MALAYSIAN SHIPBUILDING
ISSUES AND CHALLENGES

Khamarudin Bin Mansor
Deputy President Shipbuilding
Peninsular Malaysia
UNDERSTANDING THE INDUSTRY

<table>
<thead>
<tr>
<th></th>
<th>SHIPYARD</th>
<th>BOATYARD</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Classification by MOF</td>
<td>Class A, B</td>
<td>C Class D &amp; E</td>
</tr>
<tr>
<td>b) Business nature</td>
<td>Contract manufacturing</td>
<td>Contract manufacturing (not so for leisure boats)</td>
</tr>
<tr>
<td>c) Market</td>
<td>Small domestic market</td>
<td>Domestic market enough for only limited number of boatyards</td>
</tr>
<tr>
<td>e) Work force</td>
<td>Professional staff Knowledgeable skill worker</td>
<td>Minimal staff and mainly subcontract</td>
</tr>
</tbody>
</table>
# Business Nature and Ministry Responsible

<table>
<thead>
<tr>
<th>BUSINESS NATURE</th>
<th>MINISTRY RESPONSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Manufacturing (Manufacture/build and sell)</td>
<td>Ministry of International Trade and Industry</td>
</tr>
<tr>
<td>2. Contracting</td>
<td>Ministry of Works</td>
</tr>
<tr>
<td>3. Marine Transport and related infrastructure</td>
<td>Ministry of Transport</td>
</tr>
<tr>
<td>4. Contract Manufacturing (Turnkey-design and build)</td>
<td>Ministry of International Trade and Industry (dedicated marine section?)</td>
</tr>
</tbody>
</table>
Reflecting depressed market, actual delivery is bound to be smaller than the original due to strong pressure from troubled shipowners. The level of new deliveries in 2009 – 11 (though it gets smaller) will be still by far beyond the imagined required fleet level.
Reflecting severe shipping market, new orders will plunge in 2009. Under the current market condition (trade contraction + huge orderbook), there can hardly be any temptation for placing new merchant vessel orders.
SHIPBUILDING CHALLENGES:

1. Excess merchant navy fleet until 2011
2. Japanese & Chinese Shipyard least affected due their own big domestic market
3. Malaysia has small domestic market
4. Stiff competition from Japanese, Korean and Chinese shipyard
INFORMATION IS THAT THERE ARE APPLICATIONS FOR STARTING NEW SHIPYARDS IN MALAYSIA despite:

1. High capital investment;
2. Small domestic commercial market;
3. Surplus worldwide market;
4. Malaysia Naval Ships New Building – Is the market enough for many players?
The Third Industrial Master plan (IMP3) focuses on the development of shipbuilding and ship repairing activities, amongst which includes:

1. Increase in ship repairing and maintenance activities
2. Production of vessels of 30,000 DWT and below for coastal shipping

And the incentives given are:

i. Investment tax allowance up to 100% capital expenditure
ii. Pioneer status 100% tax exemption
iii. Exemption from import duty and sales tax

*Item iii above in not helping local vendor/suppliers*
<table>
<thead>
<tr>
<th>Boat Building Industry Insight</th>
</tr>
</thead>
</table>

**Influences:**

i. Mostly start operations as boat repair;  
ii. Scattered all over country, close to market;  
iii. Market is mainly Government vessel;  
iv. Govt Technical Team determine workscope;  
v. Less stringent delivery times;  
vi. Minimal staffing and infrastructure;  
vii. Subcontract labour (mainly);  
viii. Some evolve into boat building
BOAT BUILDING CHALLENGES

- BOAT BUILDING IS NOT A HIGH TECH INDUSTRY
- THE CHALLENGES ARE COMMERCIALLY DRIVEN I.E.
- HOW TO BUILD THE BOAT:
  - ACCORDING TO STANDARDS & BUDGET,
  - IN THE TIME SCHEDULE,
  - PERFORMING TO SPECIFICATION AND
  - ACHIEVING CUSTOMER’S SATISFACTION
1. Proximity - Marine industrial parks provides Common Logistic, Infrastructure & Support Services which helps to lower cost;

2. Continuity of project means continuity of skill work force employment, necessary for quality of works;

3. Continuity of project means opportunity for continuous development, especially in shipbuilding management;

4. Boatbuilding knowledge and skills require special training scheme;

5. Is tendering suitable for ‘TURNKEY PROJECT’?