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## Interview: Patrick Janssens – CEO, Shipyard De Hoop – Netherlands

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*The CEO of Shipyard de Hoop discusses how the shipyard acts as one-stop-shop for its clients, including not only all key disciplines in-house but also the financial muscle necessary to support clients in choosing original designs. He*

*shows Shipyard de Hoop as an example of Dutch innovation that pushes the technical envelope, while also offering cost effective solutions, thus*

*demonstrating that the European shipyards can still offer both high-end and value added as well as economical solutions to the global industry.*

**Where does Shipyard de Hoop stand today, and what have your strategic priorities been recently?**

Shipyard de Hoop operates in the small to medium-scale ship building market with a focus on one-off, custom-built designs. We see ourselves as ship designers and developers of new concepts for not only ourselves, but also our clients. Our client base is comprised of several long-term customers, with which we've established fruitful relationships. We do not focus on a particular industry, but in recent years, we've built a lot for the oil and gas and renewable markets on the offshore side, and the river cruise market on the inland side. These two types of ships are situated in completely opposite ends of the industry. Actually, one can say that these markets fluctuate inversely of each other; high oil prices create favorable economic conditions for the offshore sector, while producing a stringent operating landscape for passenger vessels and vice versa. My focus has been dedicated to expanding our presence within these segments through increasingly innovative ship designs and builds.

**With over 120 years of experience, Shipyard de Hoop has amassed a longstanding history of professionalism, craftsmanship, and excellence. What role has the Netherlands played in shaping that reputation?**

The Dutch take pride in their maritime history. Specifically, Shipyard de Hoop has always been focusing on ships for the high-end market. Our drive is rooted in the culture of continuous enhancements, incremental improvements, and ultimately never settling with current levels of achievements. Just last year we celebrated 125 years of our existence—a longstanding history of many ups and downs. During our long history, this yard has always been focused on renewal and innovation on anything that floats, rather than on building certain types of vessels. Even the very first sailing barges commissioned for voyages on the rivers of Holland were motorized in this yard. In line with the Dutch innovative spirit, we've always been focused on pushing the boundaries of shipbuilding whenever the opportunity arises.

**Dominated by Europe just a century ago, the shipbuilding industry has been especially exposed to the competitive forces of globalization with increasing competition in terms of quality labor and pricing from countries such as Korea and China. From your perspective, how will European shipyards remain relevant considering this trend?**

Competition of course is not something of the last decade, but many years coming. In the early days, my predecessor already mentioned pricing pressures from lower wage countries such as Spain and Portugal, and then followed countries from the Far East including Japan, China, and Korea. So there's always a place in the world where people can build ships at a lower hourly rate. What keeps us busy, however, is focusing on ships with higher added value—encompassing vessels that are relatively complicated whereby the number of hours and tons of steel are less important than the design and integration of more sophisticated techniques. Typically, European countries like the Netherlands build ships where steel costs comprise only five to seven percent of the total value, with the remainder covering premium features such as computer technology, superior engines, specialized equipment, and customized interior. This trend will likely continue to develop further.

We're also seeing a growing trend towards process automation—overhauling functions that have been typically sourced to lower hourly wages. For example, two years ago we installed steel cutting machines that are customizable at various angles—effectively automating the first two steps in a normal shipbuilding process: cutting steel and adjusting angles for welding. By integrating these functions into one machine, our prices for prefabrication have dropped well below the price points experienced in countries like China or Korea. To this end, we've acknowledged the intensifying competition from international players and adjusted our business model accordingly with cost-efficiency, quality, and ingenuity at the forefront of our strategy.

**In a climate where economies of scale and credibility are the keys to success, how would you advise new SME Shipyards looking to enter the market?**

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We've only survived for 125 years because we treat everyday as a start to a new company. The history of a company, and the established name and reputation only gets us so far. We strive every day to refine our processes from a thought-leadership and operational standpoint, which has allowed us to optimize project delivery times and budgets. Advocating such policies is the only way to facilitate long-term client retention—an imperative factor for survival in this industry. In that respect, there are a lot of possibilities for new companies entering in the market. My biggest advice would be for them to come with a very strong financial partner, especially from a market entry standpoint. That will basically determine the capacity and scope of activities for new players entering this business.

**Access to financing is another important factor for shipbuilders and buyers alike, especially in terms of pre-delivery financing. Please describe the significance of having an in-house Customer Finance department such as the case with De Hoop.**

Traditionally, the most important departments in shipyards were the welding and engineering departments. These days, the financing department is right up there with those two. Most of the time, the limiting factor in projects, especially when building custom-designed, one-off ships, is external financing. Considering the risks factors in successfully completing these types of projects or securing buyers for such specialized ships, we've found that investors are usually hesitant in participating. For us, it comes down to positioning ourselves as a one-stop for our clients. In this yard, we have all the key disciplines in house. We not only do engineering, steel cutting, and fabrication, but also carpentry, machining, and piping. In the last decade our customer finance department has become a critical discipline for business development. In that way, we are somewhat unique, as we do not have a dedicated IT or HR department, which are both outsourced. We've only been focused on integrating functionalities that are key to our core capabilities in shipbuilding.

**What type of ships have you seen the most promising growth prospects in?**

That's difficult to say, as we are a very one-off company. Our projects are thus not so much characterized by the market. That being said however, we do see developments in the industry where we are active. In general, we see that the demand for customization is growing much more. In hopes of more cross-utilization, we see many companies in our industry struggling to make a one size fits all vessel—a multi-purpose vehicle that boasts a multitude of features but typically lacks core functionality. We believe the value in a ship encompasses multiple factors, including the price, maintainability, and overall total cost of ownership. Shipyard de Hoop helps clients unlock value by building ships that are fit for tailored purposes. With refined construction techniques, we ensure that these vessels purport long-term durability and minimize operational costs. In the long run, dedicated vessels that reliably perform its job time and time again maximize opportunities for recurring business.

**R&D is an important factor for Shipyards looking to focus on more complex, innovative, and high value ships—especially for a shipyard like De Hoop that offers full lifecycle support from the design and engineering to the maintenance and conversion. What R&D initiatives has the company pursued to remain competitive in the marketplace?**

We are not so much initiating the project ourselves. There's about 10 – 15 companies whom we have long term relationships with, and a few new companies here and there. We spend a lot of time speaking with our clients about how they see the future and what we can do to help contribute. For example, when you look into the market of river cruise vessels, which has been booming in the last few years and also small sea-going cruise vessels, there's a lot of development in the area of controlling noise vibrations to get a more luxury accommodation at a lower price, especially in light of all the new rules and regulations covering the market. We see ourselves active in those fields and making extensive efforts on behalf of our clients in that regard—frequently sending representatives to Brussels to lobby for more favorable regulation of such vessels.

Also, with the effects of global warming, river vessels have to adjust to increasingly dynamic operating conditions—high waters getting higher and low waters getting lower. The latest generation of cruise vessels is almost semi-submersible to dive under bridges in high waters and to have a very shallow draft in the dry season. In general, of course, the awareness of the environment and the continuous fight for cost-efficiency both collectively drive our initiatives in optimizing ships's propulsion systems for lower fuel consumption. We're also quite active in hybrid propulsion such as dual-fuel gas and diesel engines, and will continue to pursue developing interests in these areas moving forward.

**What have been some of your proudest milestones or achievements since becoming CEO?**

One very important milestone that immediately comes to mind is the fact that we celebrated our 125 year anniversary this past December—highlighting the company's enduring work ethic and longstanding endorsement of quality and ingenuity. More recently, I would also like to proudly highlight our achievement in winning the tender for the Abu Dhabi National Oil Company (ADNOC)—a massive project entailing the supply of 10 platform supply vessels, each showcasing modern designs made specifically by us. Our design and price points were ultimately chosen out of an international tender involving more than 20 shipyards from around the world. This occasion, if nothing else, emphasizes the continuing relevance and resiliency of not only Shipyard de Hoop, but all the shipyards from this part of the world.

**Where would you like to bring the company five years from now?**

We are finalizing quite an intensive program in which we are investing in our production facilities to increase the quality of our products and to also become even more cost-effective in the near future. In five years time, aside from churning out new concepts and innovations, I will be very proud if we're just as busy, if not busier, than we are today.

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