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SPEECH BY MR HON SUI SEN, MINISTER FOR FINANCE, AT THE
TENTH ANNIVERSARY DINNER OF SEMBAWANG SHIPYARD
EMPLOYEES' UNION ON SATURDAY, 2 DECEMBER 1978
AT 7.30 PM AT SEMBAWANG SHIPYARD PREMISES

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Ten years ago this ex-naval shipyard was at a crossroad of its destiny.

At that time the Government of Singapore was faced with the formidable task of converting to civilian use vast areas of land and facilities vacated in stages by the British Armed Forces. In addition, over 30,000 former employees of the British had to be found alternative employment, after retraining where necessary.

The Government approached the task of conversion of the Naval Dockyard with a resolution that was born of dire need. The history of conversion of naval dockyards elsewhere in the world was not encouraging.

A naval dockyard is designed for high quality work, conducted at a relatively leisurely pace at least in peacetime, with the use of lavish facilities spread over vast hectares of land. It is not geared to the financial discipline and rapid turn-around times of a commercial yard. Even the drydock is not entirely suitable for commercial vessels, being much deeper and narrower than what is required in a commercial yard.

But the biggest challenge of all was to motivate the labour force to accept more urgent ways of work behaviour.

The Government called in consultants from the UK, Swan Hunter, to do a feasibility study of the prospects of commercialisation. Swan Hunter was then appointed as managing agents.

The forecast by Swan Hunter, considered by many experts to be optimistic at that time, envisaged sales revenue remaining stagnant at \$35 million a year during the study period, 1969 to 1972, with profit falling from \$3 million to \$700,000. In the event, sales revenue in 1972 touched \$71 million, and profit rose to \$15 million.

In the ten years since commercialisation, Sembawang Shipyard has chalked up cumulative sales revenue of \$844 million and profit of \$191 million. It has generated cash of \$249 million, with which it has financed capital investments of \$92 million including a new drydock, the biggest in Singapore at the time, of \$54 million. Along the way, in 1973, Sembawang Shipyard became the first shiprepair yard in Singapore to offer its stock to the public.

But that is not all. The Sembawang Group has diversified into related activities where its managerial, technical and physical resources permit it. Sembawang Engineering is active principally in the off-shore petroleum industry, where it specialises in the construction of production platforms and pressure vessels. Sembawang Towing is active not only in docking ships at the Yard

but also in the waterways of Singapore. And recently, the Group has joined forces with a Swedish manufacturer to produce diesel engines in Singapore.

How and why did all this happen?

Political stability, rapid economic growth in the first five years of the Yard's existence, and booming conditions in the shipping and shiprepairing industry, were the major environmental factors. The quality of top management selected by the managing agency, which has run the Yard for the last ten years, was also important. We have been lucky in Sembawang's managing directors, Messrs R Ibison, R E Butler and especially Neville Watson. The extent of their success in not only creating a viable yard but in transferring control to Singaporeans can be gauged from the fact that while there were 160 British expatriates ten years ago, today there are only five. But without doubt it was the enlightened attitude of the Employees Union, with its progressive and courageous approach, that enabled this ex-naval dockyard to achieve such a unique and resounding success. The Union leadership has cooperated with management in introducing productivity improvements, inculcating proper work habits among its members, and instilling appropriate discipline.

So much for the past. What of the future? If the first five years of Sembawang Shipyard constituted a period of rapid expansion, the second five years were marked by what may be termed

consolidation. The shiprepair industry in Singapore, no less than in the world, is facing severe pressure from the decline in growth of shipping activity and the plentiful supply of repair facilities. The result has been intense competition, which has brought prices and profit margins down. Sembawang has been able to survive because of prompt measures taken to trim unnecessary fat. If any shipyard can surmount the present crisis, I venture to suggest it is Sembawang. To do so, management, union leadership and employees will have to continue to demonstrate the same resilience, courage and adaptability to change which produced the successes of the first ten years.

May I congratulate and thank all of you -- management, employees and the union leadership for your achievements, and wish you continued success in the future.
