



THE CHALLENGES ARE REAL!

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AGENDA

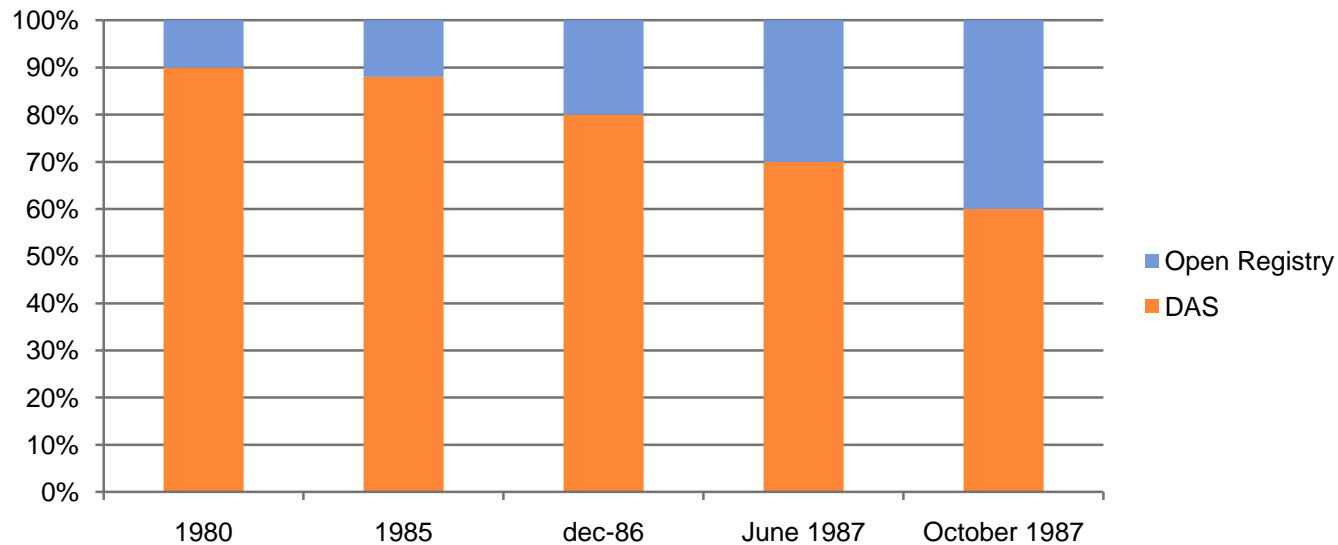
- The globalization of Danish shipping
- Sources
- Consequences
- The challenges



THE 1980s

- Flagging out in traditional shipping nations

Figure: Flagging out of Danish shipowners



- Flagging in
- Offshoring seafaring jobs an inherent part

SINCE THE 1990s

Leading shipowners establishing offices abroad

Lauritzen	The U.S. (1981), Tokyo (1983), South Africa (1999), Singapore (2005)
Torm	Philippines (1988), Singapore (2003), India and the U.S. (2007)
Norden	Singapore (1996), the U.S. (2000), China (2002), Brazil (2003)
Herning	France (2000), Singapore (2005)
Unifeeder	Finland (1993), Germany (1999), Belgium (2009)
..., ..., ...	

- APMM is a special case as it established its own office in the U.S. as early as 1943 and has more than 130 offices worldwide today
- Before the 1990s, most Danish shipowners were represented abroad by a local agent

CURRENT DEVELOPMENTS

“Some tasks are simply too expensive to carry out in Denmark”

(Nils Smedegaard-Andersen, Ritzau, 11/13 2009)

- Offshoring back office jobs
 - IT, finance and so on was moved to India and other low-cost areas (e.g., APMM)
- Offshoring ships officers
 - Has occasionally happened before (e.g., Lauritzen)
 - Now on a larger scale (Maersk Line)
- Offshoring core maritime activities
 - DS-Norden outsources port management activities to Dubai-based service provider
 - Maersk Ship Management moves to Singapore

THE MAJOR SOURCES

- Increasing factor mobility
 - The main asset itself (capital)
 - Ship registration (land)
 - Seafarers and back office personnel (labor)
 - Information that embed engineering, legal and accounting services (capital)
- Building of knowledge-infrastructure in "new shipping nations"
 - Deliberate investments in shipping-specific training and education as well as generic education (e.g., logistics)
 - Learning from active participation in shipping
- Improved coordination abilities of shipping companies
 - Learning from previous outsourcing and international subcontracting
 - Organizational (just-in-time systems, quality control systems, standards and so on) and technological (telecommunications) competence to separate and coordinate a geographically dispersed network of contractors

"THE BLUE DENMARK" AT A TURNING POINT

- The Achilles Heel of the Danish Maritime Cluster
 - The ability to sustain the maritime competence base
 - The combination of jobs offshoring and occupation destruction will undermine this ability

Tables: Most significant movement of labor from Danish international shipping companies to The Blue Denmark in 2004

Industry	Percentage share	Industry	Percentage share
Offshore sector	30	Ship brokers	12.5
Pilots/lighthouse	42		
Towage, salvage and rescue	20		
Ferry and passenger shipping	75		
The coaster fleet	17		

THE REAL CHALLENGES

- Offshoring is good for shareholders, but NOT necessarily for countries and employees
 - The dynamic comparative advantages can be contested
- Displaced white collar workers WILL suffer for a prolonged period of time
 - Income loss, job dissatisfaction
- Local "Quality Shipping" WILL be challenged
 - Labor shortage for the (public and private) maritime safety administration in Denmark
- "The Blue Denmark" WILL transform (into ...?)

NEW POLICY (A PREMATURE SKETCH)

- Providing proper incentives for shipowners to continue investing in Danish (maritime) labor
 - Well knowing that their efforts might be to the benefits of others than them selves
- Focus on international AND domestic shipping
 - Including new segments such as offshore supply shipping
- Extending the maritime educational system to shore-relevant training and education
 - Complying to The Bologna Process to ensure compatibility with higher education
- Embracing and influencing global regulation
 - Stricter requirements are to the advantage of Danish companies (at least we think so!)