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The main theme at SMM 2010 – protection of resources and the environment

Interview with Dr. Reinhard Lüken, Secretary General of the Community of European Shipyards Associations (CESA)

Dr. Lüken, was 2009 more than just a temporary dip in the economy for the shipbuilding industry, which had become accustomed to setting up new records all the time?

The shipbuilding market remains a long-term growth market in Europe, as elsewhere. The world population continues to grow rapidly, and the oceans are being used more and more intensively, not only for transport, but also in areas such as generating energy and extracting resources. Nevertheless, the major drop in demand in 2009, which has now been going on for nearly two years, suggests that there are structural disruptions. The extent of global excess capacities and the state interventions in the market give all market participants cause for concern.

This year Asia's shipyards have received more orders again. Do Europe's shipbuilding companies have a structural problem?

The structural problems are global. The volume of production continues to grow, despite excess cargo capacities on ships. On the other hand, the order situation in the world is not improving. The first Quarter of 2010 was even below the average of the previous year, accounting for only 30% of production capacity. The figures in Europe are significantly better, with nearly the same number of orders received in the first three months of the year as in the whole of the preceding 12 months. Newbuilding orders account for 45% of production in Europe, but even this level is of course disastrously low. The structural difference that gives us cause for concern, apart from the market disruptions, is the substantially smaller average size of companies in Europe. Smaller companies have a lot less reserves to get them through lean periods.

Europe's shipbuilding companies want to defend their market position in global shipbuilding by means of the special shipbuilding sector. What products does this sector include?

All products that differed substantially from the standard designs in the mass markets. That is not primarily a question of ship type. In view of the dynamic rate of innovation, and the rapid changes in framework conditions, such as emission levels and fuel costs, I am convinced that new, smart designs will have good opportunities in many market sectors. The possibilities of presenting successful innovative technical solutions and thus gaining new markets have perhaps never been greater than today.

Asia's shipyards have also moved into the building of special-purpose offshore vessels. What needs to be done to prevent further loss of market shares for Europe's shipbuilding industry?

European builders regularly win out in the offshore sector, by making better products, with advantages that give real benefit to the clients. That can only be achieved by continuous further development.

The LeaderSHIP 2015 initiative launched in 2003 is intended to safeguard the future of European shipbuilding by means of technological expertise. Do you feel this programme is on track? Where does it need improvement?

Many people are not even aware that we redefined European industry policy with the LeaderSHIP 2015 initiative. That is a vital point, because national solutions are always going to have problems in a global



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context. Trading policy is a matter for the EU – that is where the answers have to be found to give a balanced relationship with trading partners such as China and Korea. The only way to influence global framework conditions within the OECD or at IMO is by means of European cooperation. Brussels is increasingly the key to the shaping of national regulations. I believe industry has taken that on board, even though we still have plenty of room to improve in terms of implementation.

As for the contents of LeaderSHIP, it is evident today that the long-term goals and activities will have to be complemented by an effective crisis response package. Proposals for that have been put on the table.

Throughout the world there are excess capacities in shipbuilding. How big are they? Should balance between production capacities and demand be regulated by the market?

It is a highly complex business to assess the extent of excess capacities. Just under 45 million CGT were delivered in 2009. The orders for the year were a total of 70 million CGT. Current production capacity is probably somewhere in between. The demand in 2009 was 16.5 million CGT, and it is probably a little more than that this year. The figures show that even if demand doubles, which I feel would not be unrealistic by 2012, there would still be enormous excess capacity. In addition, the countries which were the most strongly involved in building up capacity, such as China and Korea, are preventing correction by means of massive state programmes.

What position does CESA take on this?

Firstly, responsibility has to be taken mainly by those countries which have built up these enormous capacity surpluses. Europe has to insist on that.

Secondly, we need an international regime to support capacity reduction, and in particular to prevent repetition of the same mistakes. Like the finance market, the shipbuilding market needs rules to prevent unrestricted speculation.

Thirdly, Europe was not involved in building up excess capacities, and is not willing to pay for the mistakes of others. With a production volume of some 4 million CGT, most of which is concentrated on niche markets, Europe could in any case not make a major contribution to market adjustment.

In April, CESA presented a joint declaration of 33 regional governments on the future of European shipbuilding to the President of the European Parliament. What do you think the politicians should do?

It is up to the politicians to take note of the current market situation and to take appropriate action in order to prevent avoidable damage to the economy and employment. They are not doing anything like enough, especially in comparison with Asia. The regional governments are feeling the effects of this crisis much more directly, so they are providing important support for our work.

Three years ago, CESA set up the GuardSHIP initiative and introduced a manual for protection of intellectual property rights of European shipbuilders. How great is this problem in shipbuilding and the marine equipment industry?

It is an enormous problem, and is still underestimated by many. Especially at a time when standard designs are practically impossible to sell, the know-how lead is **the** decisive factor. If we want to be successful in future, we cannot afford to neglect the protection of intellectual property rights.

What impact has GuardSHIP has so far?

I believe we have substantially raised awareness of the problems, and that is the most important thing to start with. In addition, we have been able to provide practical support in some specific cases. GuardSHIP gives companies a point of contact for all matters concerned with the protection of intellectual property, both for prophylaxis and for response if theft of intellectual property rights has already happened. It makes sense for every company to try out the advice given by GuardSHIP.

An innovation show like SMM also serves for exchange of ideas. What do you see as the major trends?

The main theme of the industry is definitely green technology, for protection of resources and the environment. There is a whole host of innovative solutions available, some of them giving amazing benefits. The commitment of industry to serving this area is also reflected at the global maritime environmental

congress (gmecon). This exciting, high-calibre event will be one of the highlights during SMM. We hope and believe that many representatives of authorities, ministries and international organisations will visit SMM and its supporting programme – and we are working hard to persuade them to come! – so that they can find out about current industrial developments and take them into account in their work on framework conditions.

The interview was conducted by Dr. Uwe Cardaun on behalf of Hamburg Messe.