

GRAIG HORIZONS

THE NEWSLETTER FOR THE GRAIG GROUP
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Graig Group 1 Caspian Point Cardiff CF10 4DQ UK. Telephone +44 (0)29 2044 0200 E-mail mail@graig.com

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China is growing strongly, and growth creates opportunities. More importantly, China is changing, and it is those changes which open the way for building a sustainable business there.

The biggest change is the fragmentation of the Chinese economy. Capital, control and expertise were locked into state companies. Today's new private companies are hungry for capital, access to markets and expertise. China's new companies value reputation, expertise, speed of service and old-fashioned family values which include longevity in the business and personal attention.

Graig China illustrates how adapting to the changes while maintaining key values is the key to sustainable success. Graig entered China in 1995, building ships there, then building up expertise in newbuilding supervision and Chinese yard capabilities to help other Western owners to get the best out of China. The next step was to help Chinese yards with new designs, such as the Diamond bulk carriers, and to develop a service base in China to cover Asia.

Now Graig has taken the next big step, and has become the partner of choice of new Chinese shipowners. Thirteen of its

current newbuilding supervision contracts are for Chinese owners, including eight 76,000 dwt bulkers for Minsheng Financial Leasing Co, four 45,000 dwt bulkers for Shanghai Xiang An Electric Power Shipping Co and a 76,000 dwt bulker for Zhong An Shipping. Soon it will provide technical management to its first Chinese owner.

What these clients value in Graig is 100 years experience in shipping, a good reputation, and a strong technical background. There is also the range of services including shipyard selection, contract negotiation, plan and vendor approval and on-site supervision, and ongoing full technical management. The new Chinese owners see that important Western owners value the support Graig gives them when dealing with Chinese yards. They want to benefit from that support as well. China's new fast growing companies are choosing Graig because it has embedded itself in China, employs and trains Chinese staff, is growing the range of services it provides in China and above all, because the family values behind the company mean it can deliver top-level technical services and share long experience in a personal way.

The lesson is clear. Changes create opportunities, technology moves fast, but real business is built on unchanging values. That is the Chinese philosophy, and that is Graig's philosophy.

The Graig Group

The Graig Group is a broad-based international shipowning and shipping services group delivering technical and commercial ship management, newbuilding supervision, lay-up services, ship design, ship owning and ship finance to global clients who appreciate personal service.

Graig provides the missing piece which completes the picture for any shipping puzzle. Each part of the group can deliver specialised services to support partners and clients with exactly the service they need. Or Graig can take over entire projects from conception to on-going management in service. The key to its success lies in its personal service, deep experience and ability to manage partnerships and relationships globally.

Graig has been building, managing and owning ships since 1919. Today it provides technical management and crewing for a mixed fleet of vessels on behalf of a number of owners. It has supervised over 120 newbuildings for itself and major shipowners. It develops innovative designs such as the Diamond bulk carriers and it can source yards and finance and provide newbuilding supervision and follow up with in service management.

Graig employs a global maritime workforce drawn from the UK, China, the Philippines, Vietnam, India and Russia and has offices in Cardiff, London, Singapore and Shanghai. Graig group staff bridge the gap between sea and shore, between east and west to bring the best in innovation, service and partnership to the global shipping industry.

Chris Williams on
+44 (0)29 2044 0200 or
chris.williams@graig.com

Graig orders bulkers

Graig Group, working with partners, has placed an order for two 35,000 dwt handysize bulk carriers at Jiangdong Shipyard, China.

The vessels will be built to a high quality, modern specification with delivery of the first vessel in February 2012. This exciting development sees Graig reinvest in vessel ownership in line with its strategy for growth.

chris.williams@graig.com



Chaulk Air chooses GSM

Rapidly-expanding Canadian logistics company Chaulk Air Incorporated has chosen GSM to be technical manager for its first ship.

The 6,700 dwt Visten was purchased in Sweden and converted in Swansea Dry Dock, where it was renamed Chaulk Tenacity. It will work under the Canadian flag moving general cargo on the eastern seaboard of Canada. Named as the sixth fastest growing company in Canada, Chaulk Air moves cargo by all modes and has plans to expand its fleet further.



Opportunity of a lifetime



Watch the plunging Baltic Dry Index over the last two years and you might begin to feel sorry for bulk shipowners. Henry Huang sees it differently. "The financial

crisis drove the BDI down very low," he says. "That gave us a once in a lifetime chance to enter shipowning. It is a good opportunity and a good time to invest in bulk tonnage."

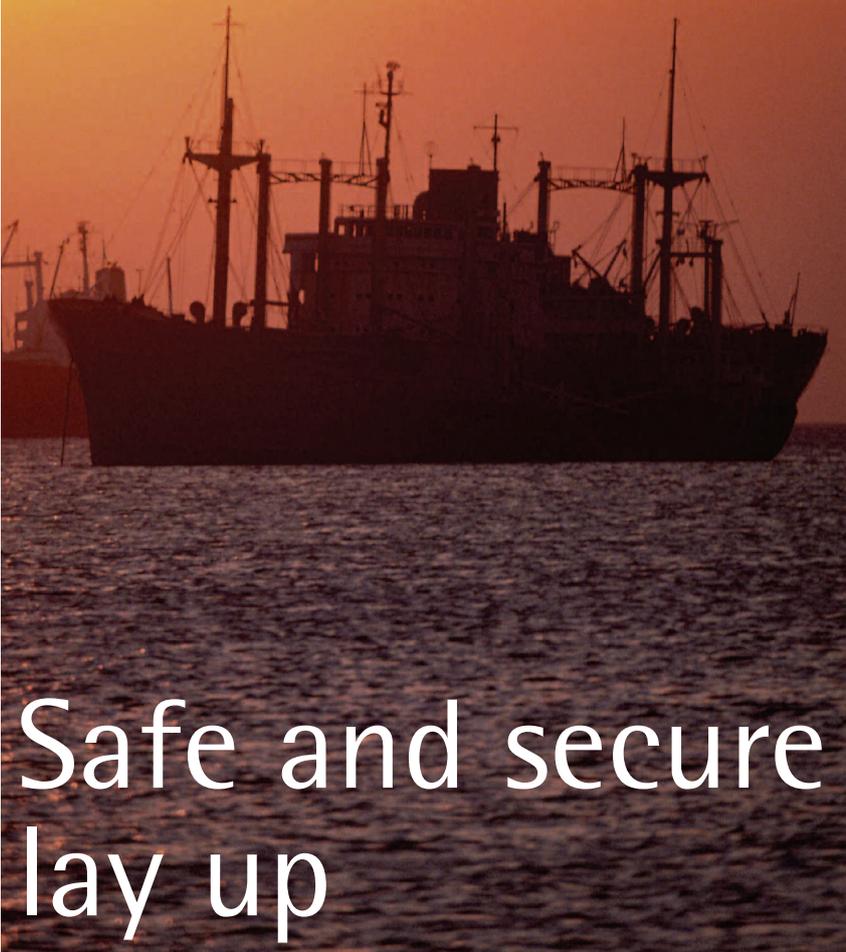
Henry is CEO of Shanghai-based Zhong An Shipping. "We are an ambitious company," he explains. "We began in 2009 buy buying two capesizes and a handymax, and we will soon take delivery of our first newbuilding, a panamax built in China. Over the next three to five years we intend to build a bulk fleet of around 1.8 m dwt, which will make us one of the top ten bulk shipowners in China. We have the financial resources to do that, we are backed by Zhong An Real Estate, which is a strong company listed in Hong Kong, and we also have good relations with major cargo providers."

Born and brought up in Shanghai, Henry was also educated at the London School of Economics, and worked for major UK brokers. "Shipping is my life," he explains happily. "It is exciting, interesting and now when I saw the market in big trouble I saw the chance to invest and grow. There is massive potential in China right now, especially in shipping and shipping services."

Henry explains that shipping expertise in China was locked up in the big state companies. "Today we see literally thousands of new small shipowners coming out in China. That creates a new demand for shipping services. The new owners don't have the expertise and there is only weak local provision for shipping services. That means there is huge business potential here, for us, and for shipping services companies like Graig."

Zhong An is expanding its fleet, and also developing a shipping fund to invest with new owners. "There is a big market, creating finance opportunities, and we have the resources," he says. "We will do a lot of financing, and we shall see how that also creates demand for other services, like newbuilding supervision. We chose Graig to supervise the newbuilding of our panamax 79,600 dwt bulk carrier at Nanjing Wu Jia Zui Shipyard based on their reputation and we are very happy with their work. That ship will be delivered soon. And I've just joined Graig in a joint venture to help build ship management services in China. They will manage that ship, and we will help Graig to grow as a manager and provider of other shipping services in China. There is massive potential in a fast growing market of small owners who have financial resources or control cargo flows but lack shipping knowledge."

www.zashipping.com



Overcapacity is threatening shipping. A spate of deliveries during 2010 will make matters worse. Of course the cycle will eventually reverse and rates will pick up. But that may not be until 2012 or later. For many owners it makes more economic sense to take a ship safely out of service and lay it up through the trough of the freight rate cycle than to continue operating at a heavy loss.

By putting ships into safe, secure cold lay-up a shipowner is protecting key assets and both reducing and fixing costs. Hot lay-up can temporarily reduce some costs, but the owner has to keep some crew on board and systems running and maintain class, flag and insurance costs. Cold lay-up takes longer and needs more care but it cuts out crew costs and substantially reduces flag, class, insurance and other outgoings.

Shipowners facing the decision to lay-up now have two problems not found in previous downturns. One is the speed and severity of the downturn, which means that many recognised lay-up anchorages are already full or are filling quickly. The other issue is how to successfully mothball modern machinery and electronics. The decision on where to lay-up and how to do it is no longer easy to make in house, expert advice is needed.

A clear and detailed lay-up plan has to be prepared and although the actual work of laying-up can be done by some of the ship's crew, it should be done under the supervision of an expert who really understands how today's ships function. Meticulous documentation and record keeping is essential, so that when the market turns and the ship has to be reactivated the reactivation crew can locate every blank that has been put in to seal a system and every circuit board battery that has been taken out to preserve delicate electronics.

Proper lay-up preserves and maintains the ship. It also preserves the owner's funds. To lay-up is a tough decision, but it has to be made in tough markets. Then it has to be done properly in a safe, secure place.

phil.atkinson@graig.com

GSM launches Indonesian serviced anchorage and lay-up site

Graig Ship Management has launched a service providing safe, secure anchorage at Batam, Galang Bay on Indonesia's Galang Island. Close to trade routes and airports, only a fast ferry ride from Singapore, the deep water site can accommodate all vessel types in a safe setting. The serviced anchorage is suitable for hot and cold lay-up, maintenance, survey, underwater cleaning and tank cleaning and is fully supported with relevant services. Meeting requirements demanded by insurance companies, Galang Bay is away from typhoon-affected areas.

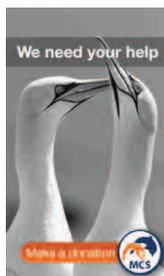
Lay-up and idle vessels are also safe from piracy, theft and vandalism as GSM works with the security services to ensure security of the area.

Geoff Hutcheon, General Manager, Graig Services (Singapore) Pte says, "Graig has a very good relationship with the Indonesian authorities and has onsite Indonesian partners so we have been able to develop this mooring site into an excellent area for lay-up and general services. We can offer lots of advantages to owners and GSM is able to support the whole process from planning through to lay-up and reactivation. GSM's agreement with Indonesian partners BDP means costs are competitive. With us, one fixed monthly fee covers a safe mooring, port dues, dehumidification, 24/7 watchmen, routine tasks and maintenance, reporting and record keeping."

GSM will provide a range of services to protect, lay-up and reactivate vessels. Or owners can use GSM's serviced anchorage as a safe and secure area to wait for cargo, complete maintenance or cleaning or undergo surveys. The bay is constantly monitored from a purpose built control tower and ships are electronically tracked as well as being in close radio communication.

geoff.hutcheon@graig.com

news



Graig gets greener. The Graig group has become a corporate supporter of UK-based charity the Marine Conservation Society (www.mcsuk.org). MCS champions clean seas, and Graig is proud to support that. The Graig

group is always looking for ways to reduce its environmental impact and help making international shipping cleaner. That fits neatly with the work of MCS, which supports a number of projects aimed at improving the seas around the UK and protecting the UK's coastline and marine species in our seas.

• **Shanghai Power contract.** Graig China is to supervise the building of four 45,000 dwt bulk carriers to be built for Shanghai Xiang An Electric Power Shipping Co at the ChengXi Shipyard. All the vessels will be delivered in 2011. maggie.shao@grraig.com

• **Graig approved by Chinese finance.** Minsheng Financial Leasing Co has appointed Graig China to provide plan approval and newbuilding supervision for eight 76,000dwt panamax bulk carriers being built in Jiangsu Rongsheng Heavy Industries yard. The last vessel will be delivered in December 2011. Minsheng Leasing is a non-bank financial institution engaged in financial leasing activities and is one of the top five in China. maggie.shao@grraig.com

• **Catch them young.** GSM Relationship Manager Caroline Youde faced her toughest audience yet when she gave a presentation on shipping to 60 eight-year old school children. The event was part of the school's industry week, and Caroline went armed with a multitude of facts and photos. The kids showed a healthy interest. caroline.youde@grraig.com



• **Congratulations** to Steve Davies and Nick Owens on successfully completing their Institute of Chartered Shipbrokers examinations and both are now fully qualified MICS. Also to Steve Halstead and Craig Bulliment who have successfully completed their ICS year two modules and are well on their way to full qualification. Well done!

Spotlight

When Steve Davies came home after teaching business to Chinese students in Dalian, China, he wasn't looking for a shipping job.



Steve Davies

He just wanted to find a job close to his home in South Wales which maintained his links with Asia. "Graig's growing Asian and Chinese businesses make it almost unique in Cardiff," says Steve. "I see it as an international business, not just a shipping company. Graig is growing in Asia in all sorts of areas of expertise which provides opportunities for future development."

Steve is a ship manager for Graig Ship Management, responsible for the operations department, liaison with the commercial managers of technically-managed vessels, charter issues and performance. He comes from the Welsh valleys and studied economics and management at Cardiff University before deciding to work in China. "China was in the news as the growing place to be and I

thought it would help me get a more interesting job back home," he explains. "Being in Dalian helped me to learn Mandarin, there wasn't much choice as not so many people spoke English. And I was right, it definitely helped in getting this job. It was good to be back in China in July to conduct interviews for our planned ship management office in Shanghai."

Since joining Graig Steve has had to work hard to learn the shipping industry, and has recently qualified as a Member of the Institute of Chartered Shipbrokers. "Shipping is a great business because it is so varied," says Steve. "No two days are the same, and I enjoy two very different aspects of my job. On one hand there is the liaison with clients from around the world, which is great, but I also enjoy picking through contracts and reviewing the details when there is a dispute. In the future I think I'll grow my legal knowledge as I can help the company with that."

Steve is a karate black belt and a keen softball player. When not tied up by the long hours which shipping demands he enjoys working on his new house in Cardiff. But he still has a desire to work more in Asia. "This is my home," he says. "But in the future I hope to help Graig expand further in Asia and perhaps work out there for them."

steve.davies@grraig.com

• **Red Dragon.** Graig is sponsoring an appropriately named Red Dragon 5.8m sailing yacht to be used for Downs Children at the Shanghai Boat & Yacht Club base on Din Shan lake. When not in use giving the children good sailing experience it will be chartered to yacht club members, and the proceeds will go to support charity events. john.coffin@grraig.com



• **Whale of a time.** Graig Cardiff's finest took to the swirling waters of the River Wye to compete as the Pink Belugas in a 6.5 mile raft race from Monmouth Rowing Club to raise money for a local hospice. The raft was built in Cardiff docks by Stuart Payne and Steve Davies, Capt Von Nobleza and David Tobin using recycled materials including old school chairs, but no newbuilding supervision was provided. Head office staff turned out in style to support their pink heroes.

• **We are delighted** to announce the appointment of Philip Atkinson to the board of Graig Shipping Plc in the capacity of Technical Director, bringing a wealth of technical strength and experience to the board.

• **Congratulations** to Steve Halstead, Environmental and Claims Co-ordinator, who married Tracey in May this year and also to Nick Owens, Purchasing Manager, who married Katyann in Cyprus in September.

• **A warm welcome** to Yang Yang (right), a healthy baby boy born to Molly Zhang, office manager at our Shanghai office on 4th February 2010, weighing 3.2 Kg and beautiful baby brother for Pearl. Also to Darcy Mae Owens (right), gorgeous baby daughter of Nick Owens and Katyann born on 7th January 2011, a young sister for Harvey.

