

Directions for the Sustainable Development of Korean Small and Medium Sized Shipyards

Jung-sun LEE*

Contents

- | | |
|-------------------------|--|
| I. Introduction | IV. Developmental Directions for SMS Shipyards |
| II. Literature Review | V. Conclusion |
| III. Empirical Analysis | |

Abstract

Korean small and medium sized (SMS) shipyards are facing difficulties getting new orders in the conditions of the marine recession, and many SMS shipyards have gone bankrupt. In general, SMS shipyards have fairly low credit ratings, so it is hard for them to get a Refund Guarantee (RG), which is a necessary document for contracts from commercial banks or the Export Credit Agency (ECA).

I analyzed the efficiency, productivity, growth, and stability of Korean SMS shipyards using the data envelopment analysis (DEA) model and Malmquist index in order to classify competitive and uncompetitive SMS shipyards and suggest developmental directions for Korean SMS shipyards based on empirical results.

Some SMS shipyards are managed efficiently and productively, such as Sungdong, Shina SB, Mokpo, and Daesun. However, support from government and financial institutions needs to be provided to these shipyards so that they can overcome the challenges of the recession, while some uncompetitive SMS shipyards should carefully consider switching to another area such as subpart supplies, repairing, or maintenance.

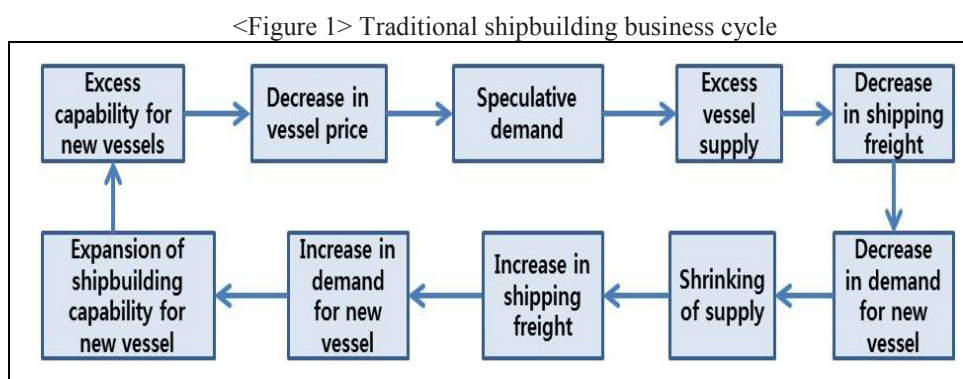
Key Words : DEA, Efficiency, Malmquist, Productivity, Shipbuilding Industry, Small and Medium Sized Shipyards

I. Introduction

Marine and shipbuilding industries all over the world have been recovering slowly since the global financial crisis. Shipping companies and shipyards around the world are having a hard time enduring the economic recession, especially small and medium sized shipyards (SMS shipyards). Many SMS shipyards are even bankrupt because of the long-term marine recession.¹⁾

Current Korean SMS shipyards focused on subpart supply and repair up until 2006 but many SMS shipyards have transferred to the shipbuilding industry due to the effect of China's economic boom in 2007. Even though they did not have the sustainable technology and knowhow with which to run their shipbuilding business, they earned lots of profit in the context of the marine boom.

However, the marine recession affected SMS shipyards negatively and many are confronting bankruptcy due to the decrease of demand for new vessels and loss of competitiveness due to the supply of cheap vessels by China. According to <Figure 1>, a shipbuilding cycle repeats every nine to 15 years on average.²⁾ Considering this cycle, it takes a considerable period of time to increase the demand for new vessels from the present point in time.³⁾ It means that SMS shipyards cannot expect to increase their new orders over a short time period.



Source: shipbuilding

1) Britain's oldest shipping company, Stephenson Clarke, which was established in 1730, has gone into liquidation after 282 years of trading. Korean Samho Shipbuilding was also bankrupted.

2) Ecorys SCS Group(2009), p.40.

3) Assuming the period of excess building of new vessels was 2007, the increase in demand for new vessels will be observed around the year 2016 to 2022.

Download English Version:

<https://daneshyari.com/en/article/994978>

Download Persian Version:

<https://daneshyari.com/article/994978>

[Daneshyari.com](https://daneshyari.com)