PRIME MINISTER'S ADDRESS AT OPENING OF SEMBAWANG SHIPYARD LIMITED 400,000-TON NEW DRYDOCK, SUNDAY 25 MAY 75

Ladies and gentlemen,

Six-and-a-half years after the Sembawang Naval Dockyards were handed to us by the British, workers in the companies which took over the property have exceeded the workers in 1968. The income generated has risen five times.

In the early '60's, Singapore had not made its mark in the world as a centre for shipbuilding or ship repairing. Now, there are over 4 major ship repair establishments and over 50 smaller repair yards. Over the last 5 years, the industry has grown at 30% a year. Total revenue generated by all shipyards in Singapore in 1974 was $720 million, compared to $227 million 4 years ago, 1970, and compared to $24 million 9 years ago, 1965.

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With this latest dock, we have 3 VLCC docks. Another is being built. Now, the largest tanker afloat can be repaired in our shipyards. A multitude of specialist companies have grown up to offer every specialist service in support of the industry.

We are moving into third place as rig builders in the world. However, the oil crisis and the economic recession in the industrialised nations have created new problems. There has been massive, almost panic, stock-piling of crude oil all over the world. This has caused a glut in oil, as every country economises in consumption at a time of a worldwide recession. Further, VLCC's are acting as more oil tanks by reducing speed, to save fuel, and because costs of chartering have plummeted down. There is now a surplus of VLCC tanker tonnage. Unless the decrease in oil consumption is overcome by the middle of next year, with the industries of the developed world recovering from recession, there will be a corresponding reduction in repairs of VLCC's. But if the recession continues, more VLCCs will be mothballed.

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Moreover, the development of oil resources in the North Sea and Alaska, nearer to the industrial nations, will reduce tanker demand. It will cut down distance tankers have to travel when the production begins.

Next, the reopening of the Suez Canal this June will cut down shipping time. So unless more goods are exported, less ships will be required. The opening of the Suez Canal will also increase competition from shipyards in the Mediterranean. Fortunately, the VLCCs plying the Gulf to Japan route will not be affected. Hence we in Southeast Asia have a vested interest in Japan's economic recovery.

These developments have changed projections of growth in various ship repairing centres. Nearly 30 million deadweight tons of tankers are now mothballed. Many new orders for VLCC are being cancelled, through negotiations and compensation.

Singapore workers and management must be aware of this new situation. Ship repairing is high in the use of labour. It is because wages have gone up considerably in Japan that Japanese dockyards have sited subsidiaries elsewhere, especially in Singapore. We cannot afford to price ourselves out, or some other lower wage cost centre will be developed as a ship repairing centre that will replace us.

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Wages can go up, but they must be much less than those in Japan, Taiwan or Hong Kong. Let us not forget that productivity in these centres is higher

because of higher skills and hardier workers. We must, through government-sponsored training programmes, better management and greater worker effort, achieve the same high productivity. Only then can Singapore afford wages as high as its more advanced competitors. But ship repairing costs in Singapore must always be lower than comparably located competitors. We overlook this fact of life at our peril.

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