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SPEECH BY MR HON SUI SEN, MINISTER FOR FINANCE, AT THE
FOURTH ANNUAL MEETING OF THE EAST ASIA COMMITTEE OF
LLOYD'S REGISTER OF SHIPPING ON FRIDAY, 1 DECEMBER 1978
AT 1.00 PM AT THE JURONG/TANGLIN ROOM, SHANGRI-LA HOTEL

I am very pleased that the East Asia Committee of Lloyd's Register of Shipping should be holding its Fourth Annual Meeting in Singapore.

The choice of venue is, I would suggest, not inappropriate. Singapore lays claim to being one of the world's four busiest ports. Since its founding in 1819, it has welcomed the ships and sailors - and the shipowners - of all nations. In the last decade alone, the number of vessels above 75 net registered tons (NRT) calling at Singapore has increased steadily from 15,614 totalling 63.4 million NRT in 1968 to 20,602 or 128.3 million NRT in 1977. The Singapore Government's maintenance of the policy of a free and open port allows healthy competition among the world's shipping lines, and ensures the provision of the most economical and efficient shipping services.

Shipping is an important element in the growth and development of our economy. In Singapore, the total tonnage of our sea-borne trade in 1977 amounted to 64.1 million freight tons. This exceeded the previous peak figure of 61.2 million freight tons before the oil crisis in 1973. In value terms, about 80% of Singapore's external trade is seaborne. A very large proportion of such trade is carried in foreign bottoms.

Singapore's own tonnage of shipping, though growing, is still comparatively insignificant. We have now some 7,800,000 tons registered under the Singapore flag. Of these, our indigenously owned tonnage is much lower at 2.5 million tons at the end of 1977. Our largest Singapore-owned shipping firm, Neptune Orient Lines which you already know as our national line, has a total of over three-quarters of a million NRT.

Through our indigenous shipping lines, small as we still are, we are painfully familiar with the problems of the world shipping industry. No doubt in your discussions in closed session, you will be reviewing these problems in depth. The dimensions of these problems can be measured by the decline, after the oil crisis in 1973, of world orders for new vessels from the peak of 73 million gross registered tons in 1973 to 13 million GRT in 1976 and 11 million GRT in 1977. Or by the slump in the tanker market, which since 1973 has laid up over 350 tankers although deliveries of new ships continue to be made. The overcapacity has not been helped by Government subsidies to keep shipyards employed. In spite of many cancellations or conversions to other vessels like bulk carriers, container vessels or cargo liners, the doldrums in orders did not seem to have affected the number of newships classed by the Society in Lloyd's Register of Shipping which from 1974 to 1977 remained at a stable 9 million GRT per year compared with the less favourable 6.5 million GRT per year during the pre-recession period, 1970 to 1973.

The conversion of overtonnaging in tankers to overtonnaging in other shipping and the Government subsidies to their nations' shipyards have some unfortunate consequences. One such consequence perhaps is the plight of even the container shipping industry. We have all heard recently the cri de coeur of Mr C H Tung over Government intervention and the consequent excess capacity in container vessels.

But Government intervention in the shipping and allied, particularly shipbuilding, industries is nothing new. Shipowners have been ready enough in the past to avail themselves of such Government intervention where this provides handouts or soft loans to shipbuilders and shipowners. These were intended, for defence reasons, to build up merchant navies, or to maintain shipbuilding capabilities which would be required for use in wartime.

Or they were given simply to provide or sustain industrial employment in economically depressed areas of a country. The grants and full loans on relatively easy terms clearly tempt shipowners to over-commitments in shipping tonnage. The overbuilding is followed by inadequate demand for the greatly increased total shipping capacity, shipping revenues fall drastically and a liquidity crunch ensues. Government then sometimes intervenes again with rescue operations. Such intervention, however, is surely not unwelcome, and may even be expected.

Government intervention is disliked, I suppose, where this is in the form of creating national shipping lines. This is presumably most objectionable to shipowners where it provides unfair competition, or in the reported words of Mr C H Tung "operates outside the practices of normal business", as in the case of the Soviet merchant fleet which has severely undercut the regular rates of Conference fleets. It should be less objectionable in the case of national fleets like NCL or MISC which subject themselves like other shipping lines to the discipline of the international market place, and often join the Conferences and abide by Conference rates and regulations. These national fleets are, however, likely to make immediate claims to equal treatment with other more established lines. Some of these may be aggrieved because they consider themselves entitled on "historical" or traditional grounds, as it was once explained to me, to a preferential share of the cargo trade against the newcomers. National fleets may insist also on the UNCTAD division of cargo trade between countries on a 40% to 40% share basis, leaving only 20% to cross traders.

Shipowners, and particularly Conference line shipowners, must, however, learn to regard the development of national fleets as inevitable. The reasons for such development are politically compelling. However economically justifiable the Conference liner system may be, however rational

the arguments for charging what they determine to be reasonable rates for providing the benefits of regular and dependable services, it is difficult, if not impossible, to convince shippers (and often their Governments unless they are in the Conferences through their national fleets) that such rates should be fixed unilaterally by the Conferences. And be changeable at very frequent intervals upwards. For notwithstanding the current crisis in general shipping overtonnage, freight rates in the liner market have continued to rise. According to the UNCTAD Review of Maritime Transport 1977, the number of increases in freight rates in the liner market from 1974 to 1976 averaged 140 per year. This rose sharply to 163 in 1977.

The frequent and high increases in freight rates have generally a tendency to hamper the growth of trade in developing countries. Since these countries are heavily dependent upon liner shipping within a network of shipping Conferences, many of them have come to believe that a solution can be found in national lines. These could join the Conferences, participate in rate fixing and, it is assumed, moderate increases. Alternatively, they could provide, outside the Conferences, alternative services at lower than Conference rates. The rationale for low rates would presumably be that the growth of the trade-oriented economies of the developing countries depends, in part, upon the competitiveness of their exports and the competitiveness of their exports depends, among other things, on low and stable freight rates.

Governments often decide therefore that shipping is too important a matter to be left to shipowners alone. But while Governments may be driven by political and other imperatives to do many things, the very large sums necessary for the capital and operating costs of national shipping lines limit Governments, except in the short run, to economically justifiable measures. Except for the centrally planned economies, national shipping lines

must be properly run and be able to pay a reasonable return on the capital employed, if they are to be able to find from exacting financial markets or sceptical Finance Ministers the fresh investment funds for continually expanding and improving their fleets.

These are conditions that apply equally to private shipping lines, and the better managed and more efficient among them have therefore nothing to fear from competition with the national lines.

Shipowners should expect Government intervention in one form or another to be always with them, however much they may sometimes prefer otherwise. But there is no reason to believe that the individualistic entrepreneurs and colourful personalities that make up shipowners collectively will be unable to adapt to any circumstances, whether caused by Governments or otherwise. To consider such circumstances and any countermeasures, they have at any rate, a valuable consultative link and dialogue with each other in bodies such as this East Asia Committee of the Lloyd's Register of Shipping. Its formation in 1975 was indeed far-sighted and timely.

However, I hope that this Meeting in Singapore will have many things of better cheer to consider. There are signs that shipping is gradually picking up, at least in East Asia. I am aware that in the Lloyd's Register of Shipping Annual Report 1977, Mr Huskisson has stated that recovery from the world shipping slump by 1980 was only a possibility, and not as he had thought in the previous year, a probability. But I am told that several ports in East Asia are suffering from port congestion due to an upsurge in trade volume. Port facilities in this region are constantly being expanded to meet the needs of handling the rising volume of cargo. The

countries in East Asia have economic growth rates which are far higher than those of the rest of the world. Such rapid growth must spark correspondingly higher growth rates for trade and shipping in East Asia. This could eventually lead to a general recovery in world trade and shipping also. At any rate, I would like to suggest this possibility as one cheerier theme for your deliberations. I wish you all a very good Fourth Annual Meeting.
