Challenges and Developments in Global Shipbuilding Industry

-brief overview of the current situation-

AgS Monitoring Shipbuilding
Thorsten Ludwig, Heino Bade, Heiko Messerschmidt

industriALL Global Union Shipbuilding-Shipbreaking Action Group Meeting
31 October - 1 November 2017, Rotterdam, Netherlands
Some call it „adjustment“…

Global Newbuilding Orders
(vessels over 20,000 dwt)

No. of Ships

Source: Clarksons (2017): Results Presentation, 14.08.2017
Some call it „concentration“ …

… in 2007

32  Number of yards accounting for 50% of the global orderbook
101 Number of yards accounting for 75% of the global orderbook

Share of the TOP-TEN-YARDS on the national orderbook:

34%  43%
49%  60%
60%  76%
70%  92%

Source: Shipbuilding News, 14.09.2017

… in 2017

24
59
Some call it „consolidation“ …

Number of active shipyards* worldwide

Active shipyards are those with at least one ship of 1,000+ GT on order; Updated 1.9.2017
Source: Clarkson, 14.09.2017

860
2007

- 59%

357
2017
Shipping lending: Shift to Asia-Pacific

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</tr>
</thead>
<tbody>
<tr>
<td>Total bn US$</td>
<td>418.4</td>
<td>400.3</td>
<td>388.5</td>
<td>379.1</td>
<td>391.5</td>
<td>343.8</td>
<td>315.0</td>
</tr>
<tr>
<td>Europe</td>
<td>83.1</td>
<td>79.3</td>
<td>75.1</td>
<td>72.9</td>
<td>70.5</td>
<td>63.9</td>
<td>62.2</td>
</tr>
<tr>
<td>USA</td>
<td>2.1</td>
<td>1.7</td>
<td>2.8</td>
<td>2.7</td>
<td>2.6</td>
<td>3.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>14.8</td>
<td>19.0</td>
<td>22.0</td>
<td>24.4</td>
<td>26.8</td>
<td>32.2</td>
<td>33.0</td>
</tr>
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</table>
| Source: Clarksons (2017): Results Presentation, 14.08.2017
WE call it a severe global shipbuilding crisis – especially for the employees!

- Reduction of „white list“ down to 59 yards
- 40 of these yards without any order in 2016
- Important steps to enter the cruiseship market

- Mass lay-offs in shipyards: appr. > 70,000 direct employees in shipbuilding industry lost since 2016
- Lowest orderbook since 2003
- State intervention to avoid closures (f.e. DSME)

- More than 33,000 jobs lost in shipbuilding (Jan. 2015 bis Sept. 2016)
- Reduction from 71,554 to 38,452 employees in shipbuilding

- >18,000 jobs lost in offshore-industry since 2012
- No new orders since 2015
- Capacity utilization: 50%

- IMPORTANT steps to enter the cruiseship market

Source: AgS-Schiffbau-Monitoring
Despite the crisis: Booming markets for cruiseships and superyachts

SS Rotterdam
1956

Length: 228.20m
Width: 28.70m
Crew: 776
Tonnage: 39,674
BRT
Passengers: 1,400

Harmony of the Seas
2016

Length: 362.12m
Width: 66m
Crew: 2,384
Tonnage: 226,963
BRT
Passengers: 6,780
Orderbooks for cruiseships (≥ 200 lower berths)

Sources: cruiseindustrynews.com; Seatrade Cruise News; own calculations
### Orderbooks for cruiseships (>= 200 lower berths)

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of ships</th>
<th>Sum reported Price ($)</th>
<th>Average Lower Berths</th>
<th>Average GT</th>
<th>Sum GT</th>
<th>%-share of orderbook by GT</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>2</td>
<td>1.500.000.000</td>
<td>4.000</td>
<td>133.500</td>
<td>267.000</td>
<td>3,3%</td>
</tr>
<tr>
<td>Croatia</td>
<td>2</td>
<td>252.000.000</td>
<td>264</td>
<td>12.635</td>
<td>25.270</td>
<td>0,3%</td>
</tr>
<tr>
<td>Finland</td>
<td>6</td>
<td>5.230.000.000</td>
<td>4.380</td>
<td>157.167</td>
<td>943.000</td>
<td>11,7%</td>
</tr>
<tr>
<td>France</td>
<td>11</td>
<td>11.179.000.000</td>
<td>4.336</td>
<td>167.873</td>
<td>1.846.600</td>
<td>22,8%</td>
</tr>
<tr>
<td>Germany</td>
<td>18</td>
<td>14.414.000.000</td>
<td>3.078</td>
<td>133.361</td>
<td>2.400.500</td>
<td>29,7%</td>
</tr>
<tr>
<td>Italy</td>
<td>27</td>
<td>15.328.000.000</td>
<td>2.354</td>
<td>94.635</td>
<td>2.555.150</td>
<td>31,6%</td>
</tr>
<tr>
<td>Norway</td>
<td>2</td>
<td>260.000.000</td>
<td>530</td>
<td>21.000</td>
<td>42.000</td>
<td>0,5%</td>
</tr>
<tr>
<td>Portugal</td>
<td>1</td>
<td>80.000.000</td>
<td>200</td>
<td>9.300</td>
<td>9.300</td>
<td>0,1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>69</strong></td>
<td><strong>48.243.000.000</strong></td>
<td><strong>2.938</strong></td>
<td><strong>117.229</strong></td>
<td><strong>8.088.820</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Sources: cruiseindustynews.com; Seatrade Cruise News; own calculations
It’s still an European market …

Orderbook for cruiseships by region
Sept. 2017 (GT)

Sources: cruiseindustynews.com; Seatrade Cruise News; own calculations
... dominated by two/three shipbuilders ...
... building new ships for additional 203,000 new passengers.

Average reported price (Mio. US$)
- Average lower berths

Average lower berths 2,938

Average reported price 699 Mio. US$

Sources: cruiseindustynews.com; Seatrade Cruise News; own calculations
China: Getting prepared for the future cruise market

- Carnival, CSSC and Fincantieri announced the delivery of a **first 133,500t ship** from CSSC’s Waigaoqiao yard in Shanghai **due in 2023** with a second to follow plus four more options.
- **$4bn investment** by Carnival and CIC Capital
- **Developing a supply chain** with logistics companies, design and shipfitting specialists and cruise staff/crew training facilities and cruise port infrastructure projects.
- Chinese cruise companies ordering a newbuild from outside the country would have to pay a **prohibitive 30% tax** on the cost price
- More than 40% of Chinese passengers are under 40 years old (Europe: end 40s – end 50s)
- **51% of Chinese adults in their 20s** say they are **planning to take a cruise**.
- **300 million people** - the equivalent of the total population of North America or Western Europe - of the population are genuine potential cruise prospects.

Source: Seatrade Cruise (2017): Cruise Shipbuilding in Asia 2017; August 2017
Looking at the Chinese ambitions in the case of cruise ship industry…

… we suggest an intense and continuous exchange between works councils and trade unions representing the European cruise ship industry!
Superyachts: a growing (Asia-Pacific) market

„ultra high net worth“ population

„ultra high net worth“ assets

„The superrich“ - overview

Superyachts: Orderbook in detail (Jan. 2017)

Orderbook for superyachts (=> 50m)
by No. of yachts

- **Italy**: 33%
- **Germany**: 13%
- **The Netherlands**: 30%
- **Turkey**: 16%
- Others: 1%

**Total**: 125 superyachts

Orderbook for superyachts (=> 50m)
by total length

- **Italy**: 29%
- **Turkey**: 15%
- **The Netherlands**: 28%
- **Germany**: 19%
- Others: 2%

**Total**: 9,2 km total length
IG Metall activities in shipbuilding industry

- Collective bargaining 2017/2018:
  - Voluntary reduction of working times to 28h/week
  - Increase of wages by 6%
- New labour law to regulate temporary work & sub-contractors (2017):
  - Equal pay after nine months
  - Time limitation: max. 18 months
  - Temporary workers are not allowed to work as “strike breakers”
  - Reinforcement of information rights for works councils
- Fight for new instruments for codetermination (for shipyard-groups)
- Preservation of all shipbuilding production facilities since 2007
- Network of shipyard`s works councils (AG Schiffbau)
- National conferences and national LeaderShip 2020-Process