

## Export Consortia: A strategy for increasing competitiveness in EU Shipbuilding and Ship Repair

**Seminário IBLUE - Boas Práticas no Sector da Náutica de Recreio**  
**18set2018**

Presented by J. Ventura de Sousa - AIN



## 1. EU Shipbuilding and Repair Competitiveness

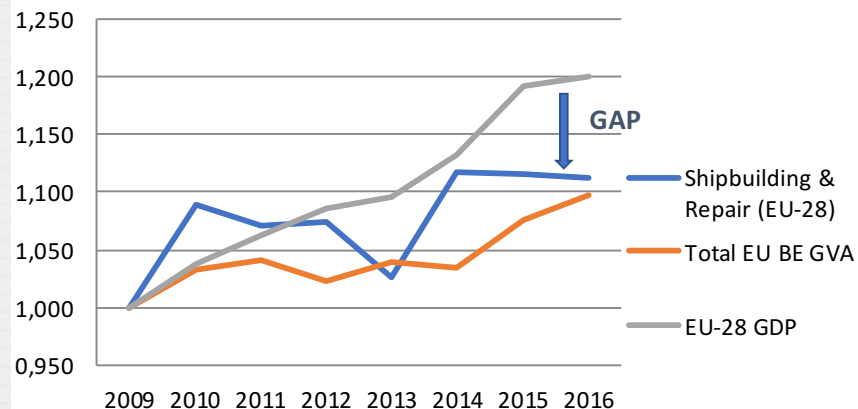
Shipbuilding & Repair (S&R) is an established support activity necessary for sustaining the development of EU Blue Economy. In World and EU countries S&R has a tractor effect on Blue Economy and other industries.

**The European S&R industry is growing below the EU economy.**

For the period 2009-2016, the published figures on “The 2018 Annual Economic Report EU Blue Economy” show that **EU S&R had a growth 8,8 % below EU GDP**, 11,3 % against 20,1 % of EU GDP (2018 Annual Economic Report on EU Blue Economy).

For the reported period, in the last two years, the S&R GVA decreased 0,5 % but still is over the growth of the Total European Blue Economy.

**EU Blue Economy GVA and S&R vs EU-28 GDP**



Source: 2018 Annual Economic Report on EU Blue Economy, INE

## EU Shipbuilding and Repair Competitiveness

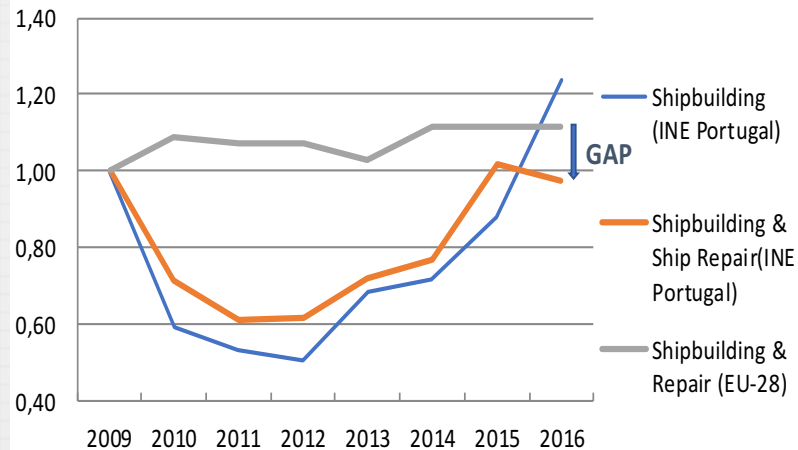
In the same period, the Portuguese S&R had a negative growth of 2,7 %. If considering only Shipbuilding, the GVA grew 23,7 %, above the EU S&R GVA and GDP.

The Portuguese S&R was severely affected by the 2008 crisis. Since this year, Shipbuilding prices decreased significantly due to lower demand of shipping and crude oil exploitation together with the excess capacity of construction and of commercial fleets.

These poor market conditions provoked a deep crises on EU and Portuguese S&R, very well noted in the Portuguese Ship Repair activity.

The Portuguese S&R is growing below the EU S&R. If considering only the Shipbuilding activity, the growth was higher then the EU S&R.

GVA in S&R in EU and Portugal



Source: 2018 Annual Economic Report on EU Blue Economy, INE

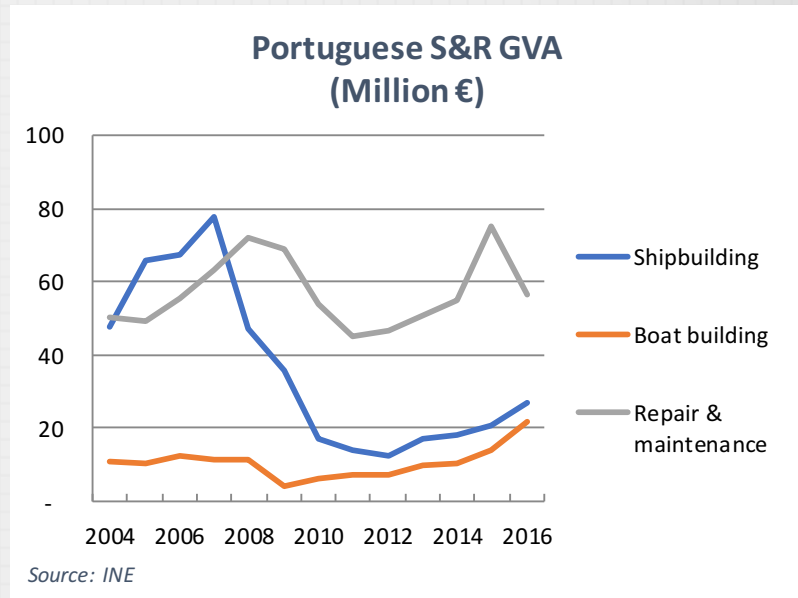
## Portuguese Shipbuilding and Repair Competitiveness

Shipbuilding may be decomposed in shipbuilding (excludes boat building) and boat building. Both were hit by the 2008 financial crisis, but boat building has grown steadily since this year.

Between 2009 and 2016, the GVA on boat building increased 446 % against a reduction of 24 % in shipbuilding. In 2016, boat building increased 58 % against a growth of 24 % in shipbuilding.

The low GVA on shipbuilding is showing that our large shipyards are incorporating a very small content of added value. A more detailed analysis shows that most of the equipment and services are imported from foreign countries.

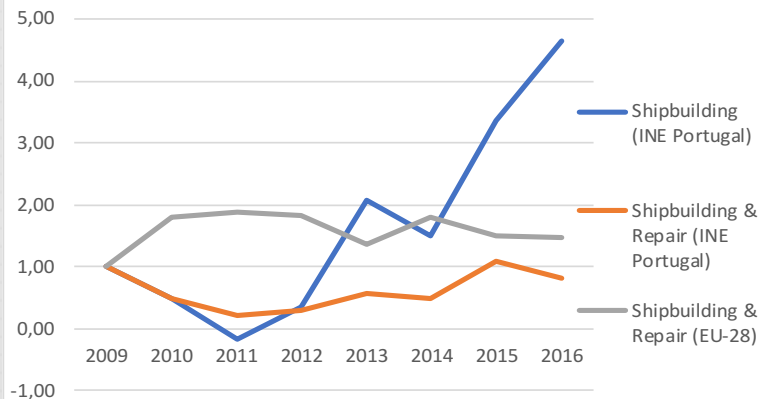
**It is one of the weakest points on the shipbuilding activity is the very small dimension of the supply (ancillary) industry.**



## Boat building competitiveness

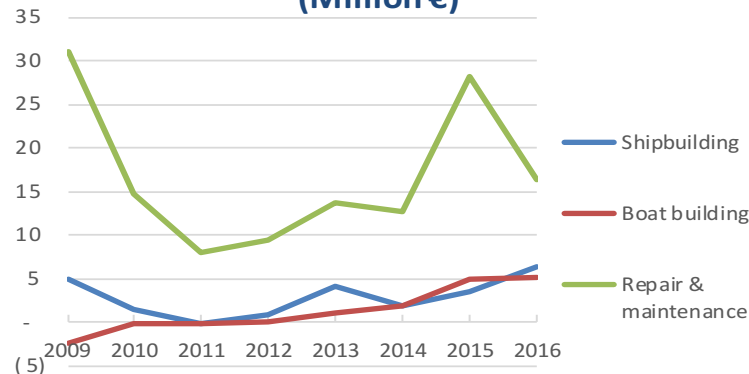
The boat building Gross Operating Surplus(GOS) was not affected by the crisis; it is the activity with greatest growth in the period 2009-2016. The Portuguese S&R GOS grew over the EU S&R growth. However, both S&R GVA still are much below the pre-crisis figures (could mean an increase in productivity).

**Gross Operating Surplus (Portugal vs EU-28)**



Source: 2018 Annual Economic Report on EU Blue Economy, INE

**Gross Operating Surplus (Million €)**



Source: INE

## How can the industry overcome the situation?

To overcome the world competition and improve the growth and development in S&R, shipyards are forced to focus on new markets and more demanding on high technology and high value vessels. The CONSORTEx project has the objective to give one contribution to this challenge.

### THE PARTNERSHIP



## CONSORTEX – European Internationalization Maritime Consortia - OVERALL and goal OBJECTIVE

The main aim of this project is to form at least 5 consortia of European interregional companies specialized in:

- Manufacture of certain sets of naval production: **bridge, engine room, deck and accommodation;**
- for a certain type of shipbuilding: **offshore vessels, marine power plants, cruise ships and scientific vessels.**

The goal of the consortia is basically commercial, but its performance should be extended to all areas of the shipbuilding industry, such as innovation, technological development and professional training.





## CONSORTEX – Operational objectives

Operational objectives are:

- Know in depth the current impact and future prospects of the shipbuilding industry in the territories participating in the project: GDP, HDI, unemployment, technical level of workers, economic and industrial structure and multiplier effect on other sectors.
- Analyze the industrial equipment sector and its synergies with other marine activities in the blue economy.
- Know the structure of technological knowledge: technology centers, universities and training centers involved in maritime industry.
- Diagnose the real impact of the maritime industry on the environment.
- Identify the European Maritime industry value chain.

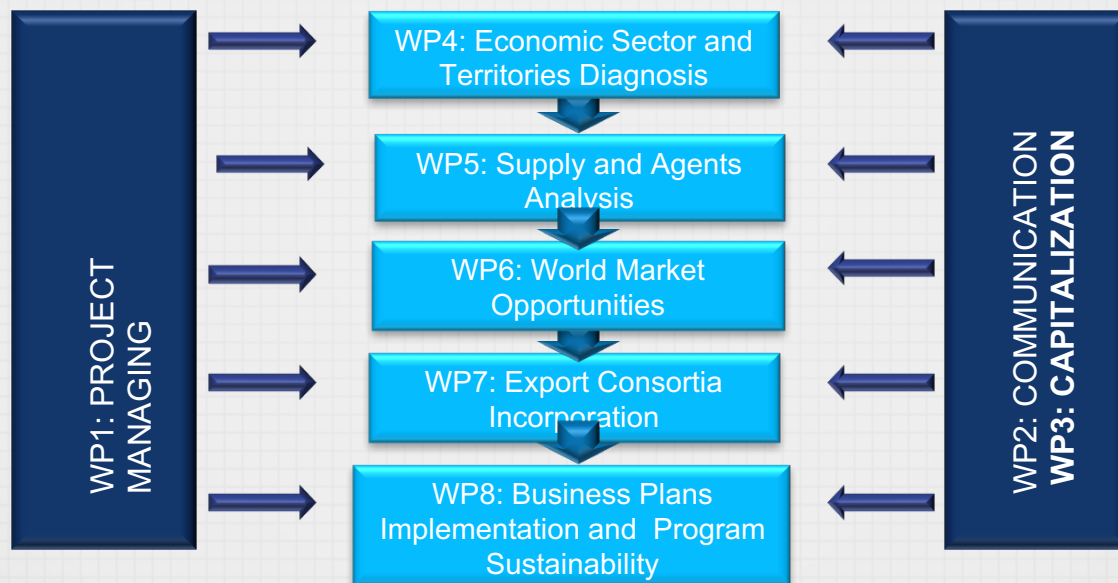




# CONSORTEX – European Internationalization Maritime Consortia

The project CONSORTEX, is a two years project funded by Interreg Atlantic Area Programme that aims to form Export Consortia made by European Interregional SMEs, to improve the competitiveness on S& R sectors.

## ORGANIZATION



## CAPITALIZATION.

### What is an Export Consortia?

An Export Consortium, according to the United Nations Industrial Development Organization (UNIDO) “is a voluntary alliance of firms with the objective of promoting the export of goods and services of its members through joint actions and multilateral trade programs”.

Interregional Export Consortia are going to be created to increase the competitiveness of the European Atlantic S&R and ancillary industry in international markets, by promoting joint work, high tech, employment and professional qualification. European SMEs in the sector need to grow in size, to be innovate in marketing and supply a complete portfolio of technical solutions based on high tech in all links of the value chain.



## Overcame international competition in high tech markets

While the goal of the consortia is innovation in marketing, their performance will be extended to all areas of the shipbuilding industry, such as innovation and technological development.

Faced with the challenge of international competition, SMEs can address some highly specialized niche markets with high added value by forming groups of companies.

These groups of firms will become Export Consortia which will be able to supply to international market a different product, based on leading technologies.



## How to increase the S&R ancillary industry ?

It is intended to tackle a fundamentally commercial problem that is common to all the Atlantic Area and other European basins: the low weight of the European ancillary shipbuilding industry. This problem has a higher acuity in Portugal. The Portuguese Shipbuilding industry has a low GVA; we have no significant equipment and materials suppliers nor expert subcontractors.

Maritime industry is constantly evolving for increased innovation. **But innovation is not only technology and production. There is constant innovation in processes, marketing and management, namely in these aspects:**

- A new approach to the market: Export consortia are a commercial tool to improve the access of SMEs to distant and very competitive markets, which each of them, separately, could not be able to reach.
- A new export consortia incorporation methodology: This methodology consists of 4 phases (awareness, setting consortium, consortium model of the initial group, and implementation). These phases are deployed in 21 consecutive actions.
- A new emphasis in specialization: Consortia will only work in market niches related to the already referred types of ships and naval buildings (**offshore vessels, cruise ships, offshore power plants and scientific ships**) and complete areas of them (**accommodation, deck, bridge and engine room**).



## Which are the main difficulties Benefits, Obstacles and Challenges in forming an Export Consortia?

The main difficulty of SMEs to establish a presence abroad is their small size and lack of financial means, as well as not meeting the necessary production capacity needed by their clients, and to have competitive prices and operate at a significantly higher level of efficiency.

Small to Medium size Enterprises (SMEs), play a key role in the economy, both on a domestic and global scale. However, most of the SMEs Portuguese and the other participant Interregional SMEs, do not meet the needed requirements and do not have the means to establish a successful presence in foreign markets.

By being part of an export consortium, participating SMEs will combine expertise and financial means, and so can overcome the limitations they face in taking advantage of market opportunities that require the delivery of large stocks of products or compliance with international standards. The main benefit of the created Export Consortia is the creation of a much more streamlined (i.e. faster and efficient) process of exporting. This leads to significant reductions in terms of both cost and risk.



## How an Export Consortia can be created?

The initiative to create an export consortium may either come from a public institution or from the private sector as the CONSORTEX project.

An export consortium can be created by starting a new entity based on a joint agreement between the participating companies. The resulting entity would then start to be considered as just a single entity that represents the collective interests of all its members and signatories.

Important is that before initiating the process of establishing a consortium, the involving actors must be aware that it is necessary to have a clear objective, consensus should be built up, and time factor should be considered.





## How an Export Consortia can be created?

According to UNIDO (2005), There are 8 steps involved in the creation of a consortium which are:

- 1) Identifying a promoter;
- 2) identifying potential members;
- 3) to conduct a study of interest and to contact interested firms;
- 4) designating representatives;
- 5) scheduling meetings between members;
- 6) to prepare feasibility studies and a business plan;
- 7) the incorporation of the consortium; and
- 8) ensuring follow-ups.



## What should be the strategy?

### Internasionalisation Strategy

Collective internationalization strategy (a set of resources, skills and trends, of a material, cultural and organizational nature) aligned with the vision and strategy of the cluster and clear determination of strategic areas of knowledge with potential business development in a network context.



Clear objectives for cluster management activities and international collaboration projects, ensuring that they are perceived and understood by all stakeholders.

Combining analytical tools (industry, cluster, regional, macro-trend analysis) to support the design of a strategy for internationalization - e.g. 'cluster map', market intelligence, foresight, ...

*Internationalisation Strategy (adapted from Assis & Haneman, 2014)*

## How to identify the Best Practices to create an Export Consortia?

According to Assis & Haneman, 2014. the collective internationalization strategy should be aligned with the vision and global strategy of the cluster. The cluster should also have a clear determination of strategic areas of knowledge with potential business development in a network context.

This strategy will drive to clear objectives to the cluster management, aligned with internationalisation collaboration and analytic tools to support the design strategy for internationalisation.

Aligned with these authors, in Portugal were analysed previous experiences and identified best practices through the study of i) published research, ii) face-to-face interviews and by the iii) responses to the survey questionnaires that were sent to most known maritime clusters.

Direct contact was made with the national clusters and organizations that could bring the best inputs to this report. following clusters were face-to-face interviewed:

- AED Cluster Portugal – Aeronautics, Space and Defense Cluster
- INOVARIA – Companies Association for an innovation network
- Bigle – Fostering Oceans Sustainable Development
- Wavec – Offshore Renewables

## How to identify the Best Practices to create an Export Consortia?

An issue raised at the meetings was the need that the members of the consortia retain their financial, legal and management autonomy. Though, it is essential that consortia are formalized in some way, firms must formally commit themselves to the consortium. Still, the establishing a formal structure with clear rules and responsibilities at an early stage of consortium development can help the participants to focus their activities.

The formalization of the consortium depends once again on trust, how the members will operate together, for how long, with long-term objectives or for a specific purpose and all of them should be aligned with a mutual objective. No partner should overlap each other.

One of the most repeated advices, the consortium must know very well the capabilities of each partner. It's important to know very well the organization itself. This knowledge will be crucial to define objectives, strategy and new partners profile, as well as to identify projects out of consortium capabilities, which can end in failure.

# Thank you for your attention

J. Ventura de Sousa  
[Ventura.sousa@ain.pt](mailto:Ventura.sousa@ain.pt)  
[www.ain.pt](http://www.ain.pt)