

Singapore Marine Industry's Performance in 2009

Overview

Total Turnover

2009, which started on a gloomy tone and with uncertainties for the Singapore marine and offshore industry ended on a more positive note as the world economy improved towards the end of the year. The year in review saw economies around the world taking a hit from the effects of the global financial turmoil that began in late 2008.

The worldwide economic recession that resulted from the tightening of credit facilities, affected the global shipping and offshore markets as well as many industry sectors in the local economy. The Singapore marine and offshore engineering sector was also not spared although the impact was relatively less severe.

Declining oil prices coupled with the lack of capital and restricted financing for oil and gas projects at the beginning of 2009 saw projects being delayed or cancelled, and the drying up of the new order stream into Singapore shipyards during the first half of the year. The negative market sentiments resulted in an exercise of caution as industry players and their customers wait for clearer signals on the economic and financial markets before embarking on new projects.

The impact was felt on all three sectors of the industry, with ship repair and newbuilding being the hardest hit. The rig building market also took a beating when oil prices hit a low in the first half of 2009. The revival of the global economy, followed by the return of investors' confidence, increased world trade. This, together with higher oil prices brought an improvement in the market towards end 2009.

The industry's order books remained healthy during the year despite the cancellations of some ship and rig building orders in early 2009. There was sufficient work to keep the shipyards and their contractors occupied. Furthermore, after a quiet first half, projects have begun to stream in.

As a result, the year 2009 ended positively for the marine and offshore industry as total revenue recorded a slight increase to \$16.83 billion. This was an increase of 0.19% over the previous year's output of \$16.80 billion.¹ The healthy state was due to the successful completion and delivery of projects clinched in the boom years before 2009.

The increase in total output was contributed mainly by the offshore rig building sector which saw a record number of newbuild jack-up and semi-submersible rigs and offshore platforms completed and delivered during the year. Output from this sector increased to S\$9,258 million in 2009, contributing to 55% of the industry's turnover.

Output from the ship repair and conversion sector saw a marginal increase in revenue in 2009. The sector generated S\$6,733 million, accounting for 40% of the industry's total output. The shipbuilding sector registered a decline in revenue during the year. Its output of S\$842 million in 2009 was 5% of the total turnover.

Total Employment

With a decline in work activity, fewer workers were employed in the marine and offshore engineering industry compared to the year before.

Statistics from the Ministry of Manpower and Workplace Safety and Health (WSH) Council showed that the industry's total employment had declined by 17.1% to 116,900 workers in 2009 compared to the year before. This was 24,100 workers fewer than the number of 141,000 employed in 2008.

Safety Performance

Besides implementation of safety management systems and risk management in the shipyards as well as the building of WSH capabilities and competencies in marine companies, the industry also embarked on the drive to inculcate a safety culture at the workplace. Safety ownership, zero tolerance for safety infringements and going beyond regulations, are among the safety values being promoted to further improve WSH standards at the workplace.

In 2009, 487 accidents were recorded in the industry, 12.7% lower compared to the 558 accidents reported in 2008. There were 13 fatalities in the shipyards and anchorages in 2009, same in 2008. Due to

the decline in work activity during the year, the industry's fatality rate rose from 9.2 per 100,000 persons employed in 2008 to 11.1 in 2009.

Statistics from WSH Council showed the industry's Accident Frequency Rate (AFR) at 1.4 accidents per million man-hours worked in 2009. This AFR is the same as that reported in 2008. However, the Accident Severity Rate (ASR) was higher at 274 man-days lost per million man-hours worked in 2009. This was 16.1% higher than the ASR of 236 man-days lost per million man-hours worked in 2008.

Sectoral Performance

Ship Repair & Conversion Sector

There was a slowdown in demand for ship repair and conversion projects in 2009 as a result of the economic recession and corresponding decline in seaborne trade. Nonetheless, the local shipyards enjoyed a steady base load of ship repair projects secured under the favoured customer contracts and evergreen alliance partnerships with key customers. Such alliances helped to ensure a steady flow of vessels into the local docks for repairs.

Output from the sector grew slightly to S\$6,733 million. This was S\$265 million or 4% more than the S\$6,468 million achieved in 2008. The sector accounted for 40% of the industry's total output.

Port statistics from the Maritime and Port Authority of Singapore (MPA) showed an increase in the number of vessels calling in Singapore for ship repair during the year in review. A total of 7,200 vessels called in Singapore for repairs in 2009. This was 9.3% or 612 vessels more than the 6,588 vessel calls recorded in 2008.

However, the total gross tonnage of the vessels that called in Singapore for repairs in 2009 was lower. The total gross tonnage of 37.83 million grt in 2009 was 12.6% lower than that of 43.26 million grt recorded in 2008.

Nine FPSO (Floating Production Storage and Offloading) and FSO (Floating Storage and Offloading) conversion and upgrade projects were completed during the year. As at end 2009, Singapore shipyards have completed a total of 153 FPSO/FSO and related projects.

Shipbuilding Sector

Singapore is a niche player in the global shipbuilding market, focusing on customised and specialised vessels such as offshore supply and support vessels, and anchor handling tug and supply (AHTS) vessels.

Shipbuilding activities turned in a revenue of S\$842 million in 2009. This was a decrease of S\$688 million or 45% over the output of S\$1,530 million earned in 2008. The sector's contribution to the industry's total output also fell by half to account for 5% of the total share in 2009 as against 10% in 2008.

MPA statistics showed that 127 vessels were launched in 2009. This was 12 vessels fewer or 8.6% lower than the 139 vessels launched in 2008. The 127 vessels launched had a combined gross tonnage of 226,131 grt. This was 14.7% higher than the gross tonnage of 197,074 grt in 2008.

Most of the vessels launched were barges, workboats, tugs and offshore supply and support vessels. Other vessel types included oil tanker, dredgers, passenger ferry boats, launches and yachts.

Offshore Sector

The offshore sector, which includes the construction, repair, upgrading and conversion of all types of offshore drilling rigs and floating platform units, registered the highest growth in 2009. The sector's output increased from S\$7,391 million in 2008 to S\$9,258 million in 2009. This was an increase of 25.3% or S\$1,867 million.

Its share to the industry's total revenue also enlarged by 7% from 48% in 2008 to constitute 55% of the total industry output in 2009.

The year in review saw a record number of successful deliveries of newbuild jack-up rigs and semi-submersible drilling rigs. A total of 23 offshore structures comprising 13 jack-ups, eight semi-submersible drilling rigs and two fixed platforms were delivered in 2009.

Industry Outlook

Outlook for the Singapore marine and offshore industry is optimistic with signs of the revival of many industries, recovery of economies from the economic crisis, and rebound of the global markets. Expansionary fiscal and monetary policies have provided the stimulus to revive market confidence.

The International Energy Agency (IEA) projected that the demand for oil and gas will increase over the next few years as industries recovered from the economic crisis. Increasing energy demand is expected to continue over the long term, in view of the need to replenish depleting oil and gas reserves as well as to meet the needs of increased energy consumption by emerging economies such as China, India and the Middle East.

Exploration and production activities are expected to increase in 2010. As these activities move towards deeper waters, all eyes are on this market sector as having the best growth potential. The FPSO market is expected to improve in 2010, spurred by demand to produce from new oilfield discoveries. Recent major deepwater oil and gas discoveries are in the Gulf of Mexico, Australia, West Africa and Brazil.

There has been a healthy spate of enquiries with higher oil prices and improved market sentiments. Overall, the industry remains robust given the strong order books of the major shipyards, which amounted to more than S\$11 billion at end 2009. These orders have delivery dates stretching from 2010 to 2012.

On the home front, industry members should continue to raise their competency levels and focus on research and development and new technologies to create innovative and more cost-effective solutions for the customers.

A potential growth area is in meeting demands for offshore structures to operate in more challenging locations. The depletion of oil and gas reserves has driven the search for new sources such as hydrocarbons, and exploration into further frontiers with harsher environments and ultra-deep waters.

The industry has weathered through many global economic downturn during the last four decades. Lessons learnt from past experiences and the ability to respond and adapt quickly to changing times will help the industry stay stronger and remain competitive.

¹ 2008's figure was updated to S\$16.8 billion.