

The 27th JECKU Top Executive Meeting

Shima, 25 October 2018

Chairman's Note (draft)

The 27th JECKU Top Executive Meeting was held in Shima City, Mie Prefecture, Japan on 25 October 2018, attended by representatives from major shipbuilders in Japan, Europe, China, Korea and the United States.

In traditional fashion, each of the delegations provided a report on shipbuilding and economy in their respective regions, then individual market briefs by ship types were reported as well as review of global shipbuilding supply and demand. The report of CESS (Committee for Expertise on Shipbuilding Specifics) included a discussion of the ongoing efforts to improve the effectiveness of JECKU and specific information on how shipbuilders will address new environmental regulations.

Participants noted the outlook that while the global economy is showing signs of recovery, world seaborne trade is not likely to grow at a much higher pace than world GDP growth as seen in the past. In addition, all delegations shared the view that world seaborne trade could be severely affected by development of trade issues which are currently taking place.

In the shipbuilding situation briefs, although some improved trends in new orders were pointed out, it was noted that orderbooks are not yet at a satisfactory level in the regions mainly building merchant vessels. On the other hand, the briefs reported that a relatively stable business environment is seen in the regions that specialize in building complex ship types. Regarding the ongoing urgent challenges in the shipbuilding market (i.e. the imbalance between supply and demand and low ship prices), the Top Executives in general acknowledged that both seem to have come through the worst times. However, the Executives are still not confident that both will follow the trends to full improvement and showed a need for continued appropriate responses to the causes of these challenges.

Individual market briefs and the review of newbuilding supply and demand indicated that a significant increase in newbuilding demand based on an increase in seaborne trade is not expected. In this context, it was mentioned that some publicly reported ship prices seem to indicate spreading of loss making levels, which could cause major damage to the recovery of markets to sustainable levels. On the other hand, the delegations showed some expectations that the strict environmental regulations will accelerate the replacement of older fleets and lead to newbuilding demand.

All delegations agreed that it is imperative to reflect a common voice amongst shipbuilders in the decision making process at the International Maritime Organization (IMO). As represented by the strategies on GHG reductions set at IMO, the ambitious requirements in environmental regulations for international shipping are gradually intensifying. Participants shared the view that these will naturally deliver opportunities to shipbuilders for the introduction of innovative technologies and also shared the spirit of a role that we have to fulfill.

In parallel, it is important that the shipbuilding industry closely cooperate with related industries. For that purpose, it is essential that ASEF (Active Shipbuilding Experts' Federation) and SEA Europe jointly cope with environmental challenges. As endorsed last year, the participants confirmed that JECKU will support activities of both ASEF and SEA Europe through the channel of CESS.

In keeping with the new JECKU element, so called "JECKU Evolution" agreed to last year, several topics relating to the environmental regulation and related impacts on shipbuilding business were reviewed. In this session, the Top Executives welcomed and endorsed the moves toward seeking realistic solutions that can be adopted by the key players. Additionally it was recognized that "any measures that may disturb the level playing field in the global shipbuilding market are not helpful in creating a healthy market situation and the global discipline on business practices is essential for fair competition" which had been indicated in last year's Chairman's Note.

The 28th JECKU Top Executive Meeting will be hosted by the European shipbuilders in 2019. All delegates agreed to meet in Viareggio, Italy in October 2019.

(End)