



Press Release

April 23, 2009

RESTRUCTURING INITIATIVES FOR SHIPPING INDUSTRY

A. Three Major Initiatives for Restructuring the Shipping Industry

1. To regain market confidence in the international shipping market by restructuring and resolving insolvent chartered ships
2. To boost the industry's global competitiveness by establishing a legal framework to revamp ship investments
3. To enhance the business environment of the shipping industry through such initiatives as extending sunset of shipping taxes

These initiatives were finalized at the Crisis Response Meeting held in the Blue House on April 23.

They are follow-up measures to the outlines of restructuring shipping companies announced on March 5, which are targeted to prevent further deterioration of the shipping industry caused by the global crisis. In addition, these initiatives are to strengthen the industry's global competitiveness so as to be one of top five in the world.

B. Detailed Measures

1. Specialized restructuring plans geared for the shipping industry only

Creditor banks will complete the credit risk assessment by the end of April on 38 large shipping companies whose credit amount is over 50 billion won, and the assessment on companies with smaller credit amount will be completed by June this year. Based on the assessment results, creditor banks will determine the follow-up steps such as further financial support or restructuring, among others.

2. Financing the restructuring plans to expedite the process

To purchase ships at their market values and to restructure debts, a shipping fund will be

collectively established in the approximate amount of 4 trillion won by both public (roughly 1 trillion won) and private investment funds and creditor banks.

Some ships near completion will be financed through the financing programs for shipbuilding companies (3.7 trillion won in 2009) and ship manufacturing financing programs for shipping companies (within 1 trillion won) by the Korea Export Import Bank.

To boost investments to purchase ships put out for sale in the market under the restructuring plan, some regulatory restrictions will be lifted through the enactment of the law called “Ship Investment Company Act” which will stay effective until 2015.

3. To improve the soundness of shipping business practice, such convoluted transactions as speculative practice of multi-level chartering are to be targeted for intensive investigation. Any detected multi-chartering activities by non-registered companies will be subject to legal actions while the tightened investigation will continue until the end of April.
4. To strengthen Korea’s shipping industry and its global competitiveness

The 30 percent cap on equity investment of ship management companies organized under the Ship Investment Company Act will be removed to encourage large shipping companies, shipbuilding companies, and financial institutions to take part in the ship financing business.

Also, the government will extend the sunset of advanced shipping taxes including the tonnage taxes (introduced in 2004) * and the international ship registration system (1998) ** to enhance the competitiveness of the shipping industry.

**Tonnage taxes: 2009 →2014*

***International ship registration system 2009 →2012*

Finally, the registration standards for the ocean-going cargo transport business (e.g. requirements for minimum tonnage and capital) will be further strengthened.

C. Projected Results

If these measures are successfully implemented as planned, the shipping industry will be better able to deal with liquidity shortage by resolving troubled assets early on and, ultimately, ridding itself of uncertainties. In particular, the new initiatives will assist the recovery of the industry’s credibility in the overseas markets.

The use of public funds for ship purchases is to especially expedite the industry’s restructuring process. Tax support measures including tonnage taxes along with the government support in developing foreign markets are expected to boost local companies’ global competitiveness in the mid-to-long term.

Moreover, these support measures to the shipping industry will facilitate the growth of related

industries such as shipbuilding and financial industries.

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