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IndustriALL Shipbuilding-Shipbreaking AG Meeting

KMWU challenges/activities on Korean Shipbuilding industry

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Challenge and Crisis on Shipbuilding industry in Korea

1) From 2000 to 2009

Growing to the 1st in global shipbuilding market share

- Main causes :

stimulating global economy, especially by the Chinese rapid economic growth and foreign trade expanding

absorbing the increasing demands for new shipbuilding due to withdrawal and downsizing of the Japanese shipbuilding industry

2) Features of shipbuilding industry in Korea from 2000

- Change of major items : bulk carrier, tanker ->container, LNG carrier

- Overwhelming subcontracting scale : subcontractors oriented production system

- Diversifying (offshore plant, FPSO, alternative energy like windmill)

- Global production



3) 1st Crisis from the end of 2009

- Main causes

 - sluggish global economy and slowdown of Chinese growth rate with global finance crisis triggered from the Lehman Brothers

- Rapid decrease of new order quantity and getting the price level lower by intensifying competition with the Chinese shipbuilders

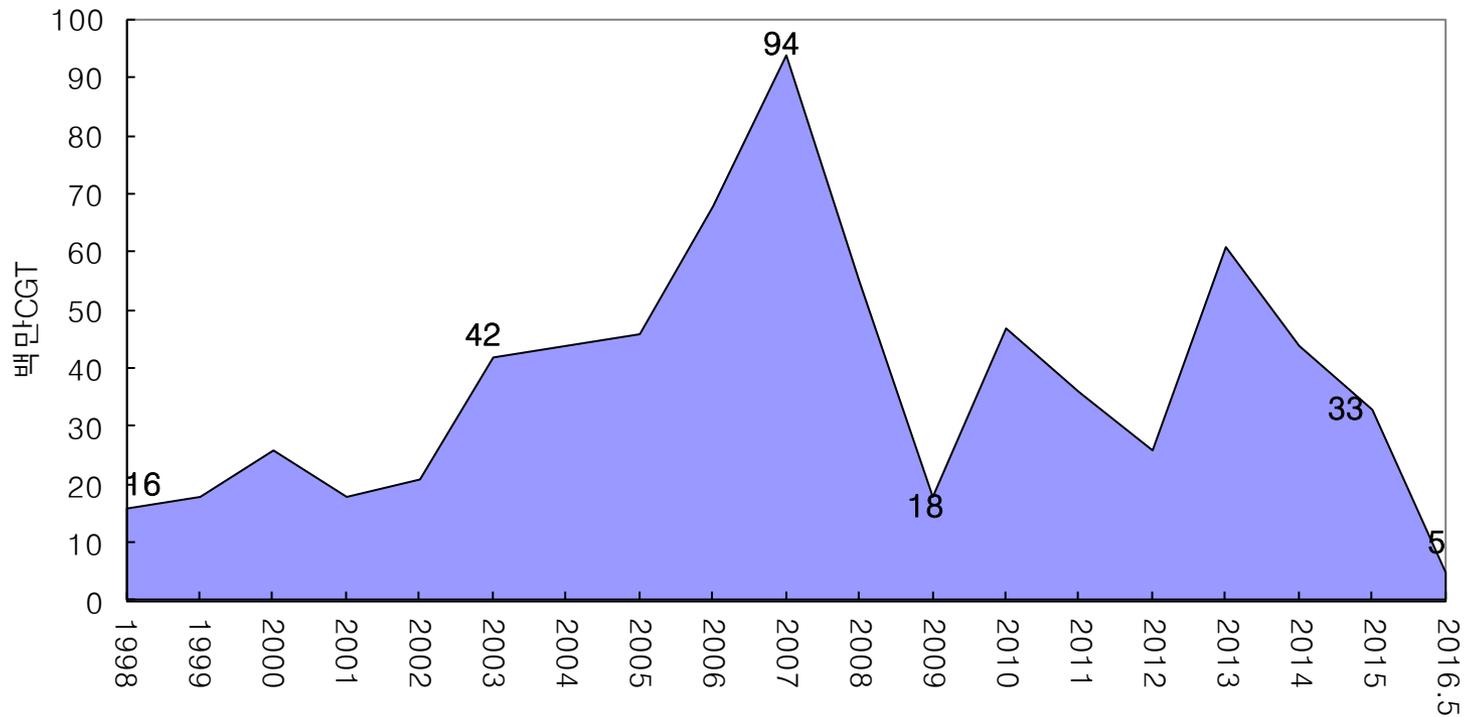
- First of all, big crisis in medium & small shipbuilders from around 2009 as they are most vulnerable to business environment. Starting restructuring : bankrupt, creditors joint management(4), legal management(3), shut up(11) or selling their shipyards.

 - * A lot of workers moved to subcontractors for offshore plant sector from medium & small shipbuilders from 2010

 - * From 2012, KMWU calling for starting joint dialogue among labor, management and government for the industry sustainability and development. But being refused.**



The order quantity change of global shipbuilding



4) 3 major shipbuilders' full fledged entrance into the offshore plant business field

-In the wake of global financial crisis to replace their rapid decrease of shipbuilding orders

-As of Sept. 2015, over 50 percent of whole orders on hand (avg. USD 20 bil. per shipbuilder)

* 3 major shipbuilders' offshore plant order amount(as of Sept. 2015)

	HYUNDAI	SAMSUNG	DAEWOO SME
Orders on hand	USD 21 bil.	USD 24 bil.	USD 20 bil.
Portion of orders on hand	54%	67%	45%

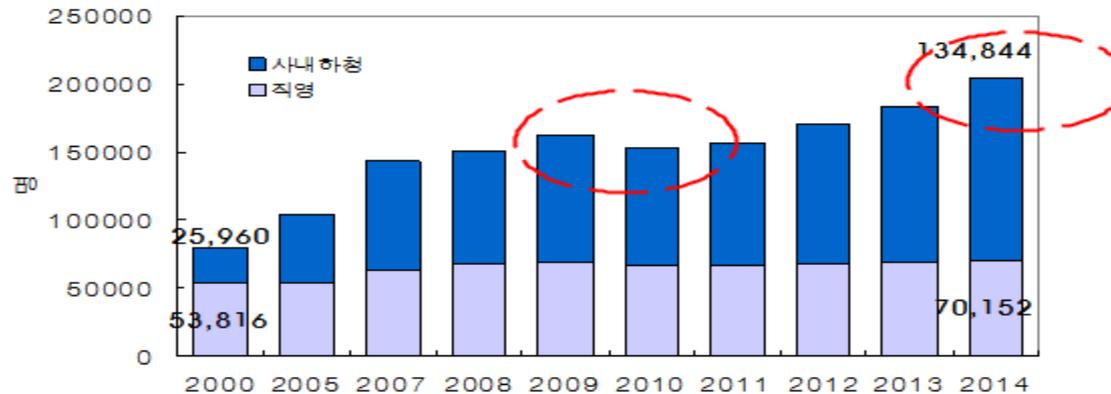
- Korean credit assessment

5) Surge of working forces in shipbuilding industry from 2000 to 2014

- Year	2000	→	2014 (increase of 2.6 fold)
No. of workers	79,776	→	204,996
*regular	53,816	→	70,152
*subcontracted	25,960	→	134,844

➤ Subcontracted workers increase concentrated on offshore plant sector from 2010

-The change of regular and subcontracted workers



6) From the end of 2014, 2nd crisis and starting restructuring with mass layoff

- Background

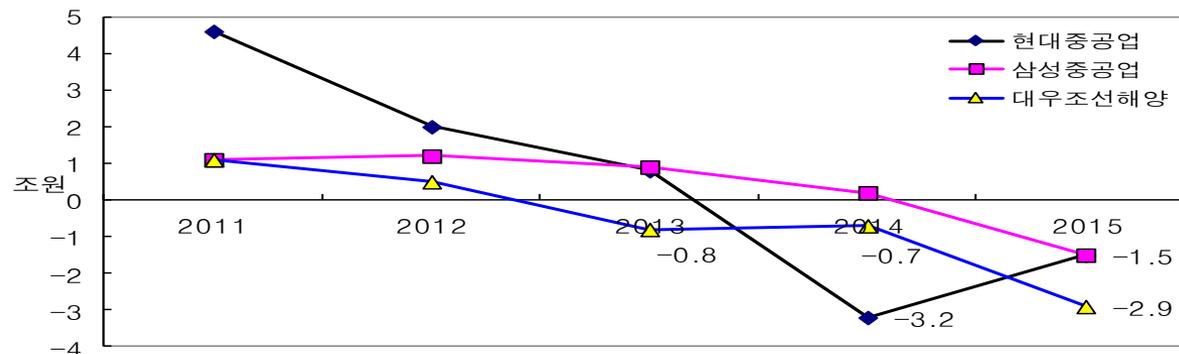
*Huge amount of operation loss from 2014

*During 2012~2014, accumulated deficit : USD 10 bil.

*Main causes : the lack of capability and experience in offshore plant business

*The remained significant matter is the possibility of additional risky

: 3 major shipbuilders' amount loaned globally : about USD 18 bil.



- in 3 major shipbuilders

① Layoff of regular workers

2015 : Hyundai - 1,500, Daewoo - 200

2016 : Hyundai - 2,000, Daewoo - 2,000, Samsung – 1,500

- by way of voluntary retirement but almost inevitably including spin off indirect and insignificant sector for shipbuilding

② Layoff of subcontracted workers

surge of layoff from 2014 as finishing a lot of offshore plant projects

Hyundai - 8,500, Daewoo - 5,300

③ Assumed total layoff until now : nearly 30,000

Expected layoff in the future : nearly 20,000~30,000



KMWU's responding and struggle against restructuring attack in 2016

1) Operating the Shipbuilding Industry Trade Unions Solidarity(SITU Solidarity) from the beginning of 2016

- Forming in Jan. 2015
- 8 organizations, unionized workers 33,000

KMWU 4 locals : 4,000 unionized workers
Hyundai Samho, Seongdong, STX, Hanjin

Non unionized to KMWU(4) : 29,000 workers
Hyundai HI trade union: 14,000 members
Daewoo SME trade union: 7,000 members
Samsung HI workers' conference: 6,000 members
Hyundai Mipo: 2,700 members



2) co-demands for 2016 collective bargaining by the SITU Solidarity

- For the government
 - *to reduce working hours and create jobs for youth
 - *to educate irregular workers subcontracted in shipyards while paying life protection fund
 - *to contrive plans to revive medium shipyards and secure employment
 - =>requested to have bargaining but the government refused

- For the employers
 - *to secure the current whole employment in all shipyards
 - *to guarantee the right to join the workers' union of subcontracted workers and to abolish so called the black list
 - *to replace the retired jobs with new hiring regular workers
 - =>co-demands included in company level bargaining and negotiation ongoing

3) Confuting the ideological attack 'shipbuilding is declining industry in Korea' from the government and pro-employers media

- Basis of the government claim for structure adjustment

- *shipbuilding is huge labor intensive industry and no more competitiveness due to high waged workers
- *shipbuilding should be likely moved to China so needs to reduce its production capacity and to find out new items
- *high value ships to Europe and Japan and low value ships to China, sandwiched Korea hard to recover

- Confutation by the SITU Solidarity

- *shipbuilding is recently capital intensive and technical intensive. Technical skill is most important for the current shipbuilding
- *In 80s and 90s, a lot of workers trained and skilled and this has been the ground for growing Korean shipbuilding in 2000s in comparison with the policy of Japan
- *already producing high value ships and all various kinds of ships only excluding cruise ships



4) Activities and struggle of the SITU Solidarity to overcome ideological attack

- Hosting or attending a lot of policy forums on shipbuilding industry highlighted in June, joint policy forum participated by the SITU, KCTU-FKTU and the floor representatives of 3 opposition parties
- Staging public opinion war by using of a various kinds of policy forums and press conferences
- On June 8~9, overnight struggle in Seoul by all executive leaders and representatives under the SITU Solidarity
- On July 20, co-walkout of organized workers under the SITU
- During more 90 days, staging protest tent sit-in in front of the national assembly house
- Organizing cooperation and support of 8 newly elected assembly men



5) Left challenges and struggle of KMWU & the SITU

Solidarity

- No more claimed “shipbuilding is declining industry” but the government is claiming the need for the structure adjustment to sustain and revitalize the industry
- Even if the victory of public opinion war, still organized workers are facing and fighting against the structure adjustment attack at company level.
- The sector level negotiation on industry policy among the government, employers and the SITU still not made
- KMWU and the SITU are fighting forward to stop all structure adjustment to secure all workers’ employment and right

Thank you !