AE MicroMacro – China

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Polsteam's Chinese dilemma.

What happened? On September 21 media outlets reported, that two months earlier in the internal Bulletin Paweł Brzeziński, the administrative commissioner of the polish shipping company Polsteam, bluntly criticized the government's project of building in Polish shipyards two modern RoPax ferries. Brzeziński complained, that project of timely building in Polish shipyards is unrealistic given financial resources provided and existing infrastructure. He suggested placing orders abroad. Specific country was not named but given existing Polsteam's partners and market situation China was an obvious choice named by analysts. Almost immediately after the media publications PŻM spokesman announced, that vessels will be built in Stocznia Szczecińska basing on the ready projects purchased from foreign ship design office.

Involved parties? Polsteam (Polska Żegluga Morska, PŻM) is the largest Polish state owned shipping company and owner/operator of 62 vessels. PŻM's fleet has been built mainly in Chinese shipyards - 48 vessels, 9 vessels in Japan and only 5 in other locations. PŻM contractors in China: New Times Shipbuilding, Yangfan Group, Yangzijiang Shipbuilding, Taizhou Sanfu. Ministry of Maritime Economy and Inland Navigation supervises PŻM operations and is also responsible for implementing the policy of national shipbuilding industry revival including financial support.

Context. China, Korea and Japan have dominated the global shipbuilding industry in recent years with the combined market share as 83% (Statista, 2018, orders) or 90,4% (UNCTAD Stat, 2017 output). China and Korea are close peers in terms of output with 36% and 34,5% share in 2017. After the 1989 market reforms Poland's ship building industry has declined and is marginal player, even in Europe. In 2017 European shipyards have orders for 336 vessels, Polish builders for only 13. To successfully compete with Asian giants that already have the scale effect on its side Polish shipyards should focus on specialized vessels with high added value such as ferries.

Why it matters for Poland?

Current Polish government have been promising revival Polish shipyards. Mateusz Morawiecki once named it a flying wheel of the Polish economy and he still guarantees that it will be rebuilt. The declarations however hit the tough economic realities and little progress has been made so far. Unity Line subsidiary of PŻM needs at least four new modern ferries within 2-3 years to compete with other companies e.g.: German TT-Line and another Polish state owned company Polferries (Polska Żegluga Bałtycka, PŻB) on routes between Poland, Germany, Denmark and Sweden. TT-Line orders new RoPax ships for Baltic routes in China with delivery date in 2022. Other shipping companies servicing routes on the Baltic sea also buy in China: Stena Line, Viking.

Building new ferries originally for PŻB within the governmental program "Batory" framework was meant as a jump start for the shipyards. It would also serve as flywing wheel for the revival of the local Polish network of subcontractors and suppliers of materials and components, that has been decimated over the years. Due to high costs and organizational problems PŻB has effectively abandoned the project, at least for some time. Now PŻM takes over the reins. The revival of Polish shipbuilding industry needs time and significant financial resources, while management of PŻM needs cost and time effective solution to compete with foreign operators to avoid being pushed out of market. PŻB is relatively small player and PŻM will mainly face growing competition from operators in Germany, Sweden and other countries. Ordering vessels in China is a viable option. Three years have been lost for industry and now ministry and PŻM management face difficult choice.