

Coatings come of age

The coatings manufacturing industry is a mature one, consisting of established players who continue to compete on the basis of price and innovation and who are all being impacted by the mandates of IMO. Siobhan Oswald reviews the developments

With the imminent implementation of the new IMO regulations banning tributyltin as an anti-fouling agent in marine paints, the coatings industry considers itself to be in good shape. As Wiechert Hooghwinkel, marketing manager of coatings manufacturer Ameron, points out, everyone is vying to supply compliant anti-fouling paints to shipowners by the beginning of 2003. It will be very good business for those who can secure big contracts as most are three to five-year systems which will need to be reapplied. "And most are expensive," says Hooghwinkel.

Ameron has a tin-free product, the ABC No 3, which has been on the market for almost two decades and, according to the company, it has gained increasing popularity in the last few years. Hooghwinkel says use of the company's Amercoat 235 is also growing. "We have examples of it being applied five years ago and still being in good condition," he boasts.

Every customer has his own specification but for certain applications - such as anti-fouling - it might not differ very much. "It all depends on how long a ship is sailing for and what water it goes in," he explains. "That is one of our strong points - we can advise very well for those. During application we give good support. For example, if a ship is in dry dock a supervisor from Ameron will be there to control the application." On the downside, Hooghwinkel admits the slowdown in the economy of certain countries has influenced business and resulted in projects being postponed. Luckily for Ameron, it is a global player and whilst the German market might be low, in the CIS it is growing and business in Poland is "good and doing a lot in marine markets in anti-fouling", namely the ABC No 3. In fact, Hooghwinkel claims that Ameron's product is "one of the most successful" in the market. "We performed slightly better than the market overall last year," he says. "This year business is more or less stable, in the marine market we have been growing."

A mature market

An important aspect of the coatings market from the manufacturers' point of view is the relatively high barrier to entry. "Because it is a mature market and all the players are well-known to customers, it is only a matter of changing from one supplier to another," he says. "There are no new players to compete with."

Kim Schiebel, newbuilding manager at Hempel Marine Paints, says that despite this, the industry is still hugely competitive because of the large number of players. "It is a price game," he explains. "Everyone is building new factories and developing new products." He commends the governments and other organisations which have introduced new laws to make it tougher to use various chemicals in business. Tar is forbidden in many places in Europe but not in Asia. "In Europe we are used to strict laws," he points out. "We guess tar will be banned all together in future and a replacement found. Yet tar is a cheap raw material so using the alternatives makes it more expensive." He predicts prices will "almost certainly" go up. "In Germany it has been banned for a number of years and the Danish shipyards do not like it anyway, neither do the ones in the UK."

In terms of new products, what is Hempel planning? "We produce new products every year," Schiebel explains, "and this year we are looking at uniprimers." There are plans to start selling its latest product - Hempadur Uniq 4774 - later this year. It is currently in the final testing stages in Korean shipyards - extensively with Daewoo and also with Samsung. "It is tremendously exciting because there are lots of

newbuilding going on," he says. Hempel has worked closely with the Daewoo group since 1983; as Schiebel puts it, Hempel has "always been their number one choice". "We expect a bright future, we are not afraid of the future, not on the production or the development side. In China we have three facilities, and we are the market leader there.

"There are a lot of companies which have established themselves there with one or two factories. We have had a stable partner - Hempel Haihong - since the late 1970s so it helps."

In terms of commercial performance, Schiebel admits that the company needs to do better than last year financially. He says that Hempel is "not worse off than the competition", but concedes that the company has to "straighten up" if it wants to "stay in the game".

The future for Hempel, says Schiebel, lies with its uniprimer products. "They are being pushed by the big shipyards in Asia because there are major savings to be achieved in changing to a minimum number of coats. Once upon a time it used to be 25 different coating products on a newbuilding, now there are only about five." The advantage of the Hempel uniprimer is that 80 per cent of it is composed of solid volume, which means that exposure to volatile organic compounds (VOCs) are limited. "Most now are 60 to 70 per cent solid," he says. "Hopefully in the future we will go even higher."

"Yet it is all dependent on the shipyard because they want it done speedily," he continues. "In north China they still experience very harsh winters and when there is a high percentage of solids it takes a longer time to dry and cure at lower temperatures. The demand is definitely there from the huge Korean shipyards." And from the rest of the world? "It will definitely increase when they see monetary savings," he says with confidence. "Also, the "green" ships want to move that way."

Environment first

Ask the Norwegian coatings giant, Jotun Paints, what issues are currently affecting the industry and the answer is simple - those pertaining to the environment.

"Environmentalists are trying to make the world a better place and businesses have to rethink their total philosophy as a result," says Jotun marketing manager Linda Diamond. "The biggest profile example at the moment is the anti-foulings. It was very, very hard to research and develop to come up with a replacement. Now shipowners will have to pay more to get some protection because now raw materials (silyl polymer) are more sophisticated and more expensive."

To become VOC-compliant, she says, more and more customers are looking at water-borne, rather than solvent-based, coatings. Legislation is putting a lot of pressure on paint companies to stay one step ahead and, she says, "it is best to be good to the environment, the environment is definitely on all our minds."

Jotun says it "performed very well" in the last financial year. A global company with 30 facilities around the world, it has split into regions to service global companies and small regional manufacturers. "The Middle East and Far East have been very buoyant," says Diamond. "And we opened a new company, Jotun, Inc, in the US and that was a substantial investment."

The remainder of 2002 is looking very promising for Jotun following its extensive internal reorganisation. "Consolidating and cutting costs are having a more positive effect on the bottom line," Diamond reveals. "It is a tough world, there is a lot of competition, you have to spend a lot of money on research and development, especially with regard to the environment and still give good service. "There are no new players. Jotun has had very good organic growth. A lot of others have acquired companies." Jotun's major contracts include the coating of several LNG carriers for Shell and BP.

Sigma Coatings marketing manager for newbuildings and tanks, Neil Phillips, explains simply: "Everything is driven by freight rates. As far as newbuilding is

concerned, overcapacity is driving the cost of newbuilding down and the shipyards are trying to become as efficient and lean as possible. They are trying to save costs today and one way is to get cheapest coating and also by looking at the process or reduce delays."

He points out the coating costs of a new ship is approximately 1.5 to 2 per cent of the total cost to build it "so if you cut it by 20 per cent is not that much". "Things are looking up at the moment," he admits. "We are reasonably positive; things are not wonderful but there is optimism." Freight rates are driven by the world economy and with the world economy improving things will start getting better, according to Phillips. "Shipping cycles last seven to eight year and the coatings industry mirrors that," he says.

How soon does the coatings upturn follow? "We are reasonably positive this year in the way we are going" he says. "The industry has had a few bad years. The Asian crisis hit the shipyards quite hard and in the paint industry we are moving on in a positive frame of mind."

APC for chemical tankers

Advanced Polymer Coatings' (APC) spokesperson, John Richman, says that the industry has been slow to accept some new technology, which has inhibited the growth of APC but says this is progressively changing. The company launched its MarineLINE eight years ago and says in the last five years it has been increasingly selected for anticorrosion protection of the carbon steel tanks of chemical and product tanker newbuildings and that offers faster tank cleaning and drying, which results in faster port turnaround times, and ultimately increases the number of voyages a year.

"We are expecting growth in our sector as chemical tanker operators recognise the benefits of MarineLINE over other coatings," he says. Earlier this year the American company secured more than \$25m worth of projects. The projects - to coat 20 new construction and in-service vessels for chemical and product tanker owners and operators - are for Fortnum/Neste of Finland; Simonsen and the Clipper Group of Denmark; Unifleet, Laurann Shipping and the Clearwater Group of Holland; Fairfield Chemical Tankers of the USA; Fatoglu of Turkey; and IMC Shipping of Singapore.

"Shipowners are comparing the cost of newbuildings equipped with stainless steel tanks and new tankers with MarineLINE'd carbon steel tanks," says Richman, "and they are increasingly opting for the latter which is a real breakthrough for APC." He says it has taken since the mid-1990s to educate and convince the more conservative, traditional players in the marine industry of the financial advantages it offers. More than 40 chemical tankers will be equipped with MarineLINE by the end of 2002, according to APC. "This number is still only a fraction of the world fleet of these specialised tankers, but it will grow rapidly over the next two/three years and beyond," Richman says. This figure projects to more than 65 by the end of 2003 and to well over 160 by the end of 2005, according to APC's forecasts.