Chinese Dialogue Session at MARINE INTERIORS, Hamburg, 13 September 2019

The Benefits of Global Cooperation for Engineering, Procurement and Construction ("EPC") of Cruise Vessels

TOPICS

- M-OCEAN
- Move of global shipbuilding to the East
- CRUISE shipbuilding in China today (example: CCTD and Carnival Corp, Fincantieri etc.)
- Actual examples of interior design (Sunstone, Century Glory)
- M-OCEAN techno-commercial network
- M-OCEAN and Shanghai Baoshan Ind. Park
- Support for your investment in SBIP w/CCTD
- Workshop 28/29 Nov 2019 in Shanghai “The future SUPPLY CHAIN for CHINESE built CRUISE VESSELS, passenger vessels, ferries”

M-OCEAN NETWORK ALLIANCE (founding members)

www.M-OCEAN.INFO

- CombiTrade (docking, ship repairs, trading, project development, procurement, installations ++)
- Intelligent Docks (ship repairs, docking, spare-parts, inspections ++)
- Loewe Marine (biosecurity, energy/rudder efficiency ++)
- Movena Group (maritime consulting, engineering, classification services, construction supervision ++)
- SEC Innovation (project mgm., cabin manufacturer, retrofits ++)

WANTED: cruise equipment manufacturers, interested to expand their business in China
15th century: Zheng He → India, Africa
1519 Fernando de Magellanes → Globalisation
Shipbuilding in the 20th century:
European s/y → Japan → S-Korea → PR China

**China’s shipbuilding capabilities today:**
- bulker, MPV, container vessels, tanker,
- LNG carriers, off-shore platforms++
- ferries, RoPax, passenger vessels
- **CRUISE VESSELS**

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**Shares of regions in the world shipbuilding production in % on GT-base (source: VSM 2006)**

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<td>EU-25</td>
<td>38.9</td>
<td>26.8</td>
<td>19.5</td>
<td>18.3</td>
<td>18.9</td>
<td>12.4</td>
<td>8.3</td>
<td>6.9</td>
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<tr>
<td>Other European Countries</td>
<td>6.6</td>
<td>9.3</td>
<td>5.7</td>
<td>7.5</td>
<td>4.2</td>
<td>2.4</td>
<td>3.5</td>
<td>2.8</td>
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<tr>
<td>Japan</td>
<td>49.7</td>
<td>46.5</td>
<td>52.3</td>
<td>43.0</td>
<td>41.7</td>
<td>38.2</td>
<td>36.1</td>
<td>35.0</td>
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<tr>
<td>South Korea</td>
<td>1.2</td>
<td>4.0</td>
<td>14.4</td>
<td>21.8</td>
<td>27.8</td>
<td>38.9</td>
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<td>P.R. of China</td>
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<td>World</td>
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*Shipbuilding in China and its impacts on European shipbuilding industry, T. Ludwig, Tholen, Inst. Labour and Economy, Uni Bremen, 2006*

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**Long-Term Plan of the Chinese Government**

*issued 2005 (!)* - (State Commission of Science, Technology and Industry for National Defense) (units: 10,000 dwt; per cent)

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<tr>
<th>Constr. Qty</th>
<th>Share %</th>
<th>Remarks</th>
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<tr>
<td>2004</td>
<td>800</td>
<td>14</td>
</tr>
<tr>
<td>2005</td>
<td>1,000</td>
<td>16</td>
</tr>
<tr>
<td>2010</td>
<td>Shipbuilding power</td>
<td>25</td>
</tr>
<tr>
<td>2015</td>
<td>2,400</td>
<td>35</td>
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<tr>
<td>2020</td>
<td>Shipbuilding Superpower</td>
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**Strategy and opportunity/challange**

The Chinese Premier Li Keqiang said in March 2019:

“We will strengthen the supporting capacity of quality infrastructure and improve the quality of products and services to encourage more domestic and foreign users to choose Chinese goods and services.”

**Targets:** innovation, intelligent manufacturing, quality, and green production

**Examples:** Volkswagen, Bosch, SAP (SAP CEO McDermott: “I will not be surprised if China becomes our largest market by 2025”) (Int’l companies w/ German roots; max. rev/profit: generated in China)
How is the situation for cruise vessels?

- One of the last resorts occupied by non-Asian countries was to build high standard cruise vessels. Local passenger vessels, RoPax or ferries are no problem for Asian s/y any more.
- Mr. Hauke Schlegel/VDMA quotes 39 important cruise/RoPax projects under construction in China in 2019
- Growing middle class is driving the development
- Viking at Xiamen s/y, COSCO, Guangzhou s/y, China Merchant etc, all involved in building/dev. passenger ships
- Never before a “European cruise vessel” for more than 5,000 passengers was built in China. CARNIVAL CORP. and FINCANTIERI! transfer their know-how to China - NOW.

CSSC Cruise Technology Development (CCTD), Carnival Corp. and Fincantieri s/y

- Carnival Corp & plc signed historical MoA in 2017 with CSSC (China State Shipbuilding Corporation) and SWS. Italian shipbuilder FINCANTIERI signed MoA w/CCTD.
- Content: to transfer design and know how incl. of core technology to build 165,000 GT VISTA class cruise vessels at SWS
- Delivery of 1st cruise ship will be 2nd half of 2023
- 1+2+2 more vessels of a similar design are pre-agreed under leadership of CCTD as co-owner (60%; Carnival 40%). CCTD acts also as co-designer.
- CCTD is interested to develop an own cruise technology platform
- Future suppliers of equipment must cooperate w/Chinese partners

Cruise Home Ports in China

Shanghai | Xiamen | Shekou

Sunstone Arctic Expedition Vessel (at CMHI, 6 Sept. 2019)
**Value chains in shipbuilding: Fragmentation and globalisation**

[Source: BALance TC]

- Shipyards
- Subcontractor Design/Engineering
- Subcontractor Assembly/Service
- Material Suppliers
- Steel/Pipes/Paint...
- System/Component Suppliers
- Manufacturer
- +/- 30%
- +/- 30%
- +/- 40%

**Horizontal and vertical co-operation between shipyards and suppliers 2019**

[Source: BALance TC]
CHINA in FUTURE: increase the local content
Horizontal and vertical co-operation s/y, suppliers

Our TECHNO-COMMERCIAL NETWORK

WANTED: cruise equipment manufacturers, interested to expand their business in China

Our Cruise Market Network (extract)

The CRUISE TECHNOLOGY PLUS Concept

CHINA in FUTURE: increase the local content

CONSEQUENCES of “national strategy”
- Main requirement: cooperation between global suppliers and local companies
- Establishment of local companies
- Establishment of JV (1-100% foreign shares)
- Establishment of R&D units, labs or similar
- Establishment of Regional HQ

OFFER:
investment support for qualified investors adding value to the cruise ship supply chain
Cooperation of M-OCEAN with Shanghai Baoshan Industrial Park (SBIP)

- SBIP w/21 km² size is under establishment in Shanghai, Baoshan District as joint development of the Government together w/CCTD
- M-OCEAN has been authorised by Waterfront Development and Construction Management Commission, Baoshan District, and SBIP Management Commission
- to discuss the topic of cooperation with international suppliers
- to invite for our joint workshop on 28/29 November 2019 in Baoshan with SBIP to inform about investment support
**Policy Support:** Funds, financial services, etc.

**Part Four**

**Advantages of SBIP**

05 政策支持 —— Policy support

- 现代服务业发展引导资金 Modern service industry development funds
- 先进制造业发展专项资金 Advanced manufacturing industry development funds
- 科技创新专项基金 Technological innovation funds
- 节能减排专项基金 Energy saving and reduction funds
- 金融扶持专项基金 Financial service funds
- 文化创意产品发展引导资金 Cultural and creative industry funds
- 农业产业化发展和农业规模经营专项资金 Agricultural industrialization development and agricultural scale management funds
- 人才发展专项资金 Human resource development funds
- 书香泰山发展专项基金 Zhangjiang Baoshan Industrial Park development funds

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**Latest big shipping news 9/2019 ....**

- Mr. Wan Min (ex GM of COSCO, President of CTS) moved as new Chairman to China Merchants Group to follow Mr. Li Jianhong (ret’d). *We may expect some policy changes for the big state-owned companies.*
- VP of China Merchants Group, Mr. Fu Gangfeng (GM) moved to COSCO as newly appointed General Manager (*finance background*).
- On 5 September, SASAC (State-owned Assets Supervision and Administration Commission of the State Council) signed framework agreement with Shanghai Municipal Government to deepen the cooperation and to push national strategy forward.
- SASAC witnessed the cooperation agreement signing between CCTD and Baoshan District about the cruise industry base, to establish an investment platform for the supply chain and to develop a 2 km² CCTD Cruise Industry Park together in order to establish an international cruise HQ base.

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**Conclusion**

- M-OCEAN covers a wide range of activities, services and equipment supplies as we deal with all resources required for cruise business.
- We are well positioned to deliver German/European design, engineering, procurement and construction services for cruise vessels to be built in China and we have cooperation contracts with Chinese financing institutions and are linked with tourism organisations.
- We are well connected amongst Chinese key companies for cruise ship building, investors, owners/operators, shipyards and we have high level access to government institutions in charge of strategy and investment support for cruise related business.

The international M-OCEAN team offers you the first hand information and to ensure your success in China. ACT NOW.

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**M-OCEAN - for cruise and emotion**

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See you at our booth: A3-415
MARINE INTERIORS, Hamburg, 11-13 Sept. 2019