

# Propelling ahead : Overview of Malaysia's shipbuilding / ship repairing industry



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# *Presentation outline*

- Overview of Malaysia's shipbuilding/ship repairing (SBSR) industry
- State of play
- Malaysian Shipbuilding/Ship Repair Industry Strategic Plan 2020 (SBSR 2020)
- Vital statistics
- Issues and challenges
- Business possibilities
- Conclusion

## *Overview of AMIM*



- Est. March 1984 as Association of Shipbuilders and Repairers of Malaysia (ASROM).
- Key objective : to safeguard members' interests to meet the growing challenges and demands of the marine industries and Malaysia's aspiration to be a globally competitive maritime nation.
- Members include shipyards, the academia, classification societies, marine equipment manufacturers, ship designers, and MRO & support services providers.
- Consists of two committees on Shipbuilding / Ship Repairing and Marine Industries.

# *Overview of Malaysia's SBSR industry*

- Part of the marine transport sub-sector of the larger transport industry.
- Consists of enterprises involved in designing, building, constructing, repairing, maintaining, converting and upgrading of *vessels* and *marine equipment*.
- '*Vessels*' means various types of ships incl. ocean going, near coastal, government, passenger, offshore and fishing vessels.
- '*Equipment*' means parts and components fitted and integrated to form the sub-systems and systems of a vessel. The local business is small.

# *Overview of Malaysia's SBSR industry*

- Malaysia contributed 1% of world newbuilding orderbook in 2013 and was ranked 26<sup>th</sup> in list of nations with the largest merchant fleet (with 1,454 vessels of 100 GT and above and total tonnage of 6.993 mil. GT) as at year end 2013 (IHS).
- Generates multiplier effects across the economy.
- Most yards specialize in building small-medium size vessels i.e. ferries, barges, tugs, OSV, yachts, fishing vessels, patrol crafts. The larger yards can build /service bigger ships (i.e. bulkers, tankers) and fabricate/ service offshore structures. Some do upgrading and conversion i.e. FPSO / FSO.
- Key export markets include ASEAN (80% of total exports in 2012), Americas, Africa and Europe.

## *State of play*

- The 3<sup>rd</sup> Industrial Master Plan 2006 -2015 has identified SBSR as a strategic industry that can help transform Malaysia into a fully developed economy by 2020.
- Despite its reliance on maritime trade, strategic location, and booming oil & gas industry, only half of vessels required by local shipowners annually are built locally.
- Yards serving the oil and gas sectors – which are designated as New Key Economic Areas under the New Economic Model – building / servicing OSV and offshore structures are doing well.

## *State of play*

- There are more than 100 yards of various sizes in Malaysia building / servicing many types of vessels.
- Internal and external competition is intense.
- Around 65 yards in Sabah & Sarawak contribute 65% of total local newbuilding tonnage. Many are family-owned.
- Many yards rely on foreign labor and designs (for big and sophisticated vessels) and do not employ state-of-the-art technologies.
- Many shipowners prefer to build vessels in yards in other countries where costs are cheaper and various incentives are offered.

# Peninsular Malaysia cluster

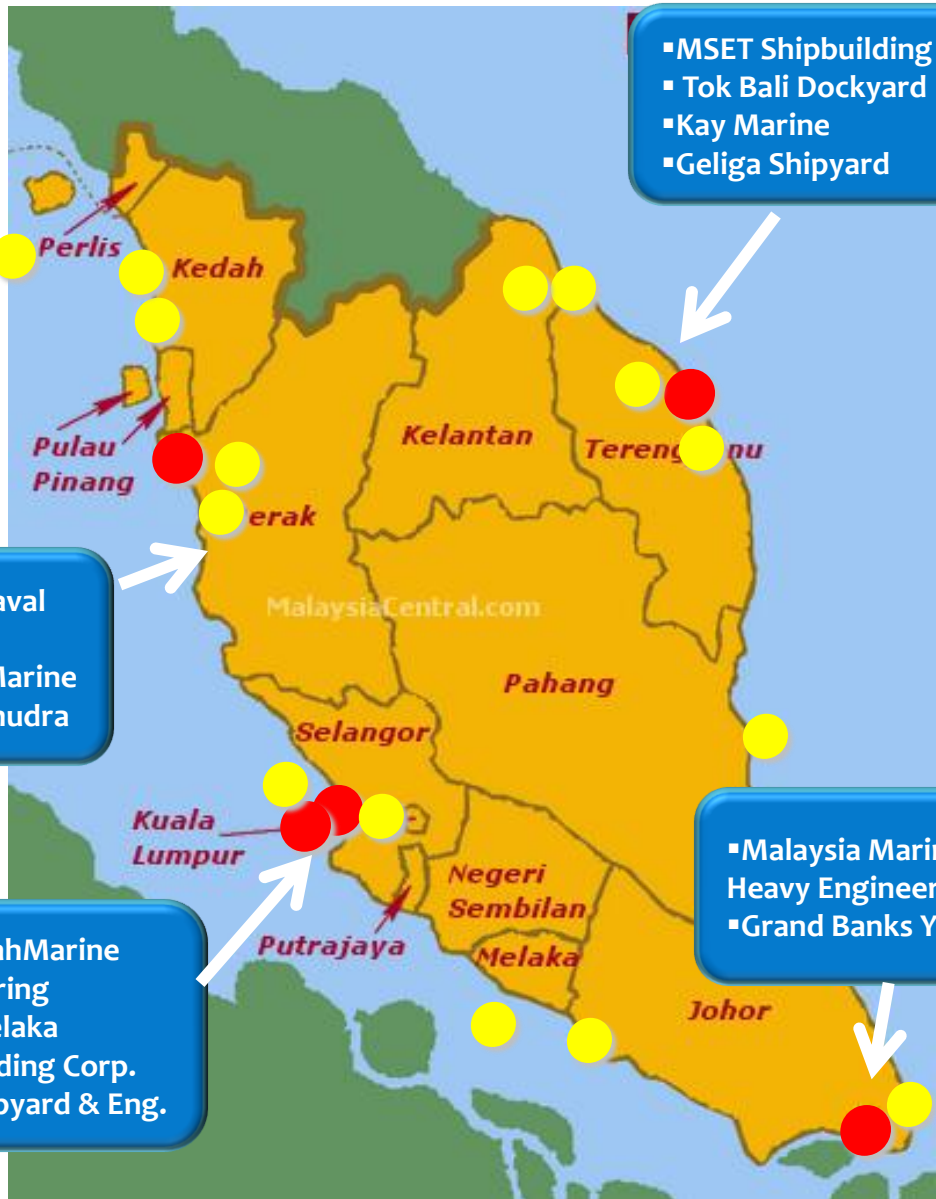
Majority specializing in steel and aluminum vessels for government agencies and oil and gas industry.

- Boustead Naval Shipyard
- Great One Marine
- Sumber Samudra

- Muhibbah Marine Engineering
- Selat Melaka Shipbuilding Corp.
- Port Shipyard & Eng.

- MSET Shipbuilding
- Tok Bali Dockyard
- Kay Marine
- Geliga Shipyard

- Malaysia Marine & Heavy Engineering
- Grand Banks Yachts

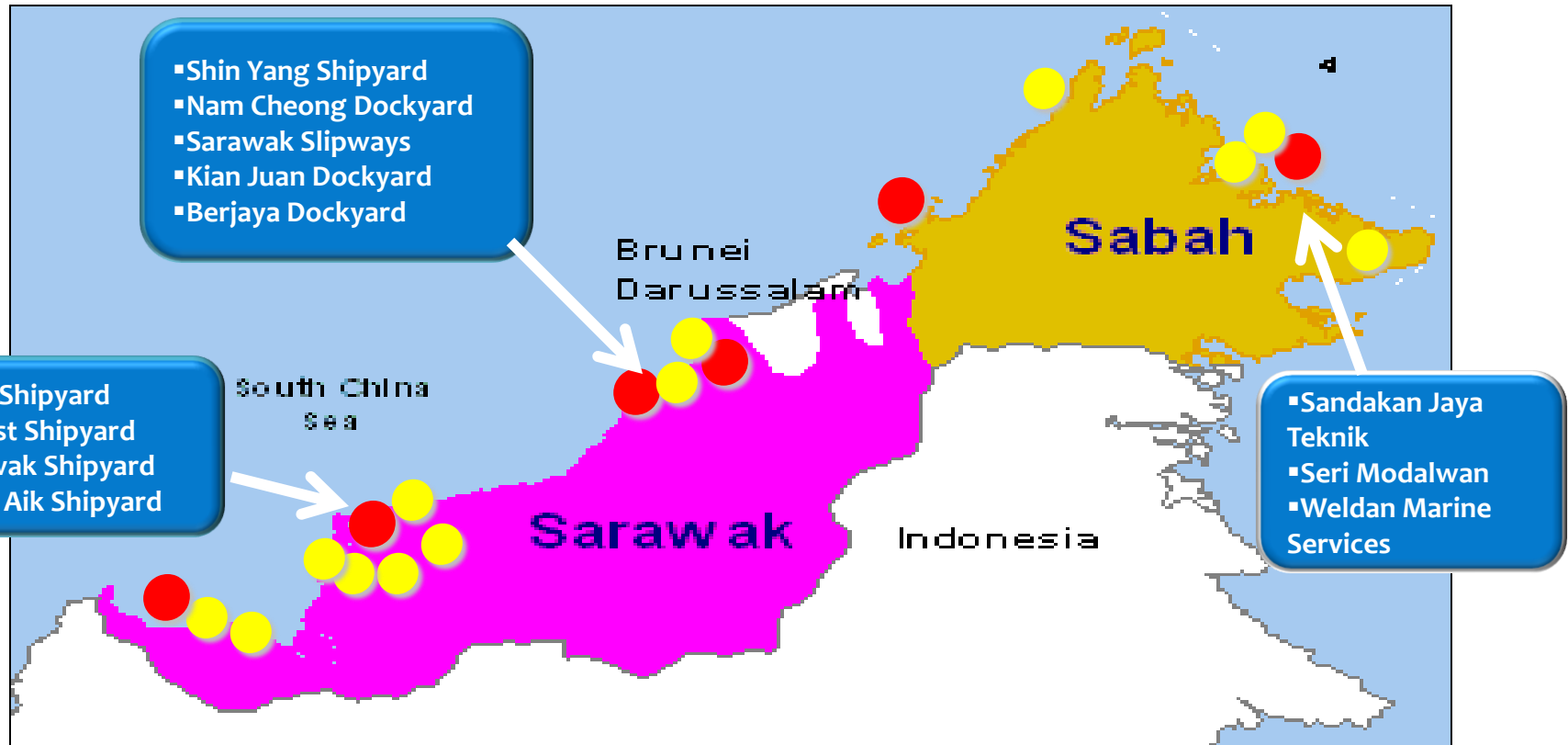


● Major yards ● Small yards



# Sabah / Sarawak cluster

Majority specializing in building steel and aluminum vessels i.e. OSV, tugs and ferries.



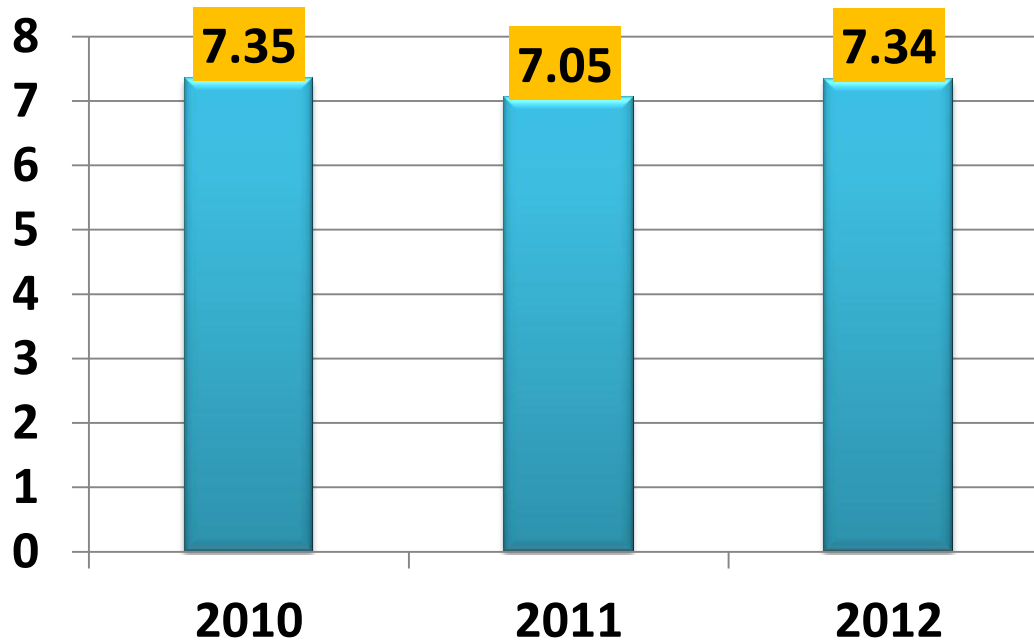
● Major yards      ● Small yards

# *Highlights 2012*

- Revenue - USD 2.27 bil.
- No of companies involved in SBSR - 189
  - Shipyards - 104
  - Non-shipyards - 85
- Total investment - USD 0.13 bil.
- Value of locally built vessels exported - USD 0.4 bil.
- Estimated number of people employed - 33,000

# ***Vital statistics***

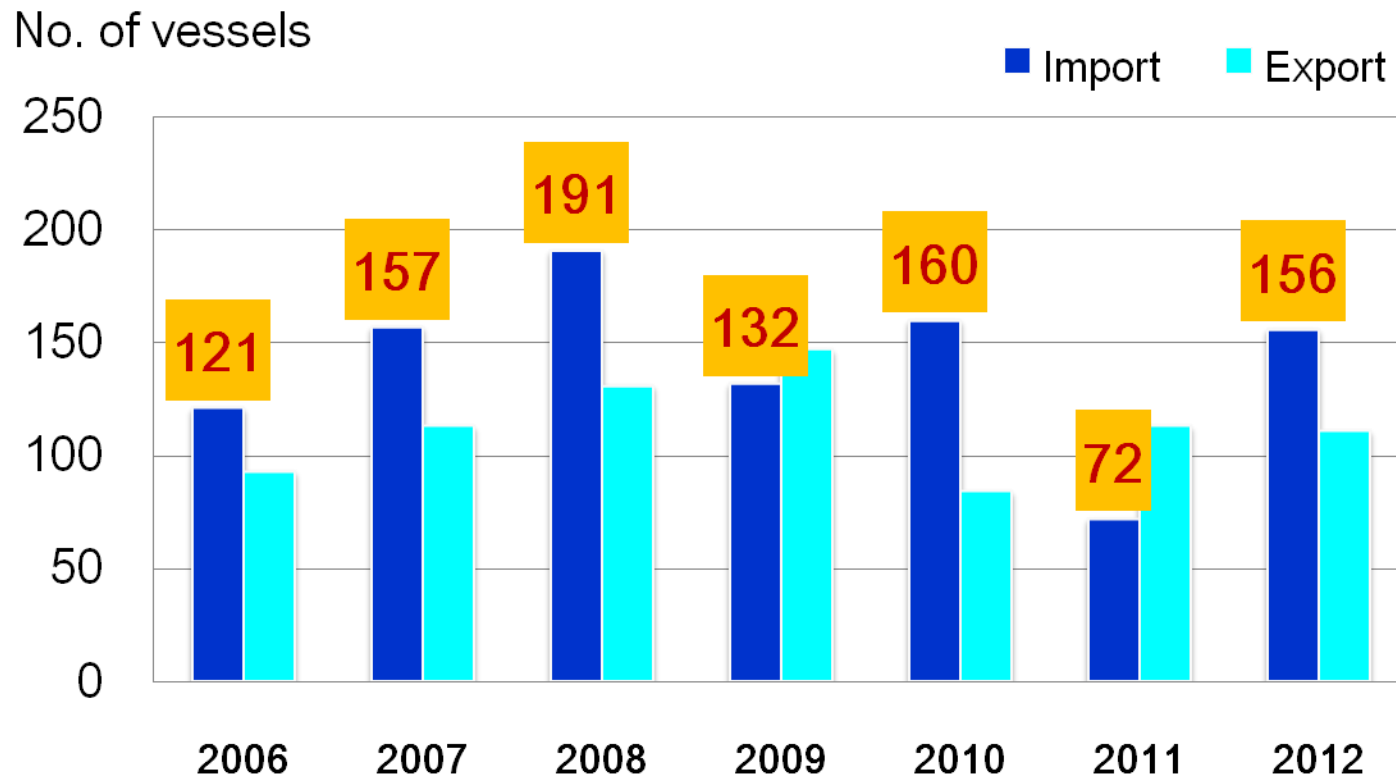
Revenue of SBSR industry in Malaysia  
(RM bil.) 2010-2012



*Source : MIGHT*

# ***Vital statistics***

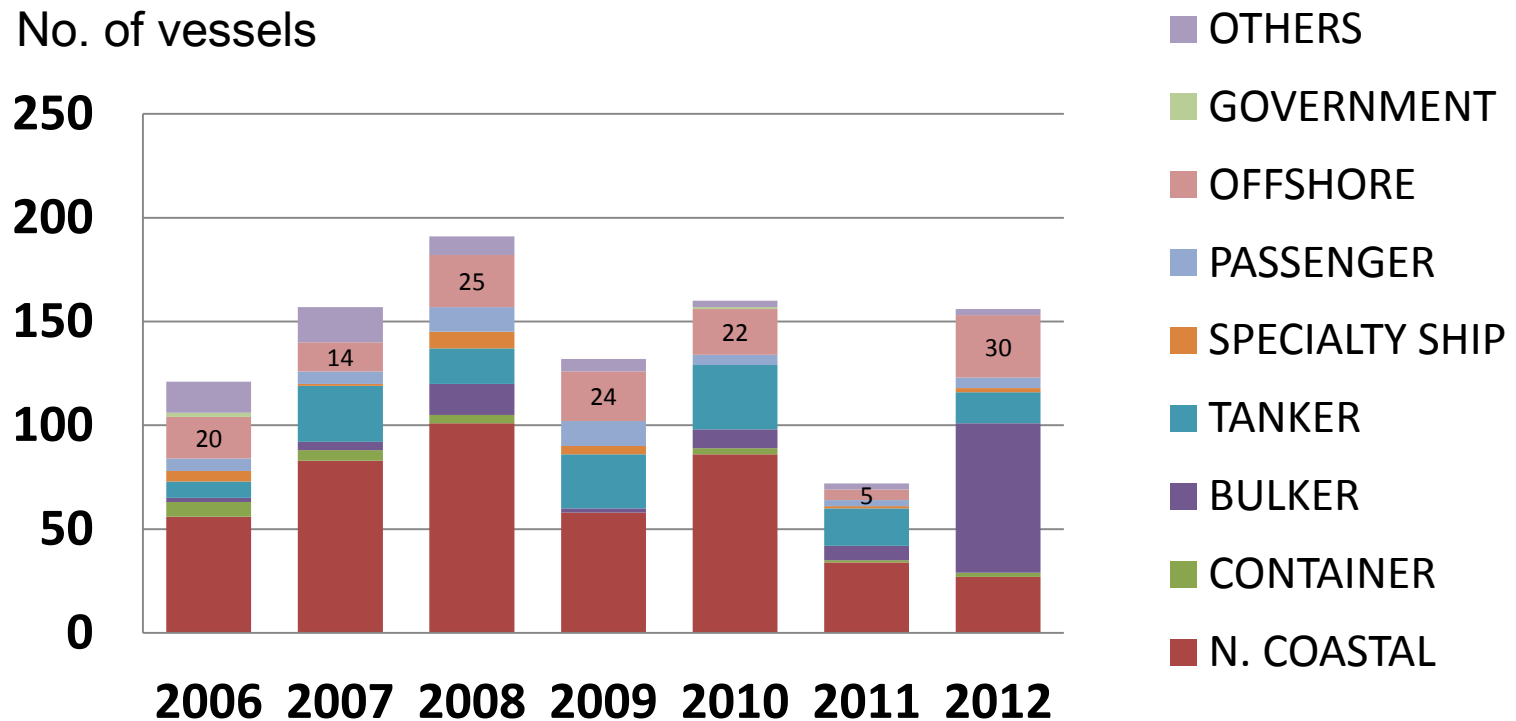
## Number of imported & exported vessels in Malaysia, 2006-2012



*Source : MIGHT*

# Vital statistics

## Types of imported vessels in Malaysia 2006-2012



*Source : Marine Dept. Malaysia & MIGHT*

# ***SBSR 2020***

- Launched by Prime Minister Najib Tun Razak in 2010.
- Acts as a roadmap for the development of SBSR industry in Malaysia and sets targets to achieve by 2020.
- Major aims : to make Malaysia a major player in the small to medium-sized shipbuilding markets renowned for the quality and value of its products; and to enhance SBSR industry's contribution to the economy and create high income, value adding jobs.



# *Targets of SBSR 2020*

- To capture 80% of local newbuilding market
- To capture 2% of global newbuilding market
- To capture 3% of Straits of Malacca ship repair market
- To capture 80% South China Sea offshore vessels
- To capture 80% South China Sea offshore repair market
- To focus development initiatives on niche market involving <120 m long vessels
- To generate US6.04 bil. and 55,500 jobs.

# ***Strategies of SBSR 2020***

1. Establishing business-friendly policies that support the growth of the industry.
2. Strengthening the institutional framework in order to optimize the usage of government linked companies' assets.
3. Reinforcing the regulatory framework to ensure the integrity of the shipbuilding / ship repair local companies and the quality of their products.



# Recent developments

## 1. Inclusion of SBSR as an Entry Point Project under National Key Economic Area

- The project targets to make Malaysia an SBSR hub.
- Implemented by Boustead Heavy Industries Corporation (BHIC) & Shin Yang Shipping Corporation.
- Facilitated by Performance Management and Delivery Unit (PEMANDU) under the Prime Minister's Dept. and Malaysia Industry-Government Group for High Technology (MIGHT).



Boustead Heavy Industries Corporation Berhad



SHIN YANG

**MIGHT**

Malaysian Industry-Government Group  
for High Technology



JABATAN PERDANA MENTERI

**PEMANDU**

PERFORMANCE MANAGEMENT AND DELIVERY UNIT

# Recent developments

## 2. Coming up with indigenous OSV design

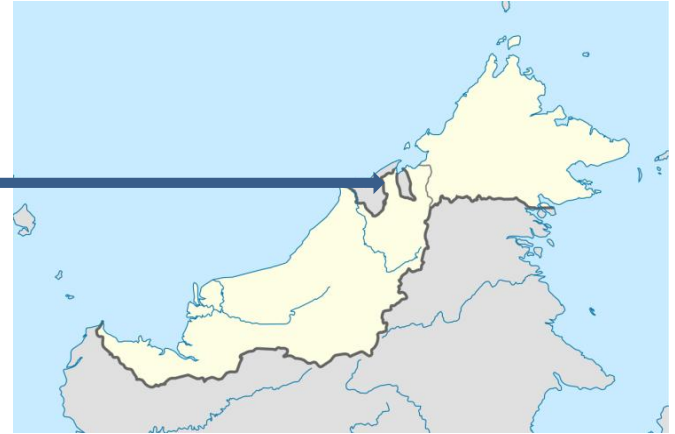
- Choice of OSV based on current high demand in Malaysia's O&G industry.
- targets : maximize local content, incorporate environmentally friendly technology and deliver competitive OSV price-wise.
- Spearheaded by Boustead Heavy Industries Corp.  
Target design completion: 2014,  
prototype construction : 2016.



# *Recent developments*

## 2. Deepening of river basin in Kuala Baram, Sarawak

- Target : to address the long-outstanding issue of siltation in the area that has impeded the development of shipyards in Miri and industries such as O&G, palm oil and timber.
- Spearheaded by MIGHT and PEMANDU via Private Funding Initiative.



# ***Recent developments***

## **2. Resolution of the Certificate of Approval (COA) issue on raw materials for SBSR and marine equipment**

- Starting Jan 2012, all raw materials for SBSR and marine equipment already certified by int'l classification bodies sample are exempted from SIRIM testing to be awarded COA.
- This has enabled easier importation hence improving delivery and reducing cost of local shipyards.



# *Issues & challenges*

- Using latest technologies and techniques
- Adhering to international standards
- Attracting investment
- Obtaining adequate/competitive local financing
- Boosting local contents
- Providing necessary features, infrastructures, incentives, linkages, manpower and conducive ecosystem for local SBSR industry to grow Attaining economies of scale
- Increasing efficiency and productivity levels
- Overcoming competition
- Optimally tapping into the export market
- Reducing fuel consumption and carbon footprint

# ***Business possibilities***

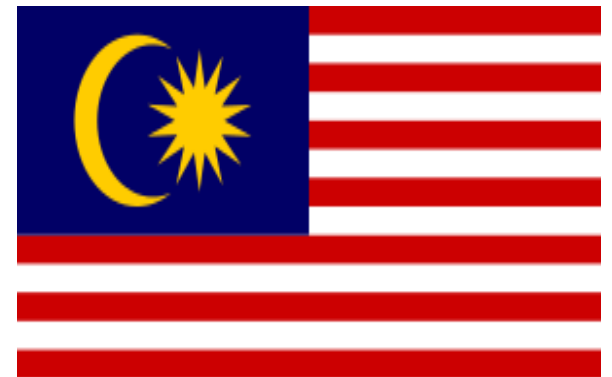
- Construction of cutting edge vessels i.e. FPSO, FLNG, FRSU, diving support vessels, liftboats
- Green shipbuilding
- Developing / increasing local contents i.e. in design, technologies, classification services
- Usage of high-tech equipment and techniques to boost efficiency and productivity
- Fabrication of offshore structures
- Conversion, upgrading and retrofitting
- Financing
- Training esp. in high-skill areas and accreditation
- Supply chain management of materials, sub-systems & equipment

# ***Conclusion***

- Malaysia's SBSR is thriving, enjoys Government support and features yards capable of producing quality products and workmanship.
- Given these, the industry has the potential to gain more global market share.
- SBSR 2020 provides a useful roadmap and sets realistic targets for the industry to achieve.
- However, there are issues and challenges that need to be overcome before Malaysia's SBSR industry can realize its full potential.
- There is an abundance of opportunities for investors and industry players to reap in Malaysia's SBSR industry.

감사합니다

**TERIMA KASIH/ THANK YOU**



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