

ARES Shipyard Navigates Global Logistics with High Level of Preparedness

In this interview Utku ALANÇ, General Manager of ARES Shipyard discusses factors in ship-building projects that have been impacted by the pandemic, especially in military project where confidentiality and information security are strictly required. How will key negotiations be conducted in a virtual environment now that face-to-face in person meetings are not a current option? The company remains at a level of preparedness that can tolerate logistic setbacks in main equipment up to nearly six months. ARES Shipyard moves forward with ongoing projects with expert management of supply chain planning and a high level of preparedness. ARES Shipyard's serial production model in the Patrol Boat Project is set to be a first in the world in terms of volume and methodology, with first deliveries expected in the second quarter of this year.



Defence Turkey: The COVID-19 pandemic has deeply affected the defense and aviation sectors as well as our daily lives. Shall we begin our interview with your brief comments on the measures that ARES Shipyard has implemented in respect to the COVID-19 pandemic, what type of changes have been adopted, how has it impacted your business operations?

Utku ALANÇ: Before the World Health Organization officially declared the outbreak as a pandemic, the issue was brought up by our executive board in February 2020 as soon as the virus emerged in China and started to breakout across the world. Within this scope, we started to plan a series of measures in our company before it was seen in our country. These

planned measures are being implemented presently.

For instance, in the first stage, starting from February 2020 we decided to postpone many of our scheduled travels abroad. We kindly postponed visit requests from foreign countries. In parallel, in our shipyard we formed a team composed of a representative from the executive management, a production representative, our workplace doctor and our occupational safety specialist and prepared a COVID-19 Emergency Action Plan. We informed all our staff simultaneously on the measures and decisions we adopted. We immediately allowed our employees who are either over 65 years old or who suffer from any type of chronic diseases to take administrative leave and advised them to

self-quarantine at home. Moreover, this emergency action plan contains measures that have been graded based on nearly one hundred risk factors from the hygiene of the staff and facility, working hours and breaks, to the utilization of personnel vehicles, from changes in the food service and the seating plan in the cafeteria to the utilization of personal protective equipment and disinfectants, facility entrance/exit rules as well as the measures to be implemented for employees returning from foreign countries and the rearrangement of meetings.

Defence Turkey: Just like in other areas, the COVID-19 pandemic negatively affected exports and trade took a major blow. According to the data provided by the Turkish

Exporters' Assembly (TİM), in March exports of the Turkish Defense and Aerospace/Aviation Industry fell by 49.8% compared to the previous year and decreased by 18.5% in April. What are your assessments on the first quarter of 2020 (in terms of turnover and export figures) from the perspective of ARES Shipyard? What is the current picture when we compare the current figures with the figures of the previous year?

Utku ALANÇ: Surely, the pandemic severely hit trade all over the world. Without doubt, it is not possible to immediately observe the similar negative effects caused by the pandemic that spread in the beginning of 2020 and rapidly created deep impacts over the markets in the defense industry, particularly in the ship-building industry in the first quarter of 2020. Because, in the ship-building industry, the processes such as procurement, then design, production and acceptance need to be completed for the realization of exports and these processes are usually defined in years. Therefore, an export project planned to be realized in the first quarter of 2020 was in fact signed in 2018 – 2019. As a result, I think we can observe the tangible effects of the pandemic on ship exports in the first or second quarter of the next year, with the clarification of the projects that are pending in the contract phase, suspended or canceled.

Defence Turkey: How is ARES Shipyard proceeding during this period? What would you like to say on



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ARES 35 Fast Patrol Boat

production activities, for example, have there been any changes in working order/shifts? How are new contracts and acceptance/test processes being managed?

Utku ALANÇ: Naturally, significant changes have been made in our working order. We closed all our meeting rooms within the scope of the emergency action plan I mentioned and guided our employees to use video calls/audio calls through phone and internet/intranet-based applications. As we cancelled all our international travel and meetings abroad, we transferred all our meetings with our customers and project shareholders to a virtual environment. Since we already established our server infrastructure to be compatible with potential crises, similar to this one, we did not require any additional IT related measures or investments in this regard. With respect to our manufacturing activities, in order to protect our employees, we switched to a single work order-based operation from multiple operations especially in the vessel and outfitting departments as we took the sizes of such departments conducting production activities into consideration. There has been no changes in our pace

in design, engineering and administrative areas yet surely a relative slowdown has been experienced in production. Unfortunately, this outbreak is a pandemic and therefore there are certain measures implemented both for the customers and other project stakeholders. The cancellation of all meetings, information sharing through remote access or executing meetings via internet-based applications could not be possible especially in military ship-building projects where confidentiality and information security are strictly required. Such factors may cause postponements in ongoing projects and create setbacks in negotiations for potential projects. On the other hand, there has been no cancellation on the ongoing projects or the projects we expect to realize. In fact, two of the ARES 85 HERCULES Fast Patrol Boats that we continue to manufacture were launched to the sea in the past weeks. We are executing the test and acceptance processes not in the presence of the customers but with the representation of the independent classification authorities in Turkey.

Defence Turkey: The contract on the supply of 105 ARES-35 Patrol Boats within the scope of Coast

Guard Command's Patrol Boat Project was signed on February 17, 2019 between the Presidency of Defense Industries and ARES Shipyard. It was stated that in order to keep up with the contract schedule, ARES Shipyard would be completing the construction within 10 days, refitting of each of the ARES-35 Patrol Boats, built with carbon reinforced composite material with a multiple mold technique. What would you like to say on the latest status of the Project and on the deliveries planned to take place in 2020? Is it true that the number of boats has been increased to 122 and that the first delivery will be made in the second quarter of 2020 and that 6 boats will be delivered once every two months?

Utku ALANÇ: The Patrol Boat Project will be breaking a world record in terms of its volume and production methodology, because the implementation of serial production techniques in boatbuilding is quite rare and the production model to be applied by ARES Shipyard will be a first in the world. We fully believe that the delivery schedule will become a success story on its own. The contract we signed to fulfill the demands of our Coast Guard Command for 105 fast patrol

boats reached a total of 122 boats with the additional 17 boats demanded by the Turkish National Police. There are no changes in the delivery schedule. As you also mentioned, we will be delivering 6 boats once every two months and this means that nearly every week the refit of a boat will have to be completed. The critical design phase of the Project is about to be completed. The schedule was suspended for a while as we were not able to hold meetings due to the pandemic. Therefore, the launch of the first-prototype boat is planned for the end of 2020. As from the successful delivery of the prototype, 6 boats will be delivered once every two months to the Coast Guard Command and to the Turkish National Police over a period of five years.

Defence Turkey: Could you please summarize the tender process and the main factors paving the way for your success in the tender? What are the reasons why ARES was selected? Is it the price or the technological superiority that motivated the procurement authority to select ARES?

Utku ALANÇ: The tenders executed by our Presidency of Defense Industries contain

an order that will serve as a model to the whole world in terms of the preliminary work, the evaluation stage and the contract stage. All bidders are subject to an evaluation, considering all aspects. Surely, the technical solution we offer fulfills the requirements of the end user exceedingly. The main reason behind this is that the experiences and competence of ARES in performance boats (fast patrol boats, torpedo boats, etc.) is beyond world standards. Also, we are well aware of our costs and we correctly manage them. Therefore, for achieving long-lasting projects we offer affordable prices and also due to our considerable experience with design and production we avoid overpricing and excessive risk pricing, we achieve the capability to remain at reasonable levels when particularly the interests of our country and our national defense are in question. On the other hand, we show ultimate sensitivity to indigenosity and offset issues that are considered amongst the main evaluation criteria. We endeavor to achieve a maximum local content rate in the platform solutions that we propose, and this

surely and rightfully provide a favorable score during the evaluation stage. Last, but not least, planning is one of our strong points. We are capable of introducing quite competitive delivery schedules as a result of expert planning and appropriate implementation, all of which are a result of our seasoned experience in this sector. As you may also appreciate, the capability to execute rapid delivery is an inevitably positive evaluation criterion, especially in the defense industry.

Defence Turkey: Either implicit or explicit embargos are being imposed on Turkey by EU and NATO member countries in the last period and this causes disruptions in the delivery schedules of certain defense projects. Has ARES Shipyard suffered from such problems? Have any delays been experienced in project deliveries caused by the late delivery of the power packs, electronic equipment utilized in the boats due to such embargos?

Utku ALANÇ: Even though we observe delays and even shutdowns in almost all sectors due to the pandemic, we have not experienced any disruptions so far in our ongoing projects and in the deliveries of our sub-contractors and suppliers that would affect the main project schedule. One cannot deny the importance of collaborating with the right sub-contractors and suppliers at this point and we should definitely not ignore ARES' success in planning, production and supply chain as well. We always consider the equipment that will be required for the next boat delivery when stocking our equipment and procuring our main equipment and material from foreign countries. Therefore, we remain at a level of preparedness that can tolerate logistic setbacks in main equipment up to nearly six months. In this way, we launched two more fast patrol boats to the sea in the past weeks and started the test process. And I hope to launch two new boats in the beginning of July 2020.

Defence Turkey: Do you have any additional remarks for our readers?

We would like to thank you for your interest in ARES Shipyard ■



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ARES 85 HERCULES Fast Patrol Craft