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## **JFE Universal Shipbuilding and IHI merger on pause**

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Bloomberg reported that JFE Holdings Inc's Kawasaki based shipbuilding unit Universal Shipbuilding Corp said that plunging demand will force it to prolong its evaluation of the merger planned with IHI Corp, 19 months after the tie up was proposed.

Mr Shinjiro Mishima CEO of Universal Shipbuilding Corp said “We would like to complete an assessment of the shipbuilding integration as soon as possible. But if we make the assessment too quickly we could also overlook a risk of holding excess capacity when there isn't enough demand.”

Mr Mishima without specifying a time frame for a decision said that “We will need to monitor the market. It hasn't been clear how many vessels ship owners will need in future.”

He added that “Both our company and IHI's shipbuilding unit want to pursue the integration, as we expect benefits.”

Mr Mishima expects the merger would enable the combined unit to cut costs and strengthen new ship development by relocating workers, increasing purchasing power and more efficiently using yards.

JFE and IHI started talks in April 2008 to combine their shipbuilding units to counter competition from Asian rivals. The financial crisis has since dried up demand for new ships, with orders at Japanese yards falling 75% this year.

Universal Shipbuilding was created in 2002 when NKK Corp, now part of JFE, and Hitachi Zosen Corp. merged shipbuilding operations. JFE raised its stake in the venture to 85% from 50% just before the company and IHI agreed to start talks on merging shipbuilding operations. Shipbuilding accounted for 5% of JFE Holdings total sales of JPY 3.9 trillion for the year ended March 31st 2009.

(Sourced from Bloomberg)

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