



# Factors affecting the structure of the world Shipbuilding Industry

WP6 Workshop with non-  
OECD economies & industry  
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# Objective

This presentation will cover the following:

- Place the shipbuilding in an economic context
- Consider the transition from public to private ownership
- Foreign investment and cross-border participation
- Factors driving foreign investment
- Industry views of FDI



## Shipbuilding in an economic context

- Employment generator
- Economic kick-start to depressed regions
- Contributor to industrial capacity
- Strengthen technical and technological capacity
- Defence capability
- Investment vehicle
- Public sector policy delivery
- Profit/tax potential



## Progressive developments affecting industry structure

- Public control – full public sector status
- Public control – corporatised structure
- Partial/full privatisation
- Cross border cooperative activities (*eg* licencing)
- Foreign investment – majority local ownership
- M&As – foreign ownership and control
- Globalised industry

**Importance to governments of shipbuilding as an economic activity**  
**(In order of overall economic importance)**

<b>Percentage of respondents considering item as</b>			
<i>Item</i>	<i>Very important</i>	<i>Important</i>	<i>Not important</i>
Employment generator	50%	40%	10%
Contributor to industrial capacity	50%	40%	10%
Technical/technological capability	50%	40%	10%
Support of depressed regions	30%	60%	10%
Strategic industry	40%	40%	20%
Vehicle to attract investment	30%	40%	30%
Public sector policy delivery	10%	50%	40%
Profit/taxation potential	0%	60%	40%

## Factors driving FDI

- Government direction/encouragement/support
- Economies of scale
- Lower production costs
- Availability of land infrastructure
- Skilled labour forces
- Technological/construction techniques
- Product diversification
- Increased market share
- Underutilised shipbuilding yards
- Better access to markets
- Outsourcing opportunities



## Relative importance of pressure to enter into M&A (in order of relative importance)

- Achieve economies of scale
- Increase market share
- Acquire skills and technology
- Product diversification
- Entry into niche markets
- Government direction/encouragement



## Rationales for industry decisions to undertake FDI (in order of importance)

- Low production costs
- Better access to key markets
- Availability of land/infrastructure
- Technology/construction techniques
- Outsourcing possibilities
- Skilled labour forces
- Underutilised shipbuilding yards
- Attracted by government support



## Preferred forms of cross-border participation (in order of preference)

- Outsourcing
- Technology transfers
- Strategic alliances
- Investments
- Acquisitions
- Joint ventures
- Provision of plant/equipment
- Mergers

## INDICATIVE LIST OF CROSS-BORDER ACTIVITIES

Economy	Acting as Investing Economy	Acting as Host Economy
<b>South Korea</b>	<b>10</b>	<b>1</b>
<b>Japan</b>	<b>5</b>	
<b>Unspecified</b>	<b>4</b>	
<b>Finland</b>	<b>3</b>	
<b>Hong Kong</b>	<b>3</b>	
<b>Norway</b>	<b>3</b>	
<b>Estonia</b>	<b>1</b>	
<b>USA</b>	<b>1</b>	
<b>Dubai</b>	<b>1</b>	
<b>Singapore</b>	<b>1</b>	<b>1</b>
<b>Chinese Taipei</b>	<b>1</b>	
<b>Denmark</b>	<b>1</b>	
<b>Ukraine</b>	<b>1</b>	
<b>China</b>		<b>14</b>
<b>Philippines</b>		<b>5</b>
<b>India</b>		<b>3</b>
<b>Pakistan</b>		<b>2</b>
<b>Lithuania</b>		<b>2</b>
<b>France</b>		<b>2</b>
<b>Vietnam</b>		<b>1</b>
<b>Indonesia</b>		<b>1</b>
<b>Germany</b>		<b>1</b>
<b>Poland</b>		<b>1</b>



# France takes key 33.3% shareholder role in STX

## Government opts for direct blocking minority

Lloyd's List Monday 10 November 2008

THE French government has created surprise by announcing that it will take a direct 33.3% blocking minority in STX France, owner of the country's principal shipyard Chantiers de l'Atlantique.

The government had previously indicated that it would take a 9% stake in the shipbuilder to compose a future blocking minority with the 25% held by its former owner, the Alstom group.

Instead, it is to take a direct 33.3% on its own account via a €110m (\$140.5m) capital increase, which will dilute STX Europe's stake in the company from 75% to 50.01% and Alstom's 25% to 16.7%.