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Trends of the Shipbuilding sector in Europe (based on the Polish example)

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Shipbuilding industry in Europe

- **Still a competitive and strategic sector for Europe**
- **Traditionally a leader in construction of complex vessels such as: cruise ships, ferries, mega-yachts and dredgers, submarines and other naval vessels**
- **European marine equipment industry is world leader for propulsion systems, large diesel engines, environmental and safety systems to cargo handling and electronics**
- **There are ca 150 larger shipyards in Europe (ca 40 active in the global market)**

Current situation in European shipbuilding and off-shore steel construction

MARKET	TRENDS	CHANGES-directions
Repair of small vessels	•Increase of newbuild vessels sise, decrease of small units share in total fleet •General decrease of demand for repair due to financial problems of shipowners •Postponing of class repair	
Repair of large vessels		
New buildings and conversions	•Oversupply of tonnage •Fleet on order is sufficient up to 2016 •Increased conversions due to SECA requirements (low sulphur emmission)	
Offshore Oil &Gas	•Increased extraction of oil and gas from sea sources •High demand for oil platforms •Withdrawal of old platforms •Increased new buildings in longer perspective •Chance for producing more complex objects also in Poland	
Offshore Wind	•Dynamic market development •Numerous investment plans •Around 30% increase of wind farm power generating capacity pa till 2020	

Source: Industrial Development Agency

Polish shipbuilding potential

Producing potential of Polish shipbuilding yards decreased substantially as a consequence of bankruptcy of the two major shipyards - in Gdynia and in Szczecin (collapsed in 2009).

Gdansk Shipyard survived thanks to privatisation but it is still under the stress of previous debts and its fate is still uncertain.

In 2013 r. Polish shipyards tried to maintain a fairly stable market position at least on European market. Few shipyards are still active in vessels building, inluding Remontowa Shipbuilding, Crist, Gdansk Shipyard, Wisła Shipyard (the only yard owned by employees).

The Ministry of National Trasure has shares in some shipyards via the Industrial Development Agency, of which:
25% in Gdansk Shipyard, in the Naval Shipyard, ca 90% in Shiprepair yard, 85% in west Pomeranian Shiprepair yard Gryfia, 73% in Maritime Shiprepair yard and Energomontaż-Północ Gdynia.

Major shipyards Poland

Repair	Specialised units	Special production	Steel construction for offshore
Shiprepair Yard Gdansk (GSR)	CRIST Shiprepair Yard Gdansk (GSR)	Shiprepair Yard Nauta	Shiprepair Yard Gdansk (GSR)
Szczecin Shiprepair Yard (GRF)	Gdansk Shipyard	Naval Shipyard (SMW - in bancrupcy)	Steel offshore constructions
Maritime Shiprepair Yard (MSR)		Shiprepair Yard Gdansk (GSR)	Maritime Shiprepair Yard (MSR)
Shiprepair Yard Nauta			Shiprepair Yard Nauta
Energomontaż Polnoc Gdynia (EPG)			Gdansk Shipyard

Source: Industrial Development Agency

Situation in the shipbuilding industry in Poland

Condition and potential of Polish shipbuilding industry is related to the business outlook of the shipbuilding sector in Europe and in the world.

- **Fragmented market and relatively low capitalisation**
- **Inner competition**
- **Lack of capital to invest in development**
- **Limited financial capabilities for financing contracts and obtaining warranty**
- **Shipbuilding yards in poor financial condition (some on the verge of bancrupcy, f.ex.)**
  - **— Gdańsk Shipyard**
  - **— Naval Shipyard in bancrupcy process**
  - **— Maritim Shipyard**

Polish shipyards
New buildings and orderbook

	2011	2012	2013
Ships completed			
Number	**14**	**15**	**12**
GT thous	**80**	**85**	**35**
CGT thous	**94**		
Orderbook			
Number	19	22	19
GT thous	69	89	57
CGT thous	129	167	96

2011: 1 containership, 2 general cargo, 7 ferries, 7 fishing vessels, 1 non-cargo carrying vessel
2012: 1 general cargo, 4 ferries, 1 fishing vessel, 9 non-cargo carrying vessels
2013: 2 ferries, 1 fishing vessel, 10 non-cargo carrying vessels

Source: data of Shipbuilders Forum / own calculations.

Polish shipyards activity in 2013

Shipbuilding – vessels above 100 GT

	Number	Thous GT	Share in world shipbuilding (%)	
Deliveries	33	103	1,1	0,2
Orderbook	79	185	2,9	0,1
New orders	47	113	1,6	0,1

Source: IHS

Shipreair

	2011	2012	2013
Number of repairs	624	617	532
Value in mill euro	0,8	227,5	232

Source: CSO

Polish shipyards activity in 2013 cont.

Shipyard	Ship type	Owner	Size
Gdansk Shipyard	Ro-pax	Norway	3900 DWT/253200 GT
	Offshore PSV/14 partly fitted blocks	Norway	
Remontowa Shipbuilding	4 x PSV	USA	5470 DWT/3806-4068 GT each
	2 x PSV	UK	6100 DWT/3871 GT each
	PSV	UK	4000 DWT/3066 GT
	2 x Car-passenger ferry	Norway	760 DWT/3999 GT each
Christ Shipyard	Heavy lifting Jack up	Norway/Germany	8000 DWT/18886 GT
	2 x Seismic	Norway	3260 DWT/8772 GT
	Seiner trawler	Norway	932 GT
	2 x Multipurpose offshore vessel – sections MPOV NB 364 and 362	Norway	6800 DWT/7888 GT each
	Offshore inslallation vessel – section OCV NB 301	Norway	8050 DWT/13060 GT
	Offshore inslallation vessel – section OCV NB 363	Norway	7883 GT

Source: shipyard’s data

Employment in shipbuilding

Shipbuilding and shipyards traditionally played important role as employment industry in the coastal areas. F. ex. in Poland in 2011 nearly 30 thous. emploed in shipbuilding and shiprepair industry (CSO data).

Number of employees vary, depending on the source of information. There are differences in definition of shipbuilding (yacht constructing enterprises not included).

2008 according to one source number of employees was 17 thous, while according to CSO it was 33 thous. Another source shows that the total employment in shipyards, shiprepair yards and shipbuilding industrial groups and cooperating units was 80-100 thous.

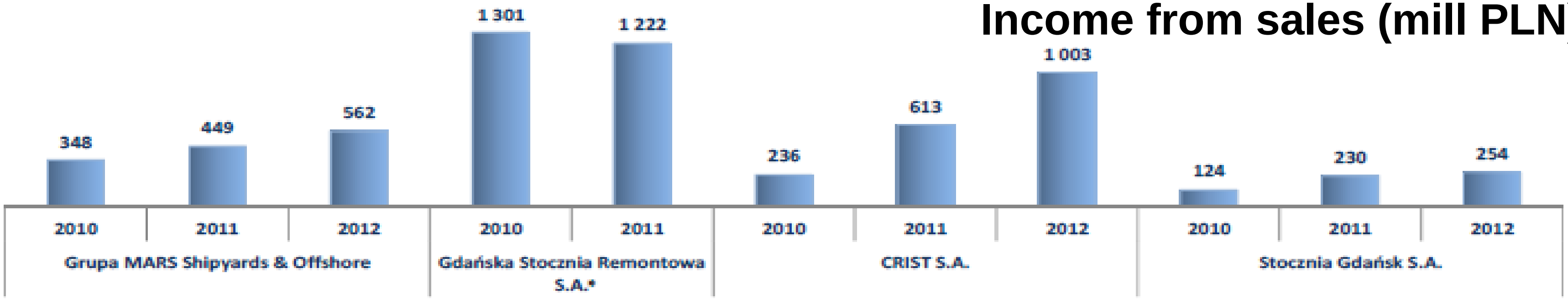
Employment in Polish enterprises of ships and boats production and repair

	Total employment	Number of enterprises employing:			
		500 and above	250-499	50-249	up to 50
2011	29582	8	13	62	4576
2012	30692	8	11	67	4648
2013	31508	8	11	68	4824

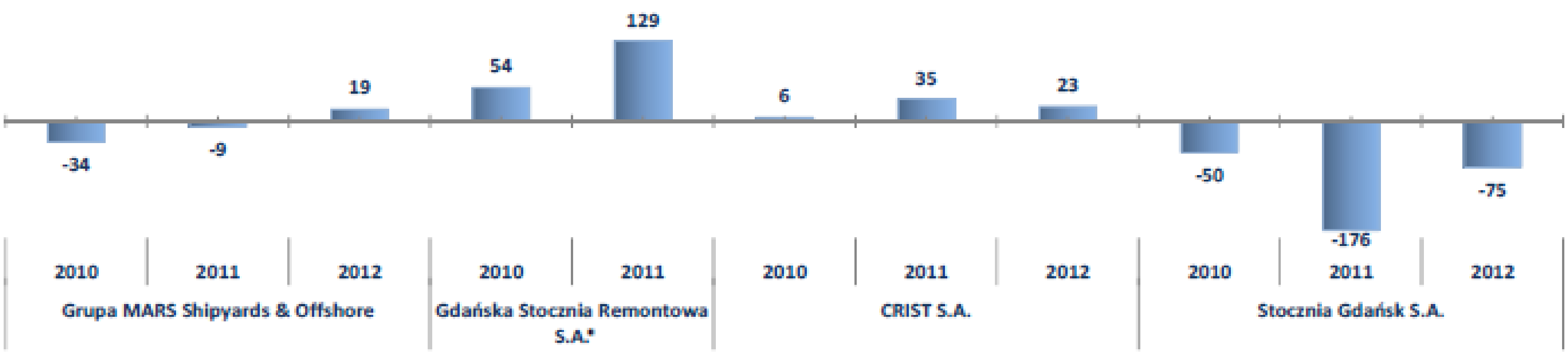
Source: CSO

Financial results of Polish shipyards

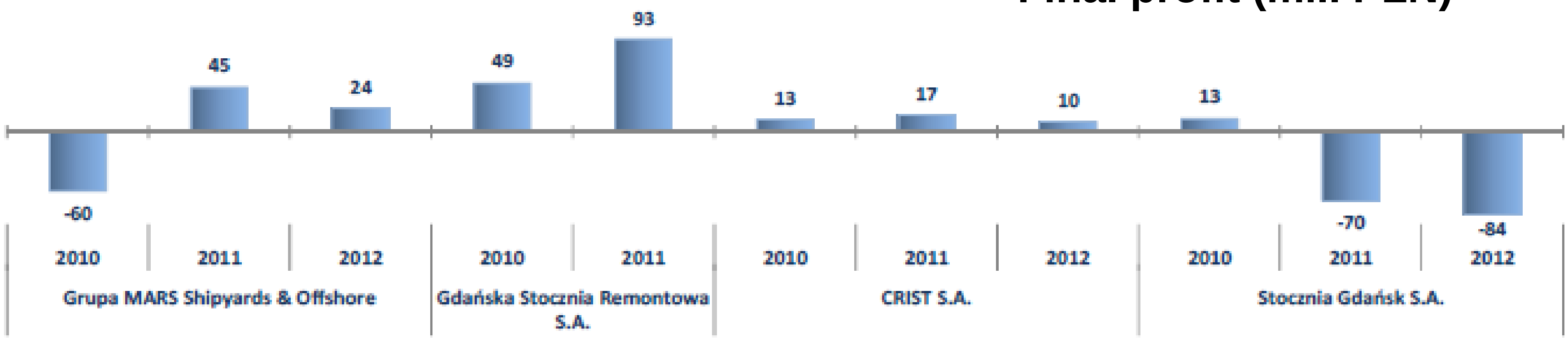
Income from sales (mill PLN)



Net profit from sales (mill PLN)



Final profit (mill PLN)



Source: Industrial Development Agency

Shipbuilding – output indicators

Deliveries:	CSO	L/F	Shipyards data:	
Number	15	40	GS	1 hull (Norway)
Thous GT	84,8	77	RSY	4 pass/car ferries (Norway)
Thous CGT	134		Crist	8 (fishing, seismic, pontoons) - partly fitted hulls

Selected shipyards output and indicators 2007

Country/ yards	GT (mill.)	CGT (mill.)	Value (bill. Euro)	Direct employment (thous)	GT-CGT/1 employee	Value thous Euro/ 1employee	Value 1GT-CGT in Euro
Korea	18,6	9,5	14,1	45	413-211	313	760-1480
CESA	6	5,5	15,2	88	68-62	172	2530-2820
Aker Yards	1,1	1,2	4,2	21	52-57	200	3820-3500
Poland	0,53	0,39	0,58	13	41-30	45	1100-1490
Denmark	0,86	0,35	0,7	3	287-117	233	814-2000

Source: Capt. M. Błuś, calculations based on CESA and Coshipa reports

Other ships built in 2012: sea-going yachts 538 (47 mill Э), hulls 31 (50 mill Э), Motor boats 411 (5,5 mill Э), other incl. lighters,floating cranes, fire floating 4 (21 mill Э).

Polish shipbuilding industry's development strategies

- **horizontal integration of shipbuilding sector – creation of strong capital groups of different activity profile**
- **cooperation of shipbuilding sector with companies from offshore energy (wind power and oil&gas), and possibly extraction of shale gas**
- **integration of activity with shipping companies and operators**
- **assuring stable financing source for undertaken contracts assuring competitive advantage**
- **assuring a stable ownership based source of financing development investments**
- **consecutive introduction of Polish companies in international group structures**

Source: Industrial Development Agency

Conclusion

The value of orderbook in Europe continue to decreas since 2007

12 325 mill euro in 2008 (offshore & steel constr. 12%)
7 923 mill euro in 2011 (offshore & steel constr. 35%)

Analysis of shipbuilding and steel construction output by type indicates a weakening position of Europe in global shipbuilding industry after 2008, whereas the output for offshore units and steel constructions is increasing

In a long run there is no chance for Polish shipyards, and European as well, to produce larger tonnage and in long series independently (Asian competition).

As the recent profile of European shipyards indicates, the sector requires more flexibility and quick responce to the changes (off shore, wind mills, drilling and supply units, gas and pipe installations).

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