

MARITIME INSTITUTE OF MALAYSIA

**THE MALAYSIAN SHIPBUILDING
AND SHIP REPAIRING INDUSTRY :
ADDRESSING CURRENT ISSUES
AND CHARTING THE
WAY FORWARD**

NAZERY KHALID
Research Fellow

**Seminar on 'The State and Future of Malaysian Shipyards :
Towards Improve Capability and Capacity'
Kuala Lumpur, 16 November 2006**

Advancing the Frontier of Maritime Knowledge



Current issues

Competition from established shipbuilding nations

- **Stiff competition from foreign yards even in the small vessels category.**
- **They enjoy economies of scale and more superior skills & technologies.**
- **China & Vietnam enjoy cheap labor.**

Current issues

Increasing component and raw material prices

- **Rising costs of components such as steel plates, composite materials.**
- **Some materials are not available locally & have to be outsourced abroad.**
- **Foreign exchange fluctuations.**

Current issues

Shortage of skilled workforce

- **Lack of qualified personnel.**
- **High turnover rate.**
- **Lack of interest among locals to pursue employment in yards.**
- **Lack of institutions offering maritime course & training programs.**

Current issues

Overcapacity

- **Capacity utilization is only half in most shipyards.**
- **Some yards adopt supply-driven approach although local demand is low.**
- **Lack of orders affects competitiveness.**
- **Too many yards competing for orders.**

Current issues

Inadequate supporting facilities

- **Lack of comprehensive supporting infra & facilities i.e. engineering, port-related services.**
- **Small yards are poorly equipped and labor-intensive.**
- **As such, orders take long to complete.**

Current issues

Local shipping owners sending vessels for repair / maintenance abroad

- **Local yards lose business to foreign yards due to their inability to service certain types of ships.**
- **It costs more to build / service certain types of vessels locally than abroad.**
- **Forex outflow & effect on BOP.**

Current issues

Shortage of high-tech facilities and equipment

- **Still behind in the latest technologies and approaches in vessel construction.**
- **Little collaboration & ventures with foreign players.**
- **Lack of capital to invest in R&D.**

International best practices

Korea

(40% share of world orders in 2004)

- **Focus on high value-added vessels i.e. LNG, crude & container carriers.
Focus on high quality & technology.**
- **Availability of competitive financing.**
- **Constant improvement in efficiency.**

International best practices

Japan

(24% share of world orders in 2004)

- **Development of manpower via apprenticeship program abroad.**
- **Focus on high quality & technology.**
- **Designation of shipbuilding as a strategic industry.**
- **Always improving yard productivity.**

International best practices

China

(14% share of world orders in 2004)

- **Leverages on abundant, cheap labor.**
- **Policy support via strategic planning.**
- **Focus on workmanship & efficiency.**
- **Invention of new techniques in repair & conversion works.**
- **Strives to move up the value chain.**

The way forward

Designate shipbuilding / shiprepairing as a strategic industry

- **Establish a roadmap to develop the sector, much like the car industry.**
- **Promote its growth & development, in line with nation's growing trade.**
- **Provide support at the infant stage to help players absorb capital outlay.**

The way forward

Upgrade manpower skills

- **Provide training programs to develop local expertise in technical areas.**
- **Encourage foreign players to set up operations in Malaysia & experts to share their knowledge.**
- **Improve incentives to lure new talents & existing ones to remain.**

The way forward

Encourage local shipowners / operators to use local-built vessels

- **Provide easy access to financing.**
- **Provide better incentives to use locally-made vessels i.e. tax breaks, pioneer status.**
- **Legislate to compel usage of Malaysian-made vessels & repair at local yards.**

The way forward

Concentrate on niche segments

- **Focus on segments in which there are already local core competencies.**
- **Capitalize on ‘hot’ segments such as oil & gas production platforms and tugs.**
- **Promote more systematically and aggressively to export markets.**

The way forward

Upgrade facilities and intensify use of technologies

- **Improve capacity and install equipment with advanced technologies.**
- **Encourage JV with foreign players and provide incentives for them to operate here to facilitate technology transfer.**
- **Invest in R&D.**

The way forward

Boost development of ancillary services

- **Encourage growth in related services i.e. banking, insurance, port services, telecommunications, etc.**
- **Improve inter-sectoral linkages between the yards and other sectors i.e. manufacturing, transport.**

The way forward

Consolidate the industry

- **Encourage small yards to merge towards achieving better economies of scale & better use of resources.**
- **Maintain control over tonnage supply & vessel type / building.**
- **Promote core competencies & mastery of niche skills among yards.**

Conclusion

- **Local yards have issues to address but there is a lot of potential too to grow.**
- **There is a need to balance policy push with nurturing competitiveness.**
- **A strategic & holistic approach is needed to boost local yards.**
- **Beyond the hardware, a change in mindset & attitude is also needed.**

MARITIME INSTITUTE OF MALAYSIA

“Shape up or ship out!”

THANK YOU

nazery@mima.gov.my

www.mima.gov.my

