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SPEECH BY MR HON SUI SEN, MINISTER FOR FINANCE, AT THE
7TH ANNIVERSARY DINNER OF THE SEMBAWANG SHIPYARD EMPLOYEES'
UNION ON SATURDAY, 17TH APRIL 1976 AT 7.30 P.M.

I am pleased to be able to join you this evening in celebrating the 7th Anniversary of the Sembawang Shipyard Employees' Union.

Sembawang Shipyard is now probably the largest shiprepair yard in Singapore. Many of you here were founders of the Union and played a vital role in transforming this former naval dockyard into the viable commercial company it is today. You can therefore be justifiably proud of your past performance. But as with the past, no doubt you will also have a deep and perhaps anxious, personal interest in the future, in the outlook for the industry in general and the continuing success of your shipyard in particular.

Over the last decade, the shipbuilding and repair industry in Singapore grew by leaps and bounds. Shipyards in Japan and elsewhere were equally buoyant, many being booked for years in advance. Then, with the oil crisis, the large tanker market suddenly collapsed and world shipping sank into a severe depression.

We do not have to look far to see signs of the crisis. In Singapore waters alone, several oil tankers are laid up. World demand for petroleum, instead of expanding strongly as expected, suffered a contraction in 1974/75 as a result of the five-fold increase in crude prices. The world tanker tonnage totals about 290 million deadweight tons, of which about 17% or 50 million dwt has been laid up. Including tankers laid up, slow steaming of tankers, floating storage, partially loaded tankers and other results of overcapacity, the total surplus in tanker tonnage has been estimated

at about 120 million dwt or about 40% of total capacity. In addition, about 55 million dwt or new tanker orders have been cancelled.

The severe imbalance between supply and demand in tankers which is projected to continue into the early 80's, will cast a deepening gloom over the entire shipbuilding, shiprepair and rig-building industry. The Shipbuilders Association of Japan has projected that the Japanese yards will operate in 1976 at about 80% of 1974 levels, declining to 62% in 1977 and 58% in 1978 before recovering slowly thereafter. We should, therefore, expect increasingly strong competition from highly efficient yards in Japan, South Korea and elsewhere, both from existing yards as well as from large modern facilities currently under construction in this region. Besides the slump in the tanker market, an overcapacity situation has also developed in the market for oil rigs.

In 1975, the marine industry in Singapore was fortunate to have fared relatively well despite the recession. Preliminary estimates indicate that total turnover for shiprepair, shipbuilding and rig construction increased by about 36% at current prices to about \$980 million. However, this figure does not reflect the true situation of the industry. During 1975, local shipyards had to face severe price competition from overseas yards. Although the turnover of the shipbuilding and rigbuilding sectors increased substantially during the year, this was largely the result of orders secured during 1973 and 1974. The backlog in orders will only last until end 1976 or early 1977. It is a sobering thought for the rig construction industry that no new orders for oil rigs have been received for about a year. Orders for building of new ships have also been falling so that many medium-sized shipbuilding yards have had to diversify into shiprepair business as well as into construction of barges, steel structures and other ancillary work to keep active.

The industry should therefore prepare for difficult times ahead. It is crucial to keep production costs under tight control and raise productivity through better organisation and techniques and through improving skills. This will require the joint efforts of all concerned. Effective cost control and increased productivity are only possible if workers apply themselves conscientiously to the job and make every effort to minimise material wastage and downtime. Being directly involved on the job, they are in a position to suggest methods to improve efficiency and cut costs, ideas which could be usefully discussed at joint management-worker productivity committees. In this regard, I am pleased to note that Sombawang Shipyard has already set up such a committee which could be an example to others in the industry.

On its part, management should study ways and means to better the technology of the industry and to train the workers so that they can undertake more sophisticated construction and repair work. It should improve organisation and methods to make better use of labour, materials and facilities. On the marketing side, it will have to seek other markets and increase its product lines as well as make greater efforts on sales. Already several shipyards are branching out into the fabrication of steel structures, process equipment and other components for petroleum production, petrochemical, fertiliser and power generation projects. This is a healthy trend which should be encouraged. Singapore is well placed to undertake heavy engineering and fabrication work for export to the region and to West Asia. There are also good possibilities for local manufacture of ship machinery and equipment and for establishing other supporting services for the shipbuilding and repair industry.

Finally, cost control involves a certain degree of wage restraint. We should be careful not to price ourselves out of the highly competitive international market. Already our labour costs in Singapore are higher than those of Korea and Taiwan and it will become more difficult to compete with them in the simpler labour intensive aspects of shiprepair and shipbuilding. Although the industry has done well in the past, it is entering a difficult period which is expected to last several years. In such circumstances, everyone in the industry, workers and management alike, should give of his best. In the ultimate, the most important factor will be our labour cost-productivity ratio. If we can attain the same efficiencies as the advanced shipbuilding and shiprepairing nations whilst holding our costs below the costs of these nations then even with the reduced volume of business in the world, Singapore will retain its share.