



# PRICE DETERMINATION IN THE SHIPBUILDING MARKET

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I. Prices determined by yards' **building costs** –  
(steel prices, manpower etc)



II. Prices determined by **supply and demand** –  
(shipping market, yard capacity, alternatives to NB)



III. Are prices sufficient to have a **sustainable** newbuilding industry?



IV. What are the different **strategies** adopted by shipbuilders to counter prices that may be below building costs?



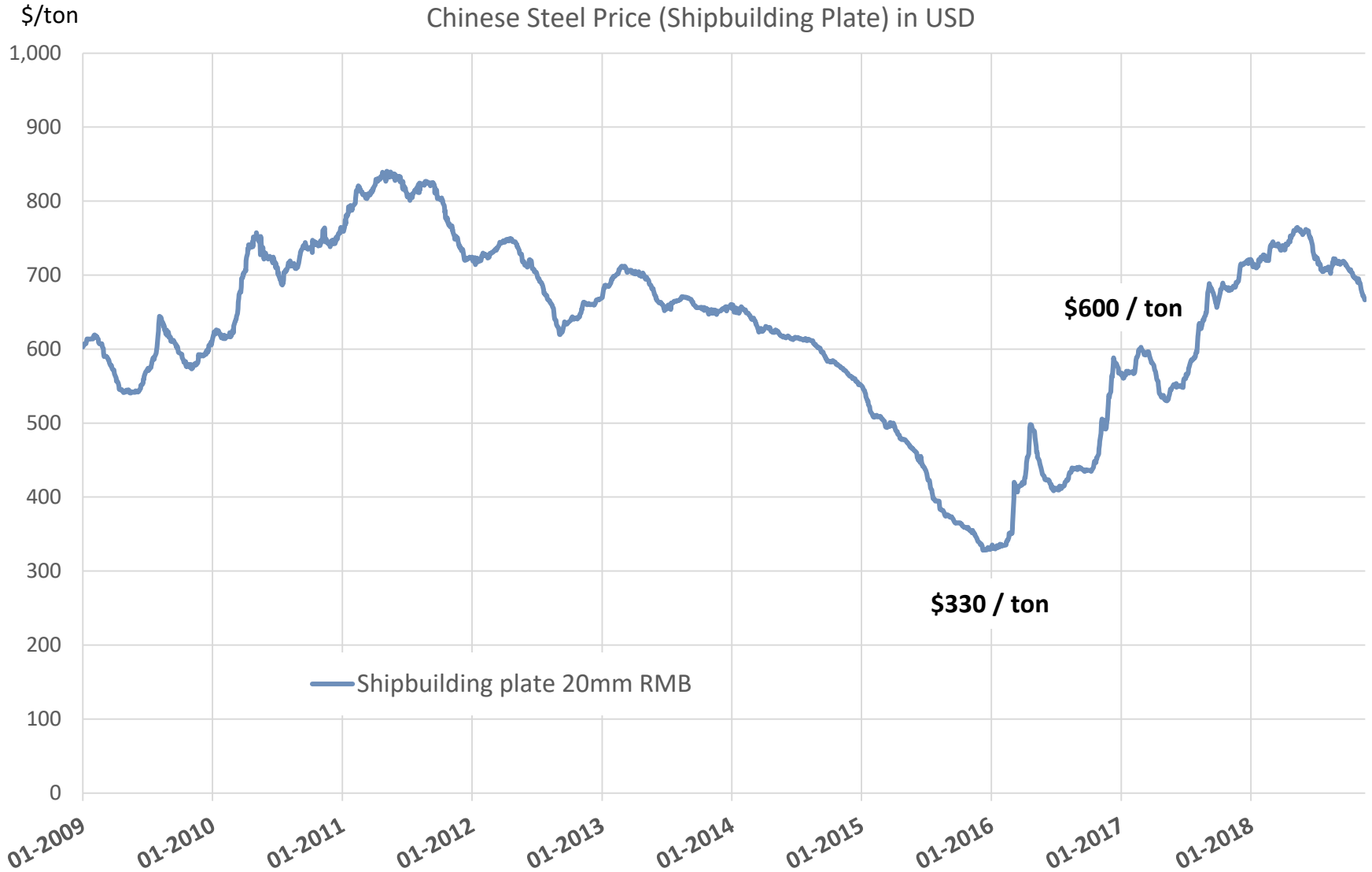
I. Prices determined by yards'  
**building costs**

## Representative cost breakdown to build an Ultramax bulker - China 2018

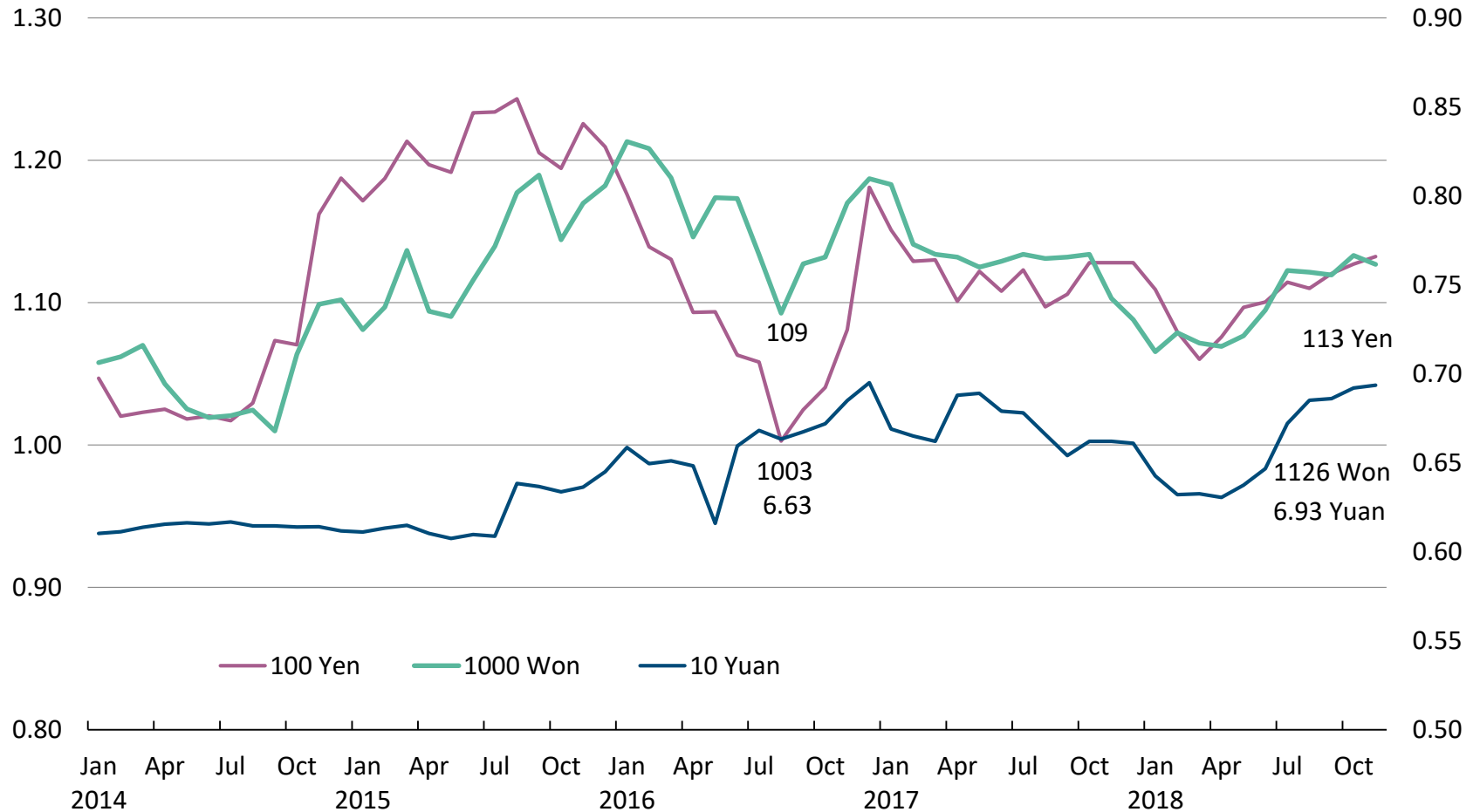
Category:	%
Equipment	40%
Steel	30%
Labour	15%
Overheads	10%
Profit ?	5%

## Fluctuations and challenges:

1. Steel price
2. USD/Exchange rate
3. Labour costs
4. Regulatory requirements

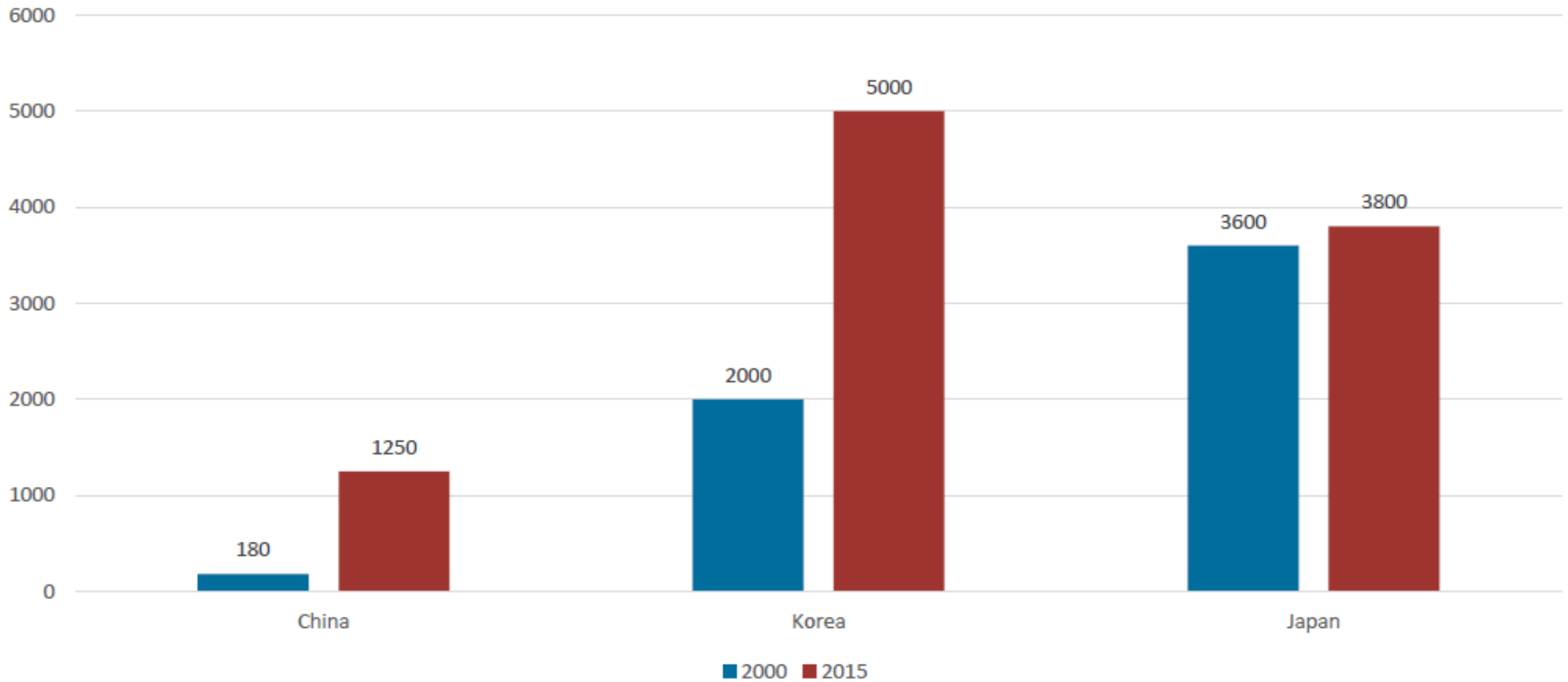


# Exchange rate variation with the USD



## Comparison shipyard labour costs 2000 and 2015

Average salary shipyard worker in USD/monthly





## Accumulation of Regulations has added to Newbuilding Costs:

**2004** PMA (IACS RULES Permanent Means of Access)

**2006** CSR (IACS COMMON STRUCTURE RULES)

**2006** PSPC (IACS PERFORMANCE STANDARDS FOR PROTECTIVE COATING)

**2010** IMO Tier I (Nox) Main Engine & **2012** IMO Tier II (Nox) Main Engine

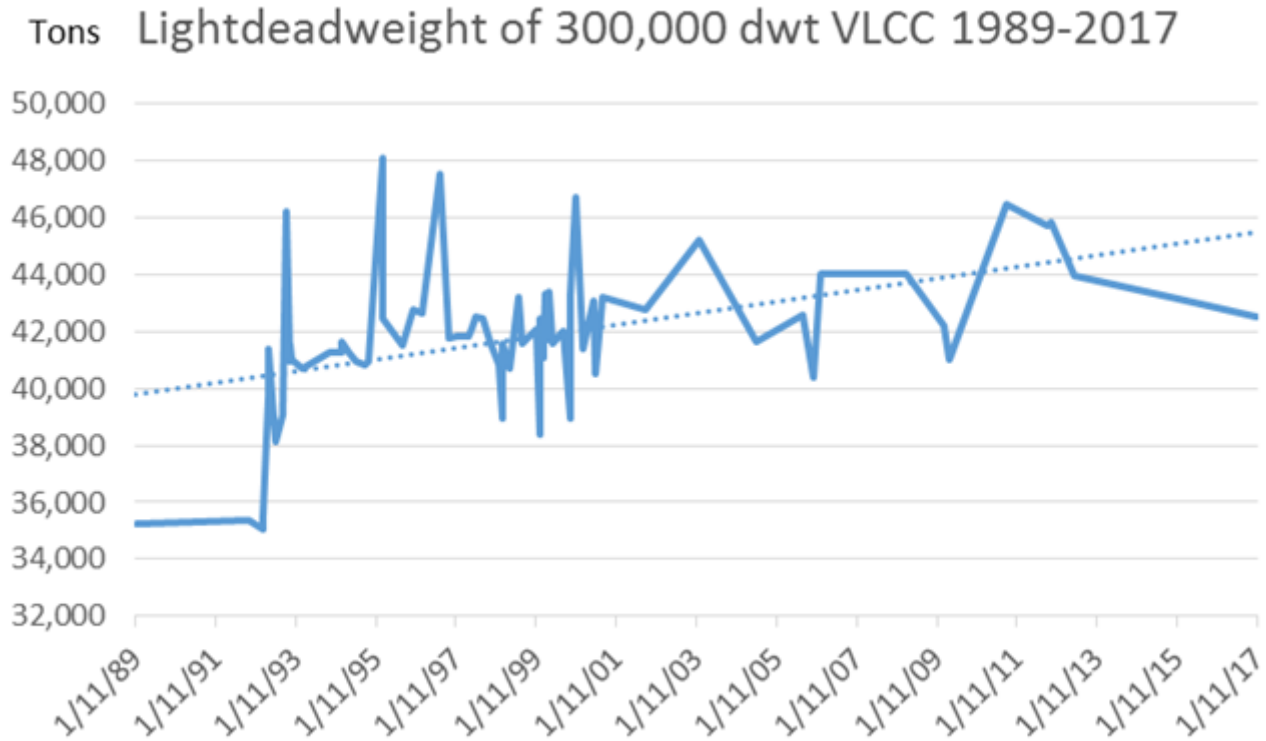
**2012** BWTS (Ballast Water Treatment System)

**2013** IMO EEDI (ENERGY EFFICIENCY DESIGN INDEX)

**2015** HCSR (IACS REVISED COMMON STRUCTURE RULES)

**2016** Tier III Main Engine (SCR) for ships with keel laid after 2016, trading US/Europe

## Comparison lightweight tons VLCC 1990 vs 2018





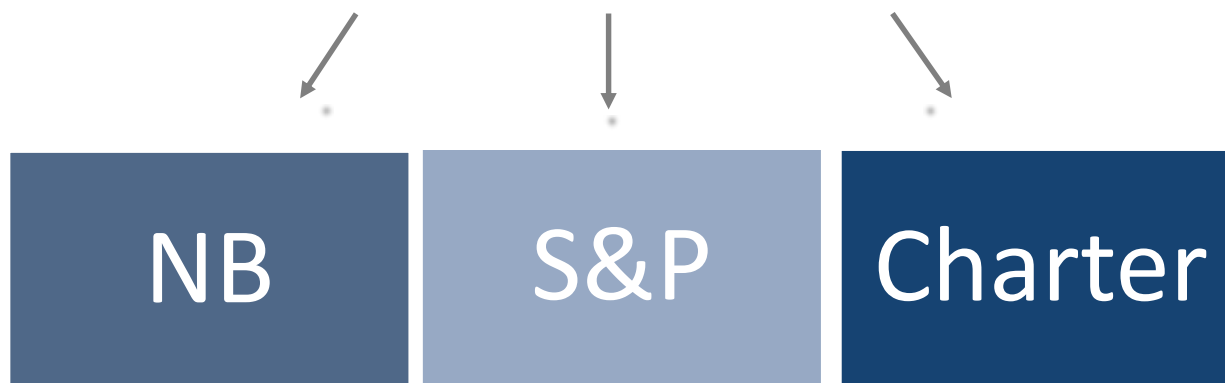
II. Prices determined by shipping  
**supply and demand**

## Shipowner Demand – influencing factors:

- Global trade demand
- Time charter rates and forecasts
- Market sentiment
- Fleet renewal
- Regulatory requirements
- Demolition prices
- NB & S&P prices

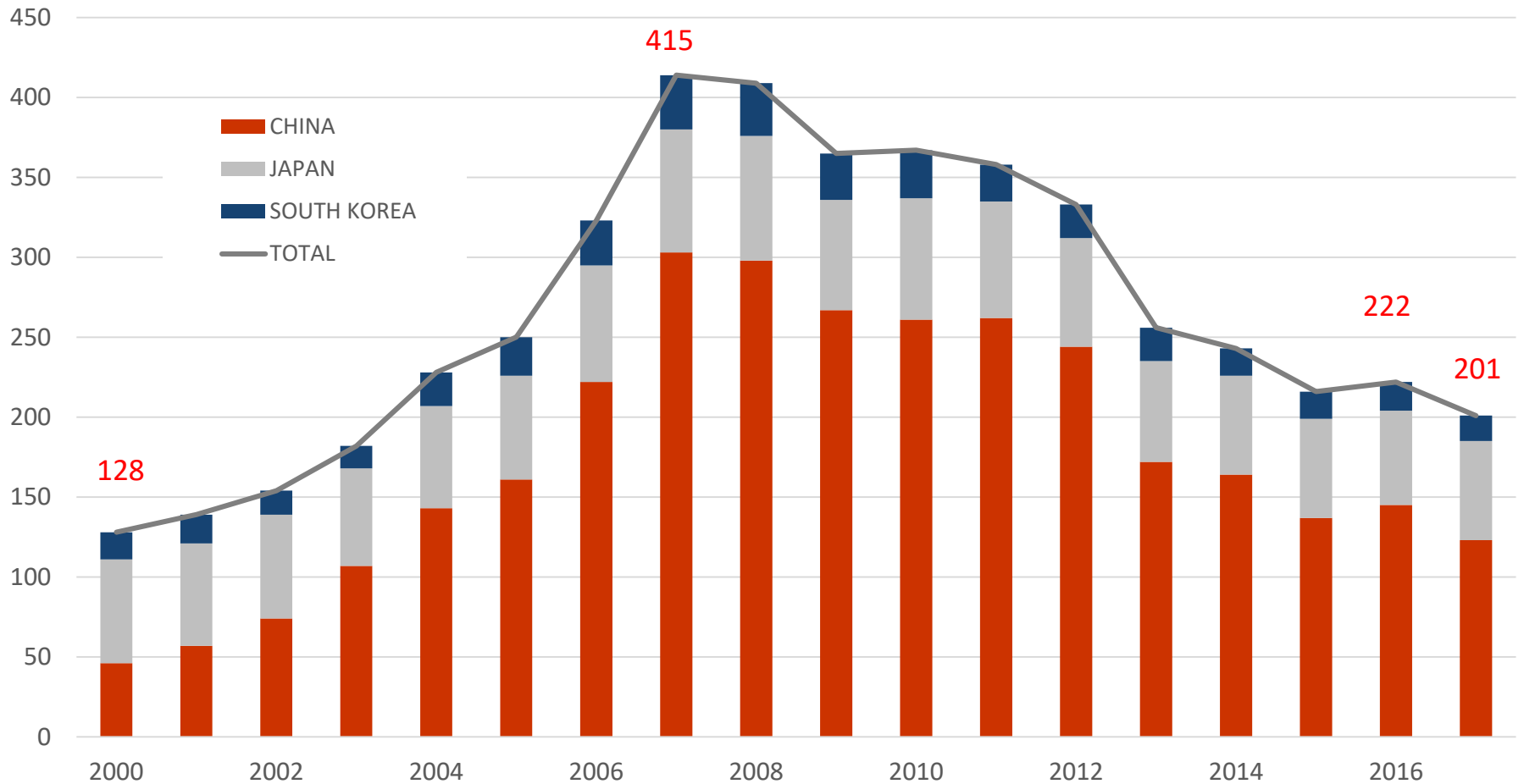
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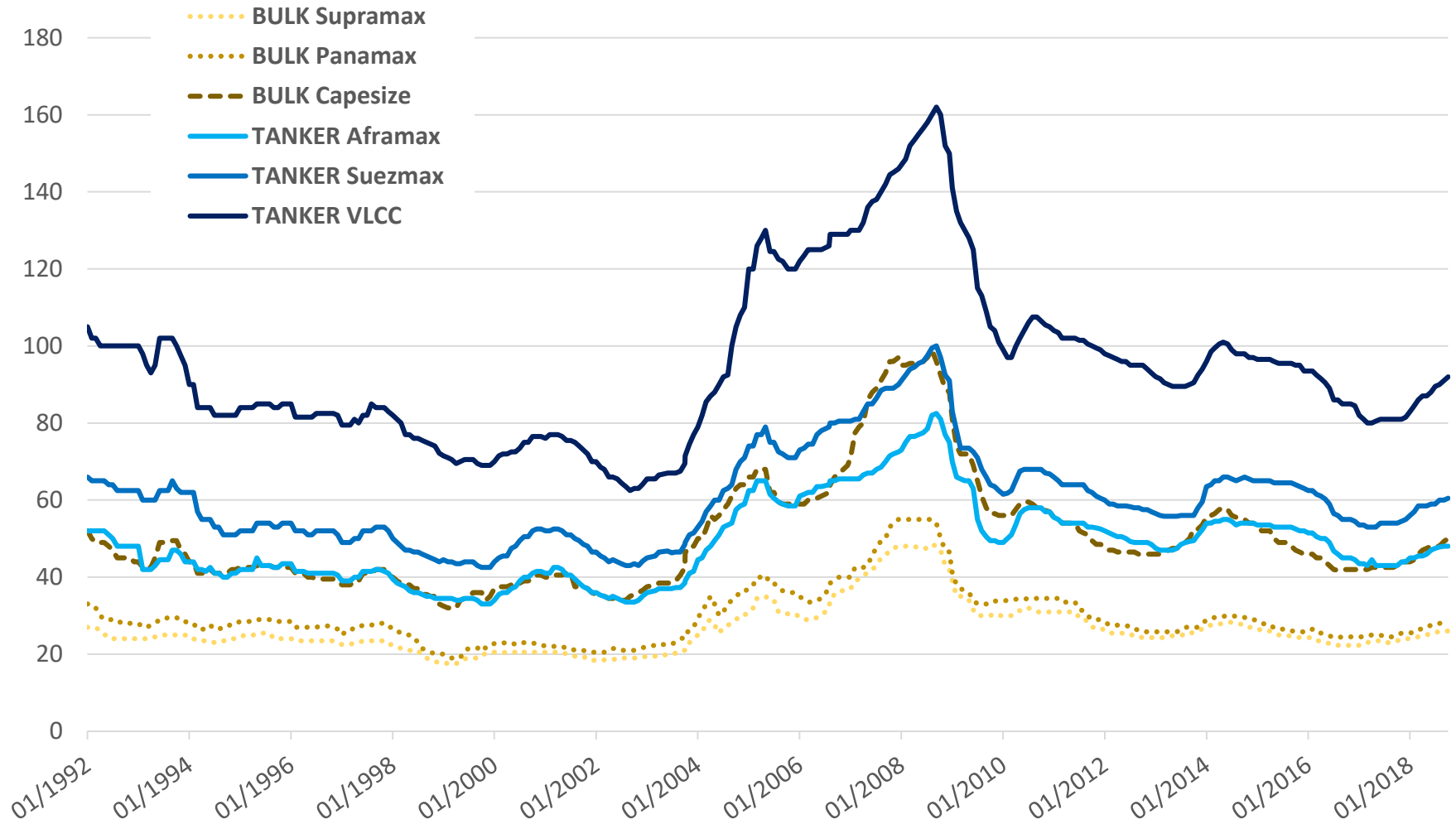


## Shipyards evolution since 2000

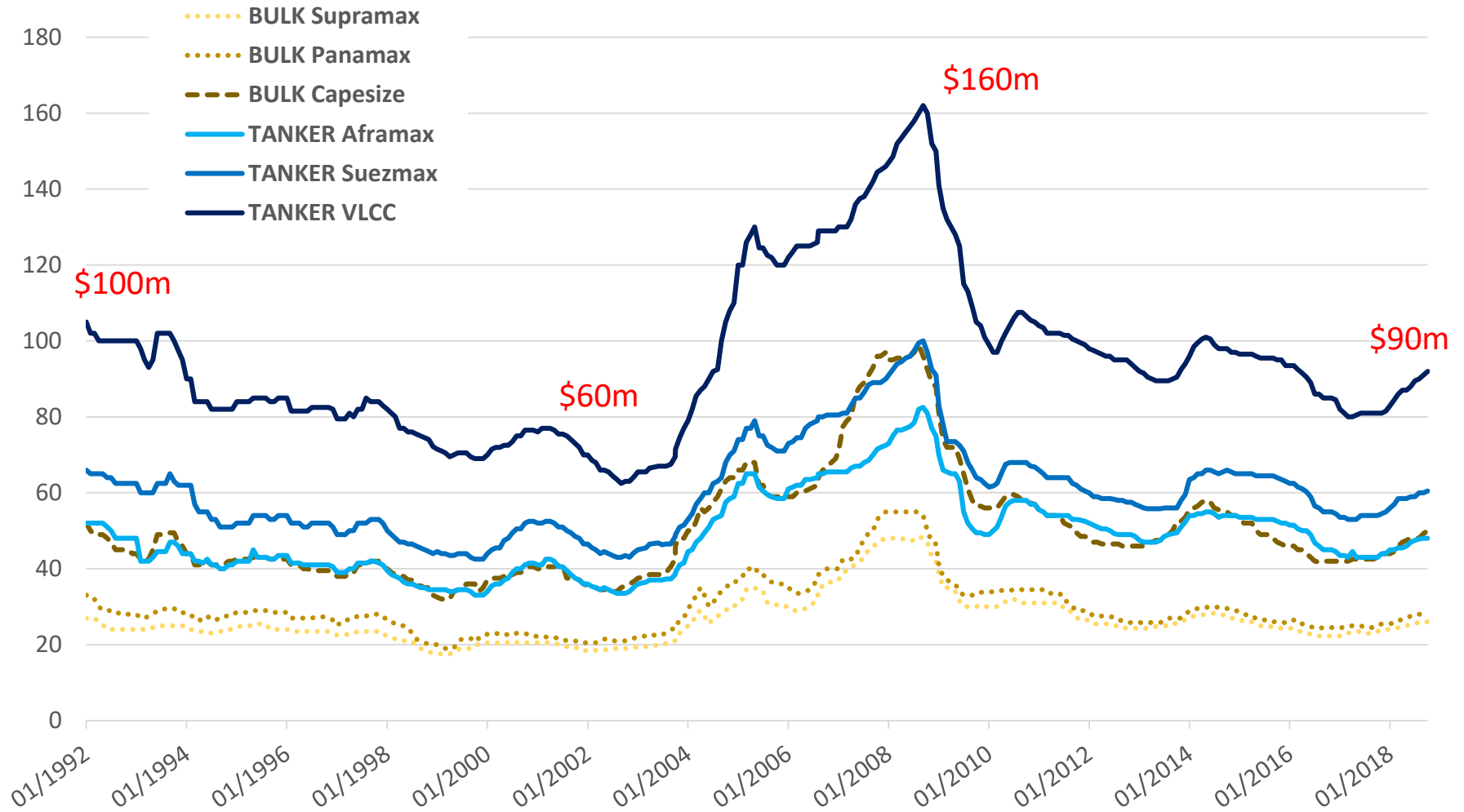
Number of Shipbuilding Facilities - China, Japan, South Korea



## Newbuilding prices since 1992



## VLCC newbuilding prices since 1992







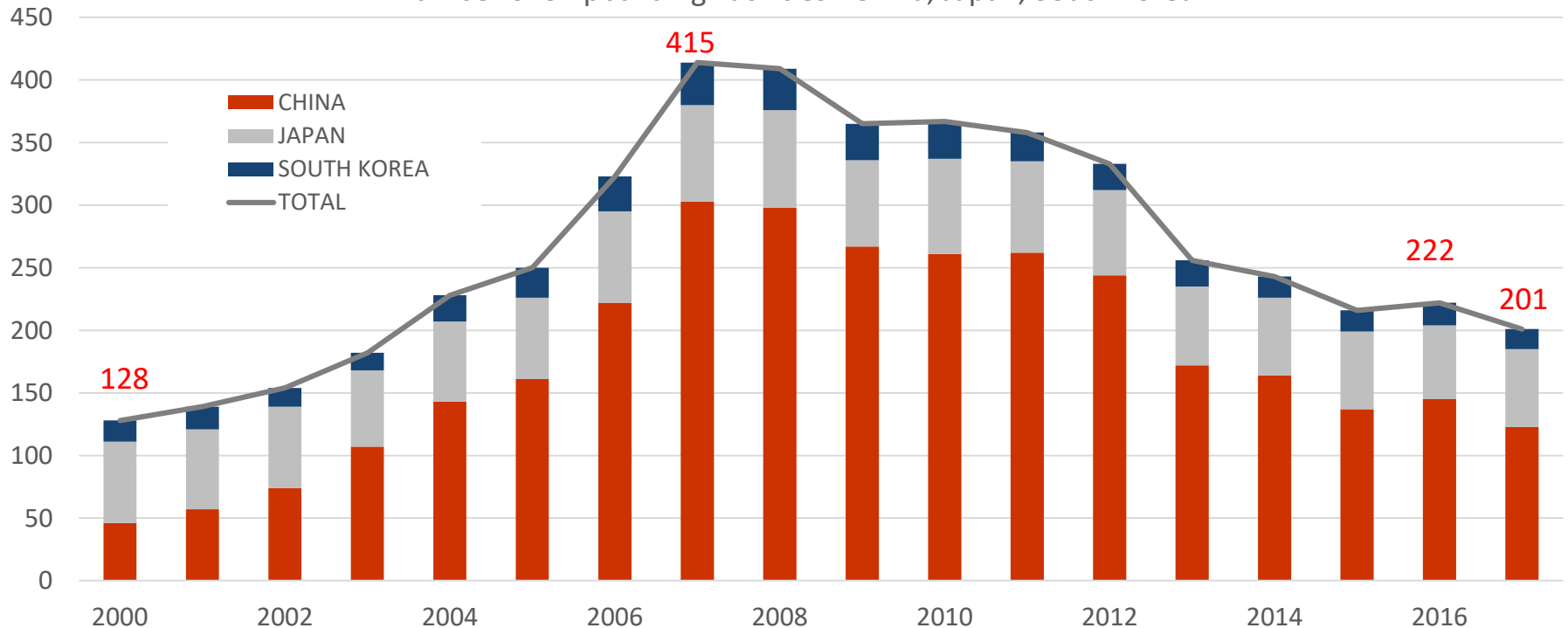
III. Are newbuilding prices sufficient to have a **sustainable industry**?

## Widespread losses in the shipbuilding industry

	FY 2015	FY 2016	FY 2017	FY 2018e
<b>SAMSUNG HI</b>	(Wn 962bn)	Wn 475bn	(Wn 150bn)	Wn 139
<b>NAMURA SHIPB</b>	¥14.6bn	¥7.3bn	(¥11.3bn)	(¥20.5bn)
<b>FINCANTIERI</b>	(€175m)	€14m	€53m	€30m

- Since 2007 the **number of shipyards** worldwide has halved
- China and Japan GT under construction -36% and -46% respectively
- S Korea orderbook -48% since 2007

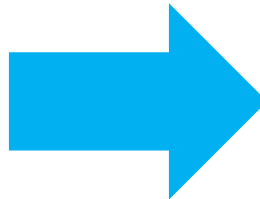
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## South Korea 2008: 27 yards

1. 21st Century Sb
2. Dae Sun
3. Daehan Haenam
4. Daewoo
5. Dongbang
6. Hanjin Busan
7. Hanjin Youngdo
8. Hyundai Mipo
9. Hyundai Samho
10. Hyundai Ulsan
11. Ilheung
12. Jinse Hi
13. Kwangsung
14. Mokpo S&e
15. Nokbong
16. Samho Sb
17. Samsung
18. Sekwang Hi Mokpo
19. Sekwang Hi Ulsan
20. Shinan
21. Sls Sb
22. Spp Sacheon
23. Spp Tongyeong
24. STX Busan
25. STX Jinhae
26. Sungdong
27. YS Heavy

**In 10 years the number of yards in South Korea has fallen by 65%**



## South Korea 2018: 9 yards

1. Hyundai Mipo
2. Hyundai Ulsan
3. Daewoo
4. Hyundai Samho
5. Samsung
6. Daehan Haenam
7. Dae Sun
8. STX O&SB Jinhae
9. Samkang M&t



IV.  
**Different strategies** to counter prices  
that may be below building costs?

## Strategies to counter low prices/long cycles

- State owned vs private
- Government/naval ship orders
- Tax breaks
- Debt waivers
- Soft financing
- Shipping funds
- Programmes for domestic owners
- Demolition bonuses
- Group cross-subsidisation

**How to qualify this support?**

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**THANK YOU**