The European ship repair and conversion sector:
A resilient industry, competitive in the world and committed to EU policies for sustainable growth.

The Portuguese view on the maintenance, repair and conversion sector

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The WORKING DOCUMENT of the Consultative Commission on Industrial Change says:

- Ship repair yards are within the shipbuilding industry.
- Ship repair, modernisation and conversion is a specific segment of the shipbuilding industry.

The Naval Portuguese Association, considers that shipbuilding and ship maintenance/repair are two different activities, being the preventive maintenance more significant than the curative maintenance, in Portugal.

**It is the good preventive maintenance of the merchant fleets one of the main factors to ensure a high level of safety in maritime transport and the environmental protection of seas.**
The European ship maintenance & repair activity is a dynamic and competitive sectors in the EU and on a global scale. It has great importance from both social and economic perspective, due to the fact that is generating intensive direct and indirect labor, mainly on ship maintenance. **In Portugal, the level of sub-contracting for maintenance and repair represent around 75 % of used labor force.**
Maintenance of ships need competent yards. Apart from dry docking for *preventive maintenance*, vessels require ship repair yards for setting right collision damages, bottom damages, severe weather damages as well as faulty new buildings.

The installation of new compulsory systems, for more cleaner and fuel-efficient ships require competent Ship Repair & Conversion yards.
The state of the European shipbuilding and ship repair industry

World shipbuilding is currently facing a severe crisis. Large imbalance between supply and demand of ships, is causing very low freight rates in all types of transport, resulting in a ship owners lack of liquidity to invest in new ships, as well as, in the good maintenance of their fleets.
Low freight rates for the dry market

**Bulk Carriers Monthly Charter Rates**

1 year T/C for 5 yrs old

- Cape: 150-164,999 dwt
- Panamax 65-74,999 dwt
- Handy: 25-34,999 dwt

Data source: Drewry
Low freight rates on shipping

Source: Clarkson - Shipping Intelligence weekly
Present turnover on European ship maintenance and repair yards is 7% below the average of the observed period. This small negative trend is consistent with the lower average age of the commercial fleets, that cause a decrease on maintenance work. At present, there are no more large steel renewals, most of the business is in specialised work on machinery and systems.
Ship Maintenance, Repair & Conversion is a sustainable business in Europe

The economic shipbuilding and ship maintenance and repair performances have different behaviors. **Turnover on ship maintenance in 2011 is 19 % below the average level for the observed period whereas shipbuilding turnover is 60 % below.**

*Source: INE, sistema de Contas Integradas das Empresas (Integrated Business Accounts System)*
Europe will always have a significant market share on ship maintenance, dealing with vessels trading either cross-Atlantic or within the EU. For vessels over 30,000 dwt, Portugal (Lisnave) is the leading country in terms of vessels dry docked.
LeaderSHIP 2020 identified the main challenges and opportunities that occurred following the crisis, and give a strong contribution for the development of a competitive EU shipbuilding and ship repair industry.

Based on this vision the Commission and the Industry is developing ideas for recommended actions and projects, as well as for adaptation of policies where appropriate, with an emphasis on industrial policy and innovation.

It is recommended to pay particular attention to the "greening" of shipping, through the reduction of emissions from ships, improving of their energy efficiency, and assure safe shipping and clean seas, in particular, a proper treatment of ballast water.

The greening of maritime transport is of particular interest for the European maintenance, repair and conversion yards and for the marine equipment industry, which has so far shown a better resilience to the crisis.
Due to the low price of heavy fuel oil during nineties to 2005, the current merchant fleet was built without concerns regarding fuel economy. As fuel consumption is related to air pollution, mainly to production of CO2 (for each tonne of fuel burned three tonnes of CO2 are produced), shipping industry needs to improve environmental performance of ships, to increase its cost-effectiveness, besides complying with new environmental regulations.

Concerning world´s merchant fleet, 60 % is more than 5 years old and half of this fleet was built when the price of fuel was below 30 US$/barrel. Analysts say that today’s global maritime transport could be carried out with 30% lower fuel consumption.

The savings on fuel costs will be sufficient to cover the necessary investments to update world´s fleet. As a result from that, there are large margins to improve energy efficiency and to reduce emissions from existing and new ships, and offers good market opportunities for European ship repair yards and equipment suppliers.
60% of world’s merchant fleet was ordered when the price of heavy fuel oil was below 30 US$/barrel.
Existing and future EU legislation has to be strictly implemented and “exported” to the international level.

- **A more transparent, uniform, efficient and independent system of technical surveys of vessels has to be promoted.**

- **A quality assessment scheme for shipyards at world-wide level should be developed.**

- **Maintaining and strengthening ship maintenance and repair capabilities in Europe is important to ensure a high level of transport safety and environmental protection of seas.**

- **EMSA must pledge that IMO and EU Directives are respected to assure safe shipping and clean seas, on a time, ship owners have no liquidity to perform the required maintenance of their ships.**
Thank you for your attention

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