

Last European tanker builder calls for global level playing field

Owner of Romania's Constanta Shipyard, Gheorghe Bosinceanu, says that China and South Korea continuing to build ships at below cost is not sustainable

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'Shipbuilding is not financially viable anywhere, but Chinese and South Korean taxpayers should not be sponsoring shipowners to buy cheap ships,' says Histria Group and Constanta Shipyard owner Gheorghe Bosinceanu

Source: Lloyd's List



THE FOURTH IN A SERIES OF EIGHT 'ECO' 41,000 DWT MR1 PRODUCT TANKERS WAS NAMED HISTRIA NARVI TODAY, OCTOBER 3.

THE owner of the only shipyard in Europe still building ocean-going tankers believes that the continuous availability of cheap merchant ships from Chinese and South Korean shipyards will become unsustainable.

Gheorghe Bosinceanu, owner of Histria Group, which owns Constanta Shipyard and product tanker shipowner Histria Shipmanagement, also said the EU Commission needed to realise that shipbuilding was a strategic industry.

He warned that the significant European marine equipment sector was at risk, due to continued offshoring of manufacturing to Asia.

Bosinceanu was commenting on the state of global shipbuilding at the naming ceremony of the 41,000 dwt medium range one product tanker *Histria Narvi*.

The IMO II/III-class vessel is the fourth in a series of 'eco' MR tankers being constructed for his own shipowning company Histria. Up to four further vessels are on order with construction of the fifth ship having started earlier this year.

Histria Narvi following naming ceremony at Constanta Shipyard, October 3





MR tankers constructed by Constanta Shipyard have a reputation amongst charterers to be the "Rolls Royce" of the MR sector. This is due to their high specification and superior construction standards versus similar tonnage built in Asia.

"Asian competition is obviously a big issue for European shipbuilders. Chinese and South Korean state aid, either direct or hidden, means the price differential between our construction price is between 20% and 30% price higher," Bosinceanu told Lloyd's List.

"Shipbuilding is not financially viable anywhere. Chinese and South Korean taxpayers should not be sponsoring shipowners to buy cheap ships" added Bosinceanu, who noted that the Japanese shipbuilding industry has now stopped playing the "subsidy game" following decades of state support for its industry.

Bosinceanu said that the EU needs to realise that the big issue is that China has created a huge competitive disadvantage for Europe's shipbuilding sector by building ships below cost.

"Many Chinese and South Korean shipyards went bankrupt in the 2010s. Big South Korean yards continue to report losses of billions of dollars every year. Shipbuilding is a loss making business."

"So state aid gives China and South Korea the upper hand. I call on the Romanian government to raise questions as nothing can be done in the EU by one individual country."

Bosinceanu believes that China and South Korea continuing to construct merchant ships at below cost is not sustainable. However, he is optimistic that, one day, the shipbuilding sector will be forced to operate more commercially.

Bosinceanu admits that constructing MR tankers in Romania is only possible due to balancing losses on shipbuilding from Constanta Shipyard's highly profitable ship repair business, as well as profits from its tanker operating division Histria Shipmanagement.

He believes the losses in shipbuilding, whilst hardly ideal, are worth the hit however.

"Our aim is to maintain a qualified workforce. If we lose it this will be lost forever. To balance the negative contribution of shipbuilding from our balance sheet our ship repair business effectively subsidises shipbuilding," said Bosinceanu.

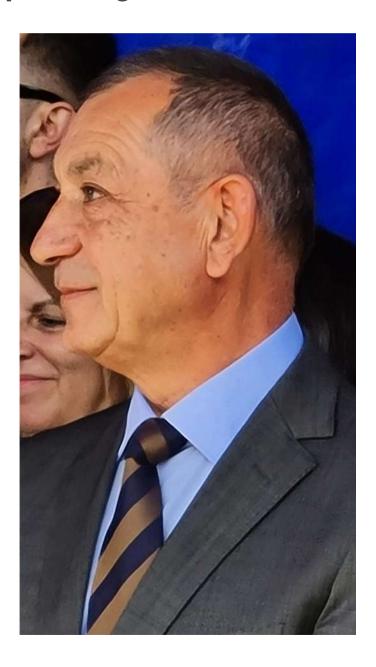
In the ship repair segment, Constanta Shipyard has benefitted from a healthy market for retrofits with containership efficiency upgrades in particular providing a good income for the shipyard.

"In the past five years the ship repair market has been fairly strong. Containership bulbous bow replacements, scrubber fitting and the retrofit of ballast water treatment systems have significantly increased demand for ship repair facilities."

Bosinceanu noted that as the world fleet was getting older, ships are requiring more overhauls for main engines and pumps, in addition to steel and pipe replacements.

Constanta Shipyard's repair and conversion business is seasonal with demand highest in the spring and summer, as shipowners prefer to undertake extensive works, such as five-year special surveys, during favourable weather conditions.

Owner of Histria Group Gheorghe Bosinceanu





Such seasonality means more workers can be deployed in new vessel construction during the autumn and winter and helps to cover the shipyard's workforce, which numbers some 1,500 personnel, throughout the year.

While Bosinceanu's shipowning and ship repair business can support shipbuilding activities, he is most concerned by the continued offshoring of marine equipment manufacturing to Asia.

"European equipment manufacturing is disappearing and is forcing us to source from the Far East. This adds cost to our shipbuilding process through increased transport costs," said Bosinceanu.

Although shipbuilding steel plate continues to be sourced in from Europe, chiefly from Romania, Poland and Türkiye, Bosinceanu believes that in future he will have no alternative but to buy steel from China, due to the increasing cost of sourcing steel in Europe.