Deep changes in the Norwegian maritime industry: From conventional shipping to offshore and financial services

Erik W. Jakobsen
Managing Partner Menon
Hovedpoeng

- Two conflicting stories of competitiveness
  - Strong growth in value added and in companies’ international positions
  - Decline in global market shares
- The reason (how): A structural change from conventional shipping to offshore
- The key drivers (why): The Norwegian maritime cluster continuously seek high end markets;
  - Knowledge based and innovation driven
Rapporten kan lastes ned fra Menons hjemmeside, [www.menon.no](http://www.menon.no)

Eller bestilles i trykket form fra [www.kolofon.no](http://www.kolofon.no)
Two conflicting stories of competitiveness

Some stylized facts about growth and market shares
Strong growth in Value Added from 2000 to 2008

Growth in value added in the maritime industry from 2000 to 2009. mNOK

- Total EBITDA in the maritime industry
- Total wage costs in the maritime industry
And a growing share of GDP

The Norwegian maritime industry’s share of Norway’s GDP. Source: Menon & SSB.no
And a growing share of GDP

The Norwegian maritime industry’s share of Norway’s GDP. Source: Menon & SSB.no

50% from 2002 to 2008
Norway has lost shares of the world fleet since 2002

Development in shares of the world fleet (DWT) from 1995 to 2010. Source: ISL Bremen/NSA
A dramatic decline

Development in shares of the world fleet (DWT) from 1995 to 2010. Source: ISL Bremen/NSA

From 7.7% to 3.1% in 8 years
The Norwegian fleet has actually declined in the past 15 years.
The explanation?
Offshore segments have grown faster than deepsea

Value added in three shipping groups from 2000 to 2009. mNOK

- Drilling and production services
- Deepsea shipping
- Offshore support
Actually, deepsea don’t grow at all (in Norway)

Percentage growth in Value added in two shipping groups from 2000 to 2009. Source: Menon
The same pattern holds when we look at the entire maritime industry.

Percentage growth in Value added in offshore oriented groups and in deepsea/shortsea groups from 2000 to 2009. Source: Menon.
Deepsea is the only segment without growth the last 10 years

Value added growth (in %) among 10 maritime groups in Norway from 2000 to 2009. OFFSHORE GROUPS IN ORANGE, REST IN BLUE
The Norwegian maritime industry today

1. A complete offshore cluster – covering 70% of value added
   – A global knowledge hub

2. A maritime and offshore oriented financial cluster in Oslo
   – A global knowledge hub?

3. An industrial shipping cluster in Bergen
   – Integrated companies in specialized, high-end segments

- A global Norwegian-controlled maritime industry
  – Singapore – little Norway
  – Brasil, China, etc
Singapore – Little Norway

Land Area 707 sq km
(Norway: 600x)
Norwegian maritime & offshore companies 1/3

ABB Industry Pte Ltd
AGR Asia Pacific - Singapore Rep Office
AJM Ship Pte Ltd
Aker MH (S) Pte Ltd
Anglo-Asian Shipping Pte Ltd
APL Offshore Singapore Pte Ltd
Asia Maritime Logistics Pte Ltd
Awilco Offshore Singapore Pte Ltd
B + H Equimar Singapore Pte Ltd
Baker Atlas,
Barwil Unitor Ships Service (S) Pte Ltd
Belships Management (S) Pte Ltd
Berg Business Research
Beta Moss (S) Pte Ltd
Boe Consult
BW Shipping Managers Pte Ltd
Camillo Eitzen (S) Pte Ltd
Dalseide Shipping Services Pte Ltd
Det Norske Veritas Pte Ltd
DnB Nor Bank ASA
DNV Petroleum Services Pte Ltd
Dolphin Drilling
Dualog Singapore
DVB Group Merchant Bank (Asia) Ltd
Eidsiva Shipping Pte Ltd
EMS Ship Supply
Endeco Marine Engineering Pte Ltd
Eukor Car Carriers Singapore Pte Ltd
Fearngas (Singapore) Pte Ltd
Fearnley Offshore Supply
Fearnleys Asia (Singapore)
Flexmodule Asia Pte Ltd
FMC Southeast Asia Pte Ltd
Frank Mohn Singapore te Ltd
Norwegian maritime & offshore companies 2/3

- Fred Olsen Production Pte Ltd
- Fuglesangs (S) Pte Ltd
- Gearbulk (Singapore) Pte Ltd
- Glamox Far East Pte Ltd
- Goltens Singapore Pte Ltd
- Grieg Logistics Pte Ltd
- Harald Frigstad Engineering Pte Ltd
- Hernis Scan Systems Asia Pte Ltd
- IKM Testing Asia Pte Ltd
- Imarex Asia Pte Ltd
- J Martens Asia Pacific Pte Ltd
- J.B. Ugland Shipping
- Jebsens International (S) Pte Ltd
- Jotron Asia Pte Ltd
- Jotun (Singapore) Pte Ltd
- KGJ Cement (Singapore) Pte Ltd
- KGJS (Singapore) Pte Ltd
- Klaveness Asia Pte Ltd
- Kongsberg Maritime Pte Ltd
- Kongsberg NorControl IT Pte Ltd
- Larsen Oil & Gas Pte Ltd
- Lorentzen & Stemco Singapore Pte Ltd
- Marinco Asia Pte Ltd
- Marine Services & Engineering Pte Ltd
- MarineTrans Singapore Pte Ltd
- Maris Asia Pacific
- Marlink Pte Ltd
- Masterbulk Pte Ltd
- Masterbulk Ship Management Pte Ltd
- Nautisk Fortag AS
- Neptune Marine & Drilling Pte Ltd
- Nera Telecommunications Ltd
- Nexxt Europe Pte Ltd
- NHST Media Group Asia Pte Ltd
- Nor Offshore Pte Ltd
- Nordea Bank Plc
- Nordic Maritime Pte Ltd
- Nordisk Defence Club (Singapore) Pte Ltd
- Norgas (Asia) Pte Ltd
- Nortechs FPSO Pte Ltd
- Nortrans Pte Ltd
- Norwegian Hull Club
- Odfjell Asia Pte Ltd
- Odim Far East Pte Ltd
- OSM Ship Management Pte Ltd
- Pareto Securities Asia Pte Ltd
- Petroleum Geo-Services Asia Pacific
- Prosafe Production Services Pte Ltd
- Proserv Far East Pte Ltd
- R.S. Platou (Asia) Pte Ltd
- Rolls-Royce Marine Singapore Pte Ltd
- Rommen Pte Ltd
- Scana Singapore Pte Ltd
Scandia Marine Pte Ltd
Scanvik Marine Services Pte Ltd
Seadrill Offshore Singapore Pte Ltd
Seagull Maritime Information Technology
Sense-EDM (S) Pte Ltd
Sevan Production Pte Ltd
Ship Equip Pte Ltd
ShipNet Asia Pte Ltd
Singa Ship Management Pte Ltd
Sinomaris Pte Ltd
Skuld Singapore Representative Office
Songa Shipping Pte Ltd
Spectec Asia Pte Ltd
Sperre Asia Pte Ltd
Standard Drilling Far East Pte Ltd
Star Forest Carrier Pte Ltd
Star Information Systems
Statoil Asia Pacific Pte Ltd
Stolt-Nielsen Singapore Pte Ltd (Tankers & STC)
Strom Shipping Pte Ltd
Team Shipbrokers (S) Pte Ltd
Teco Maritime Far East Pte Ltd
Tero Marine (S) Pte Ltd
Thome Offshore Management Pte Ltd
Trelleborg S.E.A. Pte Ltd
Umoe Schat-Harding (FE) Pte Ltd
Uniscan Far East (S) Pte Ltd
Vogt & Wiig AS (Singapore)
Wikborg, Rein & Co
Wilhelmsen Maritime Services AS
Zenitel Maritime Asia Pte Ltd
And the key drivers?
Knowledge based and innovation driven journey to high-end markets

- All parts of the industry continuously move from
  - Low-end, price-driven markets to
  - High-end, innovation and quality driven markets

- Competitive advantage due to
  - Cluster completeness and linkages
  - Advanced competence: Knowledge, skills and attitudes
  - High personell cost and narrow wage gaps
  - Regional specialisation
Regional specialization – centres of maritime competence and business

Number of maritime personnel in local communities in Norway

Maritime Møre
Design, fabrication and operation of offshore vessels

Offshore Western Norway

Deep sea shipping

National technological hub – NTNU/Marintek

Maritime services – financial, legal and technological

BTV: electronics and subsea equipment

Drilling equipment
Key success factors behind the maritime offshore cluster in Norway

- **Proximity to one of the largest and most advanced petroleum markets in the world** (total market: 200 billion NOK per year)
  - *but of less importance today as the companies go global*

- **Cluster based innovation**
  - *Shipping and oil companies critical to supplier innovations*

- **Experiential skills in combination with research based knowledge**
  - *The fastest and most accurate way from research to commercialisation*

- **Informal, trust based relationships**
  - *and flat organizations with decentral decision authority*
Transport

Seismic survey

Exploration drilling

Exploration drilling

Field construction (subsea)

From drawing boards to installation of pipelines and other subsea constructions

Production

Floating Production (FPSO)

Transport

Shuttle tankers

Crude oil tankers

Gas Carriers

Ship-to-ship

Demolition

Heavy Lift

Offshore Service Vessels
And the future ...

- Reason to worry?
  - Assessing strengths and market opportunities, the answer is *probably* no
  - Learning from the past, the answer is *definitely* no
Menon Business Economics

- A research, analysis and consultancy firm, specialised on the maritime and oil & gas industries
- Office in Oslo
- 10 partners and analysts
- This presentation, and the report «En kunnskapsbasert maritim næring», can be downloaded on our website: www.menon.no