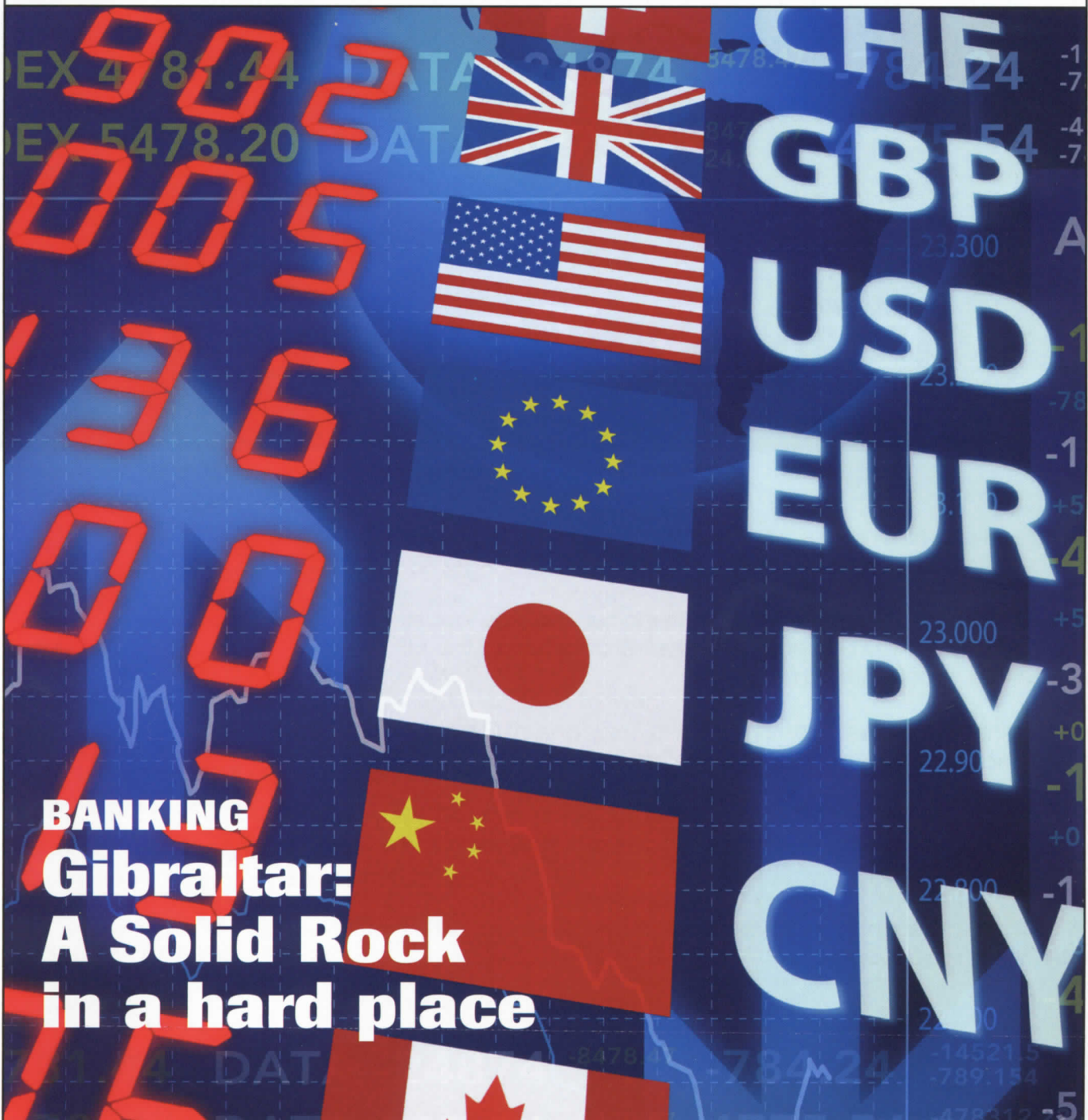


GIBRALTAR INTERNATIONAL

FINANCE • INVESTMENT • BUSINESS



BANKING
Gibraltar:
A Solid Rock
in a hard place

Striving to do better still

Having enjoyed a record 2009, turnover in the period since has been 'static' for Gibraltar's only ship repairer, yet *Ray Spencer* finds that chief executive Joe Corvelli is proud of what is being achieved!

There was a significant lag in the effect of the worldwide recession on shipping and it wasn't until the second half of 2009 that work orders seriously slowed down for Gibdock, the firm that operates the historic former Cammell Laird and Royal Navy dockyard.

Since joining in 2007, 40 years old Corvelli has been slowly transforming the business for a group of London private investors, who two years earlier had taken responsibility for the three dry docks and 1km of quayside at the southern end of Gibraltar Port.

"We are doing really well for a poor market" declares Corvelli, a native New Yorker. "I see a lot of macro indicators that show things are starting to up-tick - ship owners investing in new capacity and no ships laid up any more - so the immediate effects of the crisis are over and we should start to see some slow growth", he explains.

The shareholders apparently, are pretty happy about things too. "For what is a depressed market we are doing well keeping our head above water and I'm proud of that", Corvelli reports.

Those unnamed shareholders offered Corvelli the opportunity of transforming the dock's fortunes through a long-time friend and former College mate running a Boston business-consulting group that was helping to evaluate the yard's development strategy.

It was perfect timing. Corvelli had just sold his specialist sports fishing custom boat building and maintenance business in south Florida. "After ten years I had bought the business to a point where I could no longer grow it without significant further capital, which I didn't have", he says.

He nevertheless made money, having a positive cash flow, but there were comparatively few customers willing to pay up-front

for an off-plan 40-45 ft craft; "I could have sold a lot more if people could buy them off-the-shelf".

Entrepreneurship was proven, but undoubtedly it was also his business acumen that attracted.

Having grown up near the water on New York's Long Island, Corvelli was encouraged by his father, a civil and mechanical engineer who worked on aerospace projects, to mess about in boats from a young age.

He gained a degree from the Web Institute of Naval Architecture and Marine Engineering, "but I never endeavoured to do design work; I realised early on that I'm much more energised by implementing and not designing."

Taking control

Instead, aged 22, he joined a New York-based Chinese/American family shipping company and was sent to Tampa, Florida as port engineer for a tug barge subsidiary company. His operations manager's fatal heart attack less than a year later saw Corvelli, to his surprise, taking control there for five years.

Impressed by his work, the New York firm moved him to head office, working in business development and from 1995 he spent four years identifying and then launching energy, power generating and shipping infrastructure projects in China for private equity groups and other investors.

"It was a time when off-balance sheet finance was hot, as were Enron and China". While flying to Hong Kong he met his future wife, Jill, who was market development manager for the large US LPG distribution company he sought to strike a deal with.

By '99 Corvelli was ready for a life change. "I had been working really hard and took an opportunity to chase a dream



in boat building. If you can find a way to mess about in boats and make a career out of it, what a great concept", he reflects.

He and Jill are "great adventurers" and with three young girls - now 10, 9 and 7 years - they were at a stage where their horizons could be broadened. They live in Surrey and he commutes weekly from The Rock.

He's "enamoured with Gibraltar culture; the friendly and welcoming people. It's a unique and wonderful place that I hope maintains its lustre as a small independent gem".

The name Gibdock was introduced at end-2009 to replace Cammell Laird, a historic shipbuilding business name in the UK and Gibraltar that in the mid-1990's went into liquidation.

Contracted not to discuss the transition, Corvelli notes: "Cammell Laird is history for us. The rebranding was properly bringing a name and a brand to what is a key attribute - our unique location and unique workforce, and the community that creates that workforce. Bringing the name back home to Gibraltar gave credence and value and the name is what makes us great - it sings our locale."

Some anxiety

However, the change - whilst well received by the firm's international customers - did create some initial anxiety amongst the 270 employees.

Most of Gibdock's full time employees have long-time careers. Last year, two 65 years old retirees - a steel foreman at the top of his trade and a senior estimator who'd worked in many different roles - had both started aged 15.

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As Corvelli notes: “It’s a technical and heavy industrial workplace, but with a lot of hands-on labour involved from taking apart ships to replacing shell plating. It’s a people business that unlike so many other labour intense industries that have managed to automate and mechanise things, we really can’t do that.

One route to bridging the small labour pool (particularly in Gibraltar), has been the Government-backed mechanical and heavy electrical apprenticeship scheme that attracts on average 30 young people with the aim of gaining a Level 3 NVQ certificate in four years.”

However, “sad to say there is a pretty high attrition rate - around 50-60 per cent. There’s a significantly higher intake than those that graduate”, Corvelli admits. “We are seeing this the world over. There are so many different softer career paths – computers and so forth - than even a generation ago”, he says.

After a year of hand skills and general training, apprentices gain on-the-job experience in welding and steel work from around 60 tradesmen, a significant ratio, and as a result Gibdock gains foremen, ship managers and tradesmen.

Even so, the firm employs up to 150 part timers for anything from ten days to four weeks. “We always source from Gibraltar first, but most often its skilled trades coming from Bulgaria and Romania, but also some from Spain,” Corvelli explains.

Relationships

“Some come here for a job, finish and then come back again when we need them – we keep their gear, we know them and their work record and we keep their certificates.” There is also casual labour for tank repairs, covering night shifts and unskilled tank cleaning.

Recognising that it’s a question of maintaining a balance between full and part-time staff and with workload demand, he looks to create long-term relationships. “We have a great track record of having extremely little layoffs”, he says.

Since the present owners gained control of the business four years ago, there has been on-going investment in replacing old infrastructure and tools. Corvelli is tight lipped about the size of investment beyond “millions of pounds”.

But he quickly adds: “There’s been



Replacing 40 tonnes of decking this year on the Thomson Celebration typifies "best in class" contracts.

investment too in soft areas, training and management systems; things that also provide a real return – in particular, health and safety.”

In the last three years, the accident level at Gibdock has halved by adopting risk assessment policies, safe systems of work, standard procedures, check and balance management system controls, and performance reporting feedback. They were built to the 18001 OHSAS Certified system standard that is audited by Lloyds Register.

“We chose that route, because we want to get from where we are to something better. Although accident rates were not poor, they were not as good as they could be,” Corvelli concedes, “and we are striving constantly to get better.”

He recognises that change for everybody brings anxiety and resistance is a typical first reaction. “But pass that natural human response, and through constant engagement in these subjects, the company has really embraced the safety management system, he reports.

“Where the rubber meets the road, I’ve tried really hard to keep it simple. We came up with 13 golden rules – straight-forward, simple rules that define what we thought are the baker’s dozen greatest risks in the yard and had a lot of success with that”.

He meets the workforce - 12 -15 people at a time – twice yearly providing a valuable line of communication and feedback. Safety accounts for half of discussion.

It’s also a sound commercial driver. The market place gauges the marine industry in a critical way. Gibdock strives

to gain, what Corvelli describes as “best-in-class operators” – cruise ships, off shore vessels, container ships, gas carriers and local ferry operators, all operating on tight time scales.

But first “they send in auditors - a team of people for a number of days - not just to look at the yard, but to sit with our people across the board.

“They want to understand that procedures are in place - that they are actually working and not just a paper exercise. That’s impressive. If we are transparent with ship owners and do everything possible to keep to schedule, we earn their respect and earn a good reputation,” he says.

Repeat custom

A good measure is repeat custom that accounts for 60 per cent of business.

Even so, there’s fierce price competition in the Mediterranean and in Cadiz and from Portugal, and costs in an already low-margin sector have risen 4 per cent annually causing profit levels to remain difficult.

New business opportunities include extending and converting ships, but Corvelli also wants bigger jobs afloat and sees oil rig repairs as a natural market.

But the challenge is to get the first order. “They are the quintessential high value clients, where timeliness is absolutely important, and their charter rates and lost opportunity costs of having it in a yard drives them to be cautious of something new. We bid for that kind of work, so far without success, but I have every confidence that we will get one soon.”

He recognises that “having such a strongly committed workforce is noteworthy and there is an inherent strong work ethic and value belief system. Being the only business of its type here, it’s not possible to think ‘If I screw up that job I’ll go around the corner to another ship yard’.

“It’s not leverage, but innately it gives everyone here real pride in what they do”, Corvelli concludes.



Three dry docks and 1km of quayside puts the Gibdock yard in a commanding position.