Marine Equipment Manufacturers’ Adaptation to the Current Situation and their Future Prospects

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Setting the Scene

Marine Equipment

Picture Courtesy: Meyer Werft
World Market Share

World Market Marine Supplies = 125 bn €

- 57% European Companies supplied volume (EU28+Norway)
- 43% RoW supplied volume

* Marine Supplies include all products and services supplied for the building, conversion, maintenance of ships (seagoing and inland) and maritime structures. This includes half raw materials, coatings, technical services in the field of engineering, installation and commissioning, etc."

Source: SEA Europe based on different studies and sources

Production Value (Europe)

Production Value 1st Tier in Mill. € (2006-2010)

Total production value for EU 28 plus Norway and Turkey = 57.6bn €

Source: Balance Technology, ongoing Marine Equipment Study 2013
Employees (Europe)

No. of Employees (1st Tier Suppliers)

Total no. of employees: Approx 300,000

Source: Balance Technology, ongoing Marine Equipment Study 2013

Case Studies
**Rudder Manufacturer**

**Products:** Rudder systems and LNG hybrid drives.

**Crisis 2008:** 40% reduction of turnover in 2010 vs. 2009

**Pre-Crisis Innovation:** Heavy investment made into energy efficient designs of existing products (rudders), and new devices. Products ready for market in 2009.

**Unique Products:** Global shipbuilding cancellations = 10% cancellations of rudder orders at the company because of the unique product design and specific demand.

**Today:** Turnover higher than record 2009 – two digit growth forecast over 3 years!

**Trends to Fuel Growth:**
1. Fuel Price
2. Legislative pressure (SOx, etc.)
3. Emphasis on innovation

**General Outlook:** Optimistic future. The company is expected to grow from 110 employees to 180 globally.

*Picture Source: Becker Marine Systems*

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**Ballast Water Manufacturer**

**Products:** UV Filtration BWMS

**Crisis 2008:** 40% reduction of turnover and 30% reduction of aftersales – adverse impact on business and job losses.

**Pre-Crisis Innovation:** Heavy investment in new products to meet the ratification of the BWM Convention. Product suitable for retrofitting and newbuilding.

**Today:** The market is growing but it is at a fraction of its potential. Expected retrofit market is 30,000 vessels approximately by 2020. Estimated retrofits today: 30!

**Trends to Fuel Growth:**
1. Legislative developments and ratification of the BWM Convention.

**General Outlook:** This is a market with great potential. Legislative uncertainty is making business conditions difficult. A further challenge is the ability to serve demand. Business has to adapt such as offering BW / scrubber system retrofit packages to meet the predicted demand of 1000's of vessels p/a.

*Picture Source: Wärtsilä*
There are currently 39 suppliers of BWMS globally. For a number of companies entry into foreign markets is difficult. Local content requirement and agreements with shipyards to include the systems in ‘standard design’ packages allows some manufacturers to corner shipbuilding segments.

Source: SEA Europe elaboration of data sources
| **Engine Manufacturer** |

**Products:** Marine engines

**Crisis 2008:** There was real knock on turnover as a result of the crisis. Offshore and specialised vessel markets have remained robust providing business opportunities. Market shares and absolute sales have remained steady in the last couple of years.

**Today:** No expected big growth in traditional propulsion products. Strong growth in diversified products such as emission control related technologies.

**Trends to Fuel Growth:**
1. Legislative developments
2. Access to finance: there is an increasing focus on financing green ships or green modifications. Banks and private investors increasingly willing to study options for concepts to see higher charter rates.
3. Change business models ‘a real partnership’ to look at: end to end benefits; effects of models; compliance to legislation. Focus placed on OPEX over CAPEX.

**General Outlook:** Cautious note of optimism. Need to focus on the diversified nature of products to ‘green’. Integrated approach to doing business will define the stronger players.

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**Conclusions**
**STRENGTHS**
- Strong niche segments
- High quality final products
- Integrated development clusters
- High productivity
- Strong maritime tradition
- Highly specialised companies
- Business flexibility (relocation of production bases)
- Skilled workforce

**WEAKNESSES**
- Weak economic environment
- Fragmented sector
- Weak economic power of manufacturers
- Dependence on the shipbuilding sector (local / global)
- Lack of financing for new projects
- Expensive labour cost
- Very large to very small players

**OPPORTUNITIES**
- Stronger global supply chains
- Integrated maritime technology packages
- Globalisation
- Regulatory developments
- Increased environmental consciousness

**THREATS**
- Local content requirements / market access
- Price over quality products
- Cheaper labour vs. home market
- Lack of innovation uptake as a result of crisis
- Competition from Asia
- Cyclical nature of shipbuilding

**ME* SWOT ANALYSIS**

**The Future...**

- European marine equipment has managed to weather the storm taking a knock but for many 1st Tier suppliers (systems) the market is picking up again taking advantage of the global value chain:
  
  - Diversification
  - Innovation in good times
  - Legislative development
  - Global outlook

- The conclusion for many regional suppliers (components) is that they are closely linked to the regional supply chain and are directly affected by developments in their respective neighbourhoods.

- Innovation could be a way to get ahead for these suppliers geographically and in terms of products...