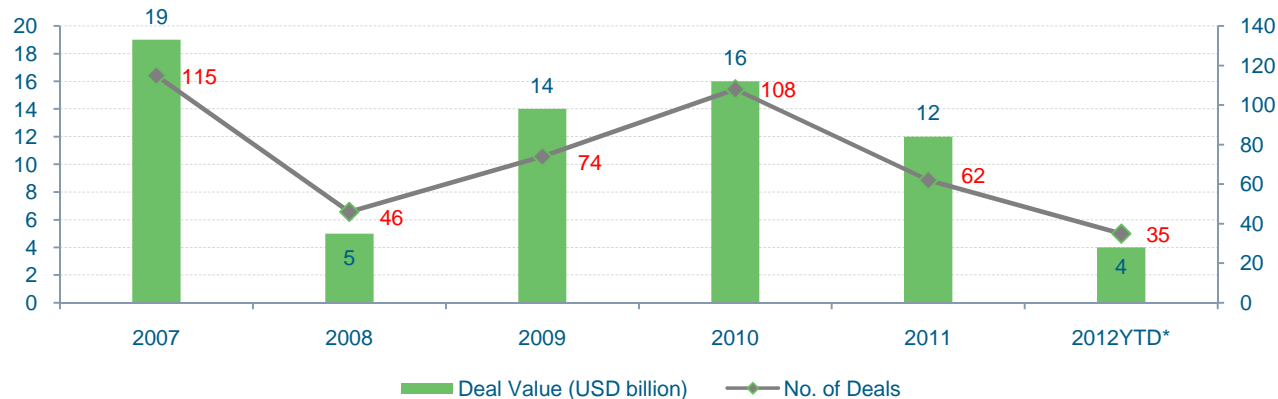
Shipping Finance – Volume



Source: Marine Money 2012

Shipping and Capital Market

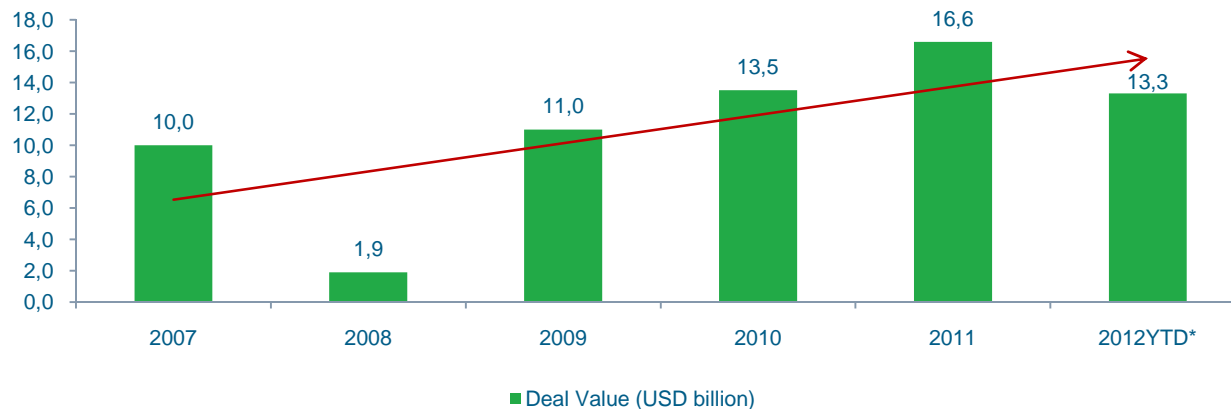
Global Shipping Equity Issuance: 2005 - YTD 2012



Source: ABN Amro, * May 2012, Bloomberg

- Equity issuance peaked in 2007 and has dropped to average levels
- "Flight to quality", with risk averse investors avoiding shipping stocks
- Previous negative experience involving restructurings (e.g. Genco, Torm)

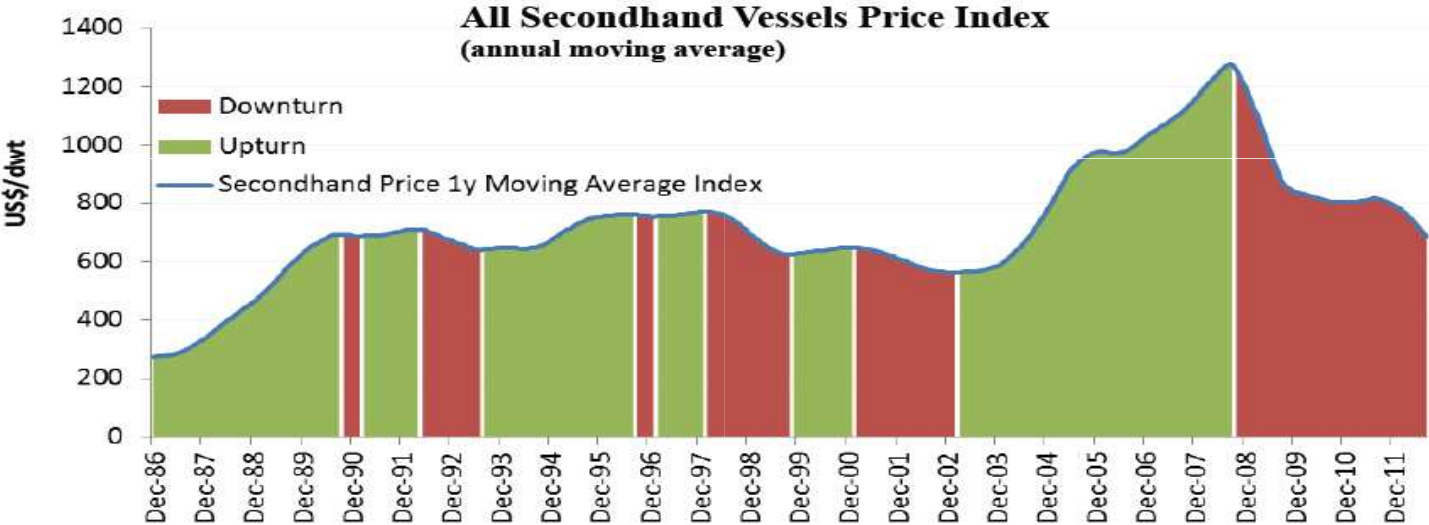
Global Shipping Bond Issuance: 2005 - YTD 2012



Source: Seafin, *April 2012, Bloomberg

- Bond market has emerged as a viable source of financing as traditional bank lending is limited
- Companies with strong credit profile have access
- Non-traditional markets, such as the Norwegian HY market emerging

Shipping Industry: Where We Are

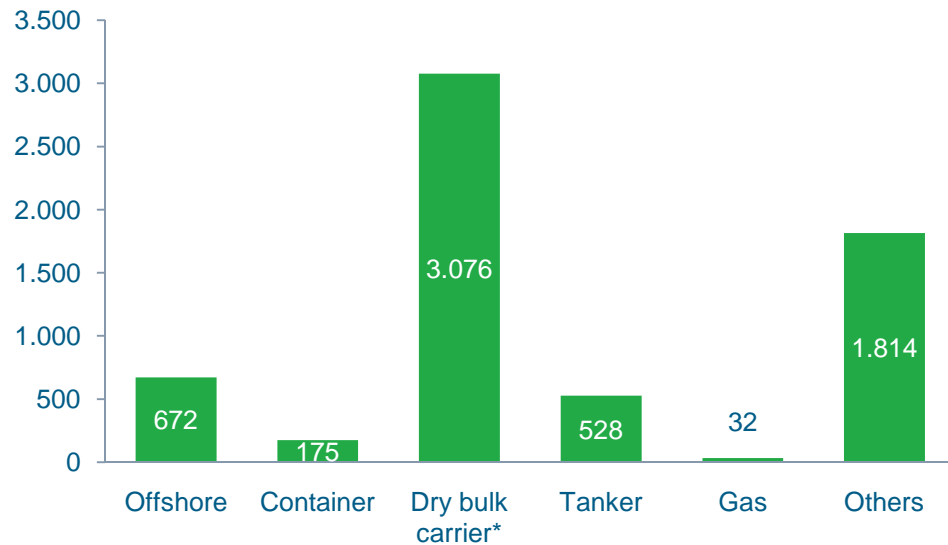


Downturn			Upturn		
Period	Duration (in months)	Magnitude	Period	Duration (in months)	Magnitude
1990-1991	5.0	-1%	1986-1990	46.0	154%
1992-1993	15.0	-9%	1991-1992	14.0	3%
1996-1997	5.0	-1%	1993-1996	37.0	18%
1998-1999	21.0	-19%	1997-1998	12.0	2%
2001-2003	25.0	-13%	1999-2001	15.0	3%
2008-	47.0	-46%	2003-2008	67.0	128%
Average	19.7	-15%	Average	31.8	51%

Source: CSR/MSI/NSF

Indonesian Flag, 2007-2012

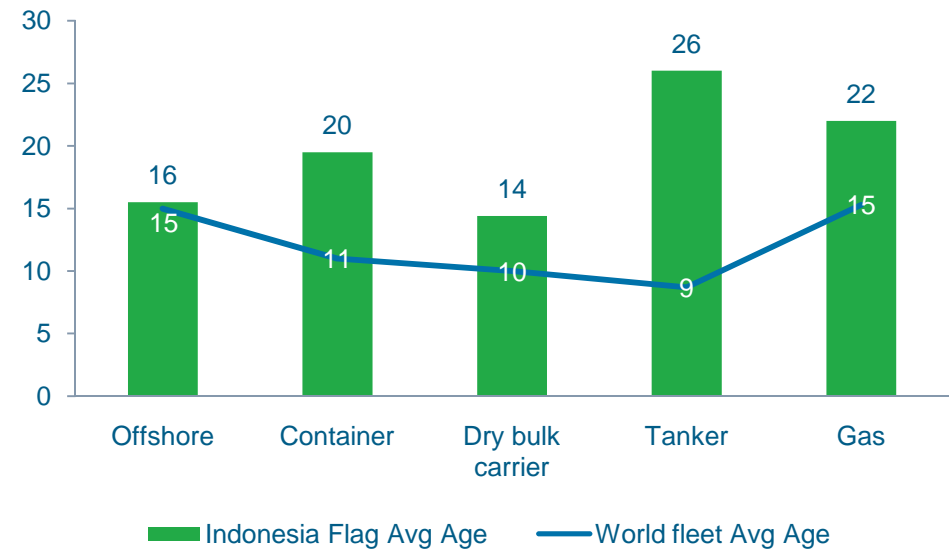
Vessels by Types (Numbers)



Source: Clarkson

Note: *Dry bulk carriers include Tugs.

Vessels Average Age



Source: Clarkson

Indonesian Flag, 2007-2012

Is the Cabotage Law a success?

Yes, Indonesian flagged vessels have increased from approximately 7,100 vessels in 2007 to approximately 12,000 vessels in early 2013. But can it be improved? What are the main constraints?

Capital



Maritime Law



Bureaucracy



Expertise / Skill



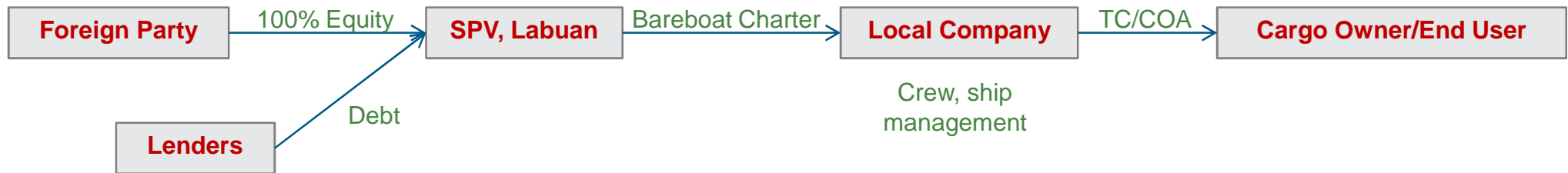
Perception

Maritime Clusters?

Indonesian Flag, 2007-2012

How to access capital:

- More robust maritime law/legal infrastructure
- Easier access to capital market
- Education to financiers/pension funds/government funds
- Tax incentives
- Structure: Malaysia International Ship Registry?



Conclusions

- Market is not good, but there are opportunities and good time will come.
- Stick with your investment plan. *“Be Fearful When Others Are Greedy and Greedy When Others Are Fearful” - Warren Buffett*
- Cooperation of several departments is needed to make Indonesia maritime cluster a success story.
- It is also time to think one step ahead on how to create a regional/global player.



Ali, 2007



Jannis, 2007

It is better to be a conference organizer than a shipping banker!!!

Thank you for your attention