



JECKU Chairman's Note 2019

Global Shipbuilders united in call for rationalisation of maritime business

Viareggio, 24 October 2019

The 28th JECKU Top Executive Meeting was held in Viareggio, Italy on 24 October 2019, attended by more than 83 Presidents, CEOs and other high level representatives from major shipbuilders in Japan, Europe, China, Korea and the United States.

In addition to the traditional JECKU Agenda with reports by each of the delegations on shipbuilding and economy in their respective regions, and individual market briefs by ship types and so on, the attendees engaged in constructive reflections on some of the structural challenges in the industry. These resulted in the following shared assessments:

Ships are magnificent products created by ingenuity and passion. Shipbuilders around the world cherish their profession and are rightfully proud of impressive technical achievements realised on a daily basis. However, at the same time global shipbuilders share awareness of a profound lack of rationality in the industry. For more than one decade, the global shipbuilding market has been suffering from poor trading conditions. Softer demand has pushed prices downward and shipyards have accepted numerous contracts at unsustainable prices. Major shipbuilding price indexes have shown a drop of more than 30% from their peak while production costs have steadily increased in parallel. The views maintained by the leaders of the shipbuilding industry in the past years again need to be renewed to seek efforts to develop level playing field towards a healthier market.

While the rational for the individual project partners may be compelling in each case - the customer getting a product at low cost, the builder being able to keep up operation and avoiding more costly idle factories – the outcome for the entire maritime business community is devastating: shipping suffers from too many ships, pressing down freight and charter rates. Shipbuilding maintains unneeded production capacity in the hope of a market recovery to arrive soon. This way, the risk/profit ratio is hopelessly poor, particularly when considering the scope of complications that may relate to constructing or operating large complex assets such as ships.

This practise is not new. On the contrary, it can be traced time and again since decades. And despite this being the case, the maritime community has delivered invaluable services to world trade and with it to global prosperity. However, now we are called on to undertake yet another major transformation: cease to contribute to climate change and environment pollution while keeping world trade seamlessly afloat.

Shipbuilders are eager to tackle this new task, developing new technical solutions and making best use of the opportunities offered by digitalisation. At the same time, it must be clear that a massive up-

scaling of resources to be dedicated to this important task is a pressing precondition. The same applies to our customers. Huge investments are needed to develop adequate technology and implement sustainable shipping.

To this end, profitability of all players involved has to improve significantly. The industry and academia must address the mechanisms that lead to the current undesired constellation and must reflect its traditional way of responding to economic challenges. At the same time also governments need to review existing framework conditions for the shipbuilding sector, as they may contribute considerably to the described phenomena.

To expect a different outcome from applying the same solution attempt over and over is irrational. Unfortunately, we continue to observe just that time and again. Overcapacity and low profitability haunt the shipbuilding industry. We call for a joint effort by all parties involved to address these core problems and thereby create framework conditions that allow industry to forcefully tackle maritime sustainability.