

EMEC newsletter SMM special issue



EMEC CONFERENCE at SMM 2006 HAMBURG

European yards and suppliers: a closer collaboration

The EMEC Conference at SMM 2006 was a great success in terms of participation and interest. Those who attended appreciated both the quality of the speakers and the level of the presentations.

EMEC President W. M. van Gulpen, Chairman of the Conference, explained how the marine equipment industry is estimated to contribute up to 70% of the value of a ship and - in some specific cases - up to 80% of a specialised vessel. It is clear that shipbuilding is becoming more and more a final assembly process. Marine equipment suppliers will be increasingly evaluated on the added value they can provide to a ship. This in turn will enhance the need for closer contacts and better synergies between yards and suppliers, as well as to some extent shipowners.

All speakers at the conference confirmed that this collaboration is already a reality in some cases, but that further improvements are required. In his presentation *The supplier's dilemma: Who*

is the customer?, **Richard Vie of Carnival Corporation Shipbuilding** proposed a list of items to identify an ideal supplier and facilitate the process of supplier selection in the leisure industry (cruise companies being rarely that interested in engines). A key factor for success was that suppliers keep the customers informed, acting as a partner and knowledge broker while staying cost competitive and delivering on time.

Bernd Lönnberg of Aker Yards (*Bigger ships, bigger challenges for cooperation*) looked at the evolution of cruise vessels. He explained how their increasing size has created more opportunities (including in terms of collaboration) and changed the traditional



Richard Vie (Carnival Shipbuilding), Bernd Lönnberg (Aker Yards),
Wolfram Lausch (MAN B&W Diesel AG)

production so that partners need to join the process at an earlier stage. Competition with Asia is strong but Europe has a competitive advantage due to its sub-network systems developed over the past 20 years. An efficient value chain and full commitment from the network to common tenders, together with transparent cooperation and defined and agreed fields of competence seem to be the means for future mutual success.

Wolfram Lausch of MAN B&W Diesel AG discussed how *Diesel manufacturers are driving the industry*. After a brief presentation on the medium-speed propulsion market in 2005 and 2006, he concentrated on the engine manufacturers as system providers. There are various options for approaching the Asian market while protecting intellectual property rights through local production and licences. According to Lausch, alternative propulsion concepts to the diesel engine (mainly gas turbine and fuel cell) can only be competitive if

solutions for better protection via control systems, more knowledge on the dynamic load in service and precise knowledge on load limits of mechanical components. Van Beek went on to explain how Wartsila is actively developing new technology to ensure that propellers take all these variables into account.

Human error is a common cause of maritime accidents reported **Kjell Dittmann of SAM Electronics** in his presentation on *Integrated bridge systems*. Integrated bridge systems can therefore only lead to safer ship operations if the right system is chosen from the perspective of buyers and sellers alike. The main risk for manufacturers is to supply a system that is 'not right'. According to IMO and Class, the 'right' system should facilitate safe navigation under all operating conditions, minimise the risk of human error and, should such error still occur, detect it in time for appropriate action to be taken. Building an integrated system based on Human Centred Design seems to be the answer.



Jan Wim Dekker (Damen Shipyards), Teus van Beek (Wärtsilä Propulsion Netherlands BV), Kjell Dittmann (SAM Electronics)

Jan Wim Dekker of Damen Shipyards gave a presentation on "Cooperation: A matter of common business sense". He looked at the success his company has had by taking an innovative approach to the market. With the exception of one-offs where major involvement from the customer is needed, tugs, workboats, high speed and naval

they improve on specific issues such as the acquisition cost of propulsion plant in relation to ship's price, fuel and lube oil costs, and the volume of fuel and lube oil in relation to cargo tank volume. In any case, diesel engines are considered capable of operation with all anticipated fuels. Some 47% of the global trade in tons x km is currently powered by MAN diesels.

Teus van Beek of Wärtsilä Propulsion Netherlands BV gave a presentation on *Matching propulsion systems*. The relationship between ship design issues and the significant increase in stresses that ships have to face when in service shows the importance of the propellers behind the ships. The dynamic effect, the behaviour of ships in waves, the optimisation and adaptation of the design and the subsequent propulsion systems require technological developments and continuous

craft, fast ferries, and offshore and transport vessels are developed via a mix of standardisation and series production, with low customer involvement or supervision during the construction. Damen has therefore built up a network of suppliers that are requested to design and engineer in partnership with its offices, and follow them to production locations around the world. The level of collaboration is ensured through trust.

The interest in improving collaboration between yards and suppliers is shared by all the players in the shipbuilding supply chain.

EMEC is pleased that this conference has assisted in identifying and analysing the issue while fostering a commitment from all concerned to collaborate more closely in the future. The competitiveness of European shipbuilding in Europe depends on it.



EMEC PRESS CONFERENCE at SMM 2006

SMM Press Conference

EMEC, the European Marine Equipment Council, was for the first time invited to take part in the press conference of SMM, the world's leading exhibition for the marine equipment industry. The press conference was held in Hamburg on 25 September 2006, the day before the official start of SMM.

This invite confirmed the importance of increasing the role of the EMEC and thereby increasing the visibility and awareness of the European marine equipment sector.

It also shows the improved profile of EMEC and the relationships it has established with the organisers of SMM in order to support the Member Associations and their respective companies in promoting the European industry at a worldwide level.

EMEC President Pim van Gulpen was invited to give a presentation to the accredited press on the global market of marine equipment, the role of European marine equipment and its future developments. He underlined the fact that marine equipment suppliers offer up to 70% of the value of a ship (see photo) and the added value brought by the sector to the European maritime cluster.

Van Gulpen also highlighted the world leadership of the European companies and the importance of investing in research, development and innovation

for the future competitiveness of the sector. He mentioned and confirmed the need for higher level of harmonisation on rules and regulations in the maritime sector, and specifically the necessity for Class Societies to increase harmonisation in their technical rules in order to reduce the cost burden on marine equipment suppliers.

Other speakers at the press conference were:

Dietmar Aulich, Managing Director of Hamburg Messe und Congress GmbH. Subject: Key areas and the programme for SMM 2006

Jürgen Kennemann, Chairman of VSM, German Shipbuilding and Ocean Industries Association. Subject: Overview of the outlook for Europe and international market situation in shipbuilding. What is the future for the global sector? Economic perspectives in shipbuilding, ship types that are important and the aspects involved, and the role of SMM 2006.

Tor E Svensen, Vice-Chairman of IACS, International Association of Classification Societies. Subject: International classification and requirements on the part of international shipping and shipbuilding relating to safety and environmental protection for oceangoing vessels. Developments and innovations with respect to SMM 2006. Future expectations and resulting consequences.

Pictured above: Tor E. Svensen, Pim van Gulpen, Jürgen Kennemann, Dietmar Aulich, Angelika Schennen.

Speech from W.M. van Gulpen, EMEC President



Pictured above: Martin Greve, Project Director SMM; Dietmar Aulich, Managing Director Hamburg Messe und Congress GmbH; Pim van Gulpen, Präsident EMEC, European Marine Equipment Council

I would like to start by thanking Hamburg Messe for inviting me to address this distinguished audience of journalists on behalf of EMEC.

EMEC, the European Marine Equipment Council, has been representing the marine equipment industry in Europe since 1991. The association presently consists of **13 European trade associations**.

Marine Equipment Industry is made up of various sectors (collectively serving the shipbuilding, ship repair and shipping industries). This means that, as a term, 'marine equipment' can be open to differing interpretations, making it difficult to compare available data.

Nonetheless, we can safely say that the marine equipment industry supports the entire marine value chain and its stakeholders. From port infrastructure and operation to the ship/shore interface. From shipbuilding and ship repair to ship operation and the life cycle of a ship. The industrial contribution includes the production of steel and other basic materials; the development and supply of engines and propulsion systems, cargo handling systems, general machinery and associated equipment, environmental and safety systems, electronic equipment incorporating sophisticated control systems, advanced telecommunications equipment and IT.

As a result, the marine equipment industry is estimated to **contribute up to 70% of the value of a ship and - in some specific cases - up to 80% of a specialised vessel**.

A recent European study estimating the turnover of the maritime sectors worldwide gave a **value of € 72,871 million** to marine equipment.

The estimated turnover in the European Union and Norway is approximately **€26 billion**, which corresponds to around **36% of the global market**. Of the €26 billion estimated turnover, €12 billion relates to the export market, almost 50% in other words.

Today, the Far East shipbuilding industry continues to grow apace. In the first 7 months of 2006 CGT figures are: Japan 13%, Korea 43%, China 22%, Europe 11%.

Therefore, it is not surprising that export is increasingly important to European equipment suppliers. This is especially so if we consider that European equipment industries are **world leaders** in propulsion, cargo handling, communication, automation and environmental systems. They have been expanding their international market share by mainly investing in research and innovation. However, this expansion cannot be fully applied to SMEs, which represent a large part of the European industry.

An analysis of the way marine equipment suppliers in different countries or regions approach export and international cooperation offers a glimpse of what the future holds.

Shipbuilding will become a final assembly process and increasing amounts of fabrication and assembly will be undertaken by equipment suppliers. As a result, the marine equipment industry will be increasingly evaluated on the added value it can provide to a ship. Research, development and innovation will be key factors in improving that added value.

As a result, increased collaboration between shipowners, shipyards and marine equipment suppliers will be of greater importance.

A further development will see positive moves being made towards 'integrated solutions' in a number of marine equipment sectors. This will bring with it some 'industry optimisation' and more mergers, takeovers and alliances.

There will have to be a greater harmonisation of rules and regulations within the sector. More International regulation vs 'Regional' one. While Class societies will have to reduce inefficiencies in their system.

This is just a snapshot of what we can expect in the decades ahead. But one thing is certain: The global marine equipment industry and its supply chains are a complex and challenging business. And that's makes for an exciting future for everyone involved.

Thank you for your attention.

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