

EMBARGOED TILL AFTER DELIVERY
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SPEECH BY MR HOH SUI SEN, MINISTER FOR FINANCE AT
THE OFFICIAL OPENING CEREMONY OF M.S.H.I. SHIPTARD
ON SATURDAY, 20 NOV 76 AT 3.00 P.M. AT 50 GUL ROAD

The inauguration of this joint venture shipyard between the Mitsubishi group on the one side, and the Singapore Government and the Development Bank of Singapore on the other brings yet another major addition to Singapore's already extensive shiprepair and shipbuilding facilities. The shipyard represents a total investment of \$130 million in fixed and other assets, which include a 400,000 ton drydock, a mooring quay of 675 metres capable of taking alongside 2 or 3 large tankers at one time, a slipway for constructing barges up to 500 tons and a comprehensive workshop complex with a floor area of 3,856 sq metres. The investment is financed partly by equity of \$30 million and partly from the \$102 million which have been arranged in long term loans, which will also provide working capital for the yard's operations. Financially, therefore, the yard is very soundly and solidly based, and should be able to weather any storms. By industry standards, its turnover should eventually be about \$100 million per year. Already, in the period of "running in" the shipyard from 1 August 1976 till mid November, the shipyard has had sales amounting to \$7.6 million in repairs to 20 vessels, including 5 VLCCs above 200,000 tons.

In the first phase of the shipyard's development, there is further provision for the construction of a second drydock and the extension of the existing quay with a finger pier, if improved business conditions justify further investment. Taking an even longer view, the shipyard has

allowed also for expansion in a second phase on land which will have to be reclaimed and adjacent to the present shipyard. It is intended in this phase of development that there should be facilities for building larger vessels and for construction of marine and non-marine engineering equipment. A complete feasibility study covering these operations has already been undertaken.

Such advance planning implies a robust faith in the future which is not always evident nowadays in the shiprepair and shipbuilding industry. In the years since the oil crisis, the depressing freight rates of the world tanker market has led to an almost total lack of demand for new tanker buildings and a consequent serious overcapacity in shipbuilding yards. As shipbuilders overseas switch to repair activities, Singapore's own shiprepair and shipbuilding activities cannot help but be affected. Competition in the shiprepair business is in fact becoming ever more intense, even in Singapore itself between our own shipyards.

In these circumstances, a realistic appraisal must be made of the Singapore industry's viability in relation to the global market. In view of the considerable Singapore (including Government) funds already invested, and of the further investments contemplated in the industry, it is gratifying to note a number of positive factors favouring the industry in Singapore.

First, in our association with foreign yards, of which our joint venture with Mitsubishi Heavy Industries is only one instance, we are importing the expertise and technology of the world's foremost shipbuilders and repairers. In the competitive markets of today,

the greatest efficiency is necessary for survival. The imported expertise also includes the marketing of our shipyard facilities through their sales offices world-wide. For example, I mentioned in the earlier part of my speech the fact that already 5 VLCCs of over 200,000 tons had been repaired in this yard before its official opening today.

Second is the rationale for so many shiprepair yards being established in Singapore: its location astride the oil tanker routes between the West Asian oil producing countries and Japan, a location which has always given us an advantage over those less fortunately placed. VLCCs or Very Large Crude Carriers discharging oil in Japan and on their way back to West Asia find the travel time between Japan and Singapore most convenient for them to clean their tanks before the ships enter our drydocks for repair. For cargo and other ships, Singapore as the world's third largest port in terms of ships passing through, is also singularly well placed to secure shiprepair work.

Third, our shipyards were designed mainly for shiprepair and less for shipbuilding, and consequently the docks and the pumps, cranes and other facilities are therefore more suitable and therefore most cost effective for the shiprepair work now mostly available than shipbuilding yards and facilities which have had to be converted temporarily for shiprepair purposes. For shipbuilding, particularly in the construction of VLCCs and other large assembly line type of ships, our advantages are less apparent. For smaller-sized vessels, however, particularly in supply ships, barges etc for the offshore oil exploration and oil drilling industry, our greater proximity to the South-East Asian areas and to West Asia gives us more than a slight edge over our rivals further east.

Fourth, the vocational institutes and the Industrial Training Board have been providing training in shiprepairing and shipbuilding to our young people and in conjunction with individual yards, have also instituted Apprentice Training Schemes. Trainees in various skill trades after completing their apprenticeship invariably join the yards as employees and eventually man the Production Sections in which they have received specialised training. A policy of developing a Company's skilled workforce from such young trainees and school leavers will prevent employees from developing bad work methods and habits. I am glad to learn that Mitsubishi Singapore Heavy Industries has elected to adopt this policy.

Fifth, for those who do not have the time or the means to do their own training, there exists already a large reservoir of skilled, experienced and adaptive workforce ready to tackle new and sophisticated work. Complaints have sometimes been made of lower productivity in our Singapore yards than in the most efficient yards in the East, but with good management and better work discipline in well organised yards, lower productivity need not be a problem. The performance of workers paid under contract shows how fast and efficient they can be when properly motivated.

Sixth, to supplement the foreign expertise we get from Japan and other areas, we have since the nineteen sixties been sending some of our brightest young people for tertiary technical education overseas. We have therefore built up from the returned students over the years a corps of keen, well trained younger managers, naval architects, marine, mechanical and electrical engineers. Some are newly returned and are suitable for induction into shipyards to be developed in accordance with the individual yard's management trainee schemes. Others have already gained valuable experience

and are now capable of taking over heavier responsibilities. The rapid expansion and profitability of Keppel Shipyard, which is now entirely run by local management, is evidence of their ability to grasp the opportunities opened to them.

The favourable factors I have mentioned explain the very rapid growth of the shiprepair and shipbuilding industry in the past decade and a half so that Singapore is now one of the world's leading shiprepair centres, and a not insignificant shipbuilding centre as well. In spite of adverse conditions generally affecting this industry, and some closures or reorganisation of the less efficient shipyards, Singapore has this year managed to keep many of her yards even busier than before, but working perhaps to slenderer margins of profit. Singapore shipyards, however, know how to face the economic realities by slimming down their corporate body and making adjustments to increase productivity all round so that they are able still to operate profitably and maintain their share of the world market.

I am particularly happy that for its first joint venture project outside Japan, Mitsubishi with its proud record and great reputation in the shipbuilding and repair industry has chosen to be associated with Singapore, rather than with any other possible partners. The gratifying presence here today of so many of the top decision makers of the Mitsubishi group in Japan show the great weight they attach to this investment, and the continuing interest they will give to the yard. I am confident, therefore, that with its expertise, solid financial base, and efficient facilities, Mitsubishi Singapore Heavy Industries Private Limited has a bright future.

It gives me great pleasure now to officially declare
this shipyard of Mitsubishi Singapore Heavy Industries Private
Limited open.