

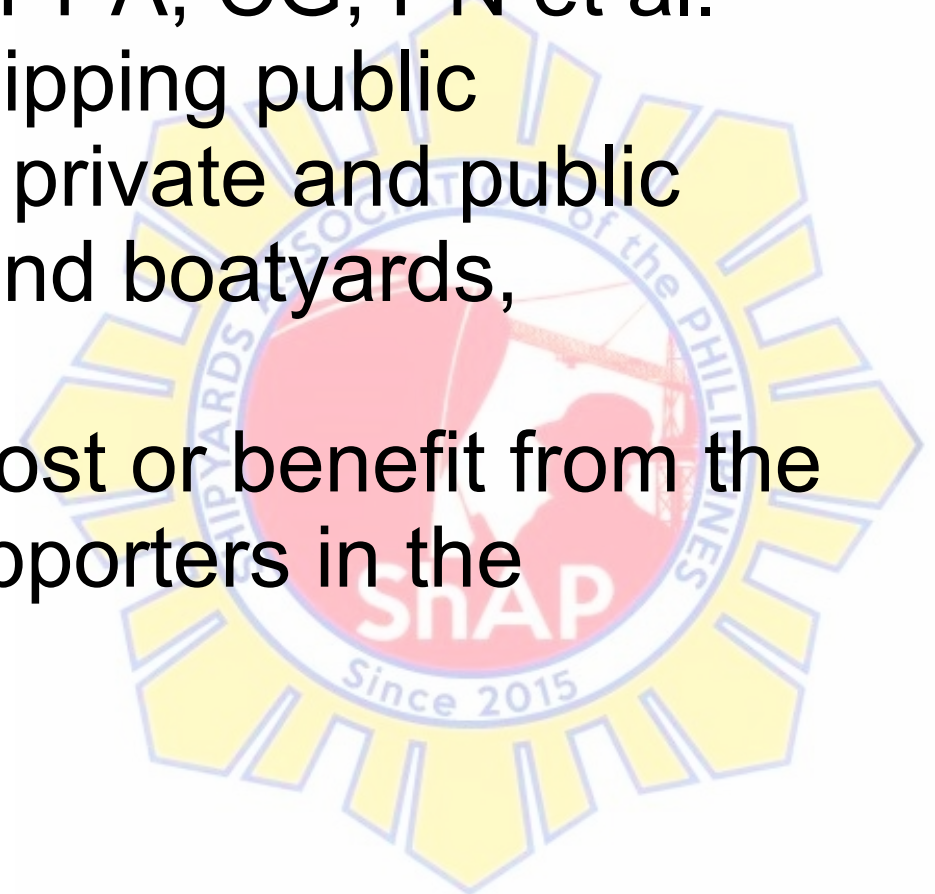
Maritime Industry a shipyard perspective



The Maritime Industry

composed of:

- Government – MARINA, PPA, CG, PN et al.
- Users – the riding and shipping public
- Providers – ship owners, private and public
- Supporters – shipyards and boatyards, suppliers
- other stakeholders that host or benefit from the Users, Providers and Supporters in the maritime industries



The Maritime Industry: Shipyards support the maritime industry

Supporters – shipyards and boatyards, suppliers of the service providers

Supporters – shipyards

Shipyards – builders, maintainers and converters of ships and boats.



The Maritime Industry: Shipyards

ShAP

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Shipyard Association of the Philippines

We are the MARINA recognized shipyard association for MARINA registered shipyards, here to communicate, coordinate and cooperate with other Maritime stakeholders and regulators.

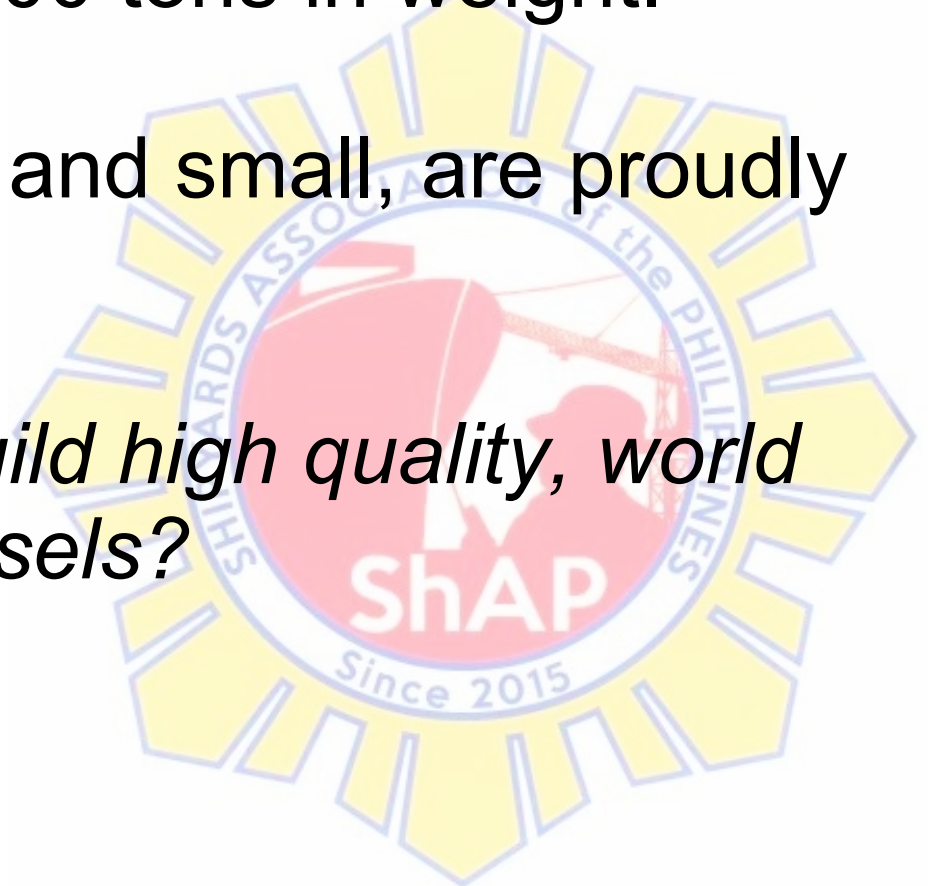


The Maritime Industry: Shipyards

Shipyards in the Philippines build ships from: 30 meters long weighing 40 tons to over 400 meters long and over 100,000 tons in weight.

All these vessels, large and small, are proudly made by Filipinos.

Who says we can't build high quality, world class vessels?



Issues and Challenges facing Shipyards

The 5-M's

Aka

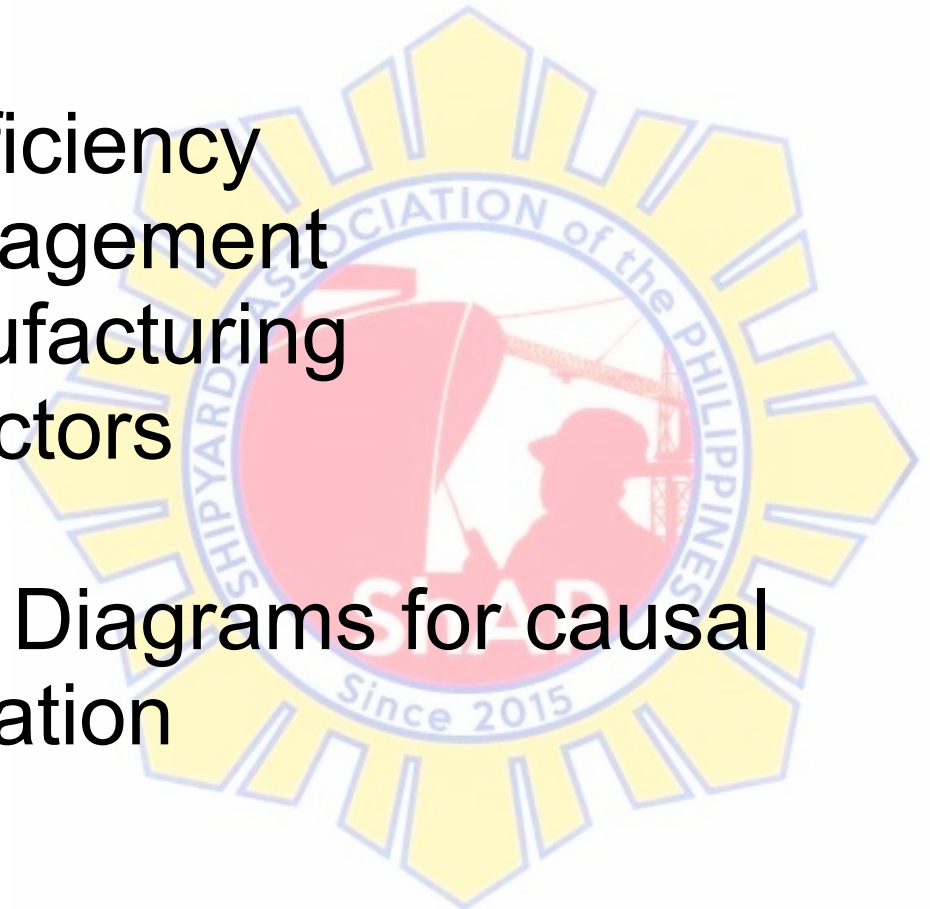
5-M's of Efficiency

5-M's of Management

5-M's of Manufacturing

5-M's Factors

often used with Ishikawa Diagrams for causal determination



Issues and Challenges

MACHINERY - Machine requirements for domestic shipbuilding are generally driven by construction methods.

CNC plate processing is common, as is the prevalence of **semi-automatic welding**. All yards have mostly manually operated machine shops and pipe fabrication equipment. High productivity construction methods may have driven shipyards to have **panel line fabrication** and **module-block assembly shops**. The potential for domestic yards to fully equip themselves exists and is readily available.


What is missing is the market need to do so.

Issues and Challenges

MANPOWER – The High – Low Mix

Manpower has always been our strength. The high quality output of properly supervised Filipinos is world-renowned.

On the high side, **naval architects** and **marine engineers** have been graduating in larger numbers in recent years. More colleges and universities are offering more courses in these professions as well. The **backlog** of licensed professionals, however, in both industry and government, still needs filling.

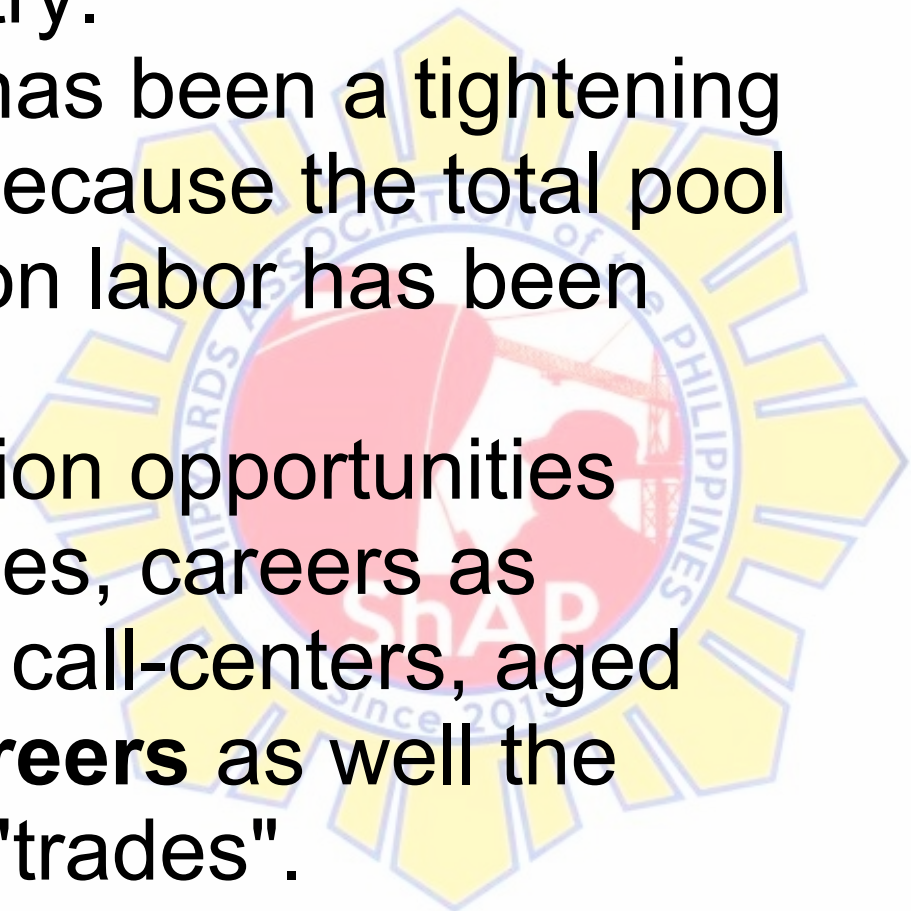


Issues and Challenges

On the production side, our shipyards **compete for labor** with both the overseas shipbuilding / construction industries as well as the local construction industry.

Lately, however, there has been a tightening of the labor market simply because the total pool of shipbuilding & construction labor has been **decreasing**.

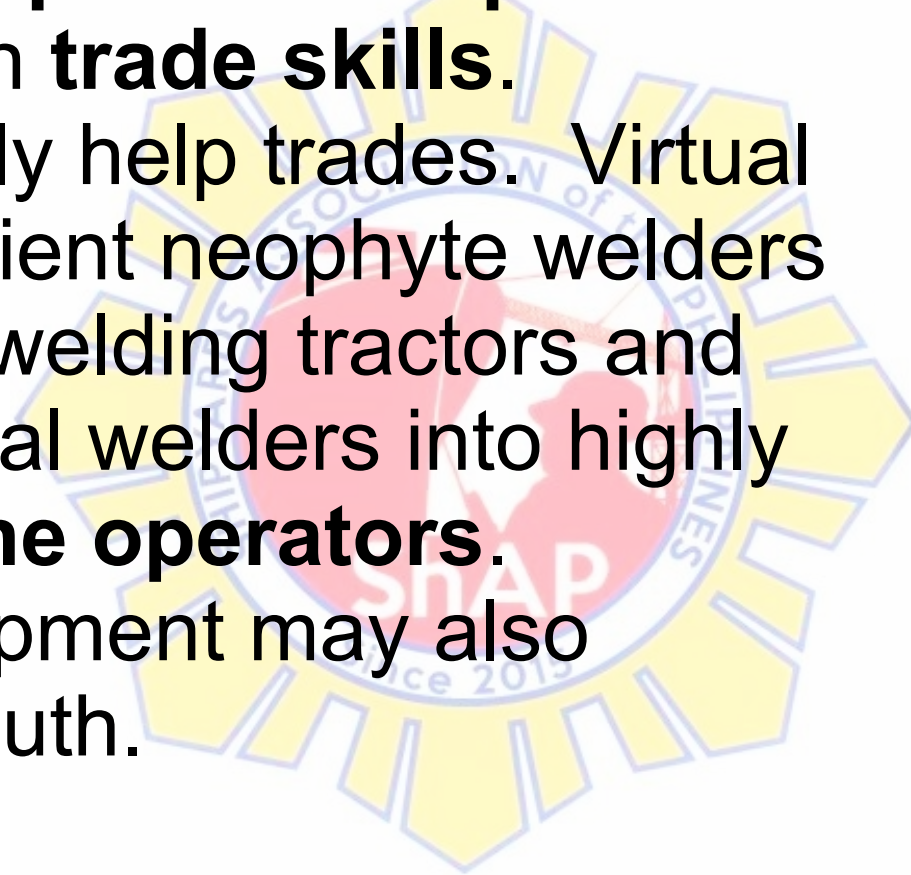
Furthermore, as education opportunities upgrade individual capabilities, careers as builders must compete with call-centers, aged care and “**white collar**” careers as well the decline in attractiveness of "trades".



Issues and Challenges

To renew interest in “trades”, the new K-12 education curriculum may turn this around. We have the chance to foster interest in high students for trade careers through **apprenticeships** and **competency certificates in trade skills**.

Technology may actually help trades. Virtual **welding simulators** can orient neophyte welders on basic techniques, while welding tractors and buggies can upgrade manual welders into highly productive **welding machine operators**. **CADD/CAM** and **CNC** equipment may also appeal to the tech-savvy youth.



Issues and Challenges

MATERIALS - Not Available here...

Ships require vast amounts of steel, outfittings and electronic equipment as well as engines, propellers and generators.

The importation of these items is often subject to **delays** and **high handling costs**, and they are typically subject to duties and **taxes**.

At times, incentives are given to the ship operators allowing tax and duty free importation of complete vessels, while **equal incentives are not available** to local builders.

Why put Philippine industry at a disadvantage in the Philippines? Do you want us to lose jobs and not pay taxes?

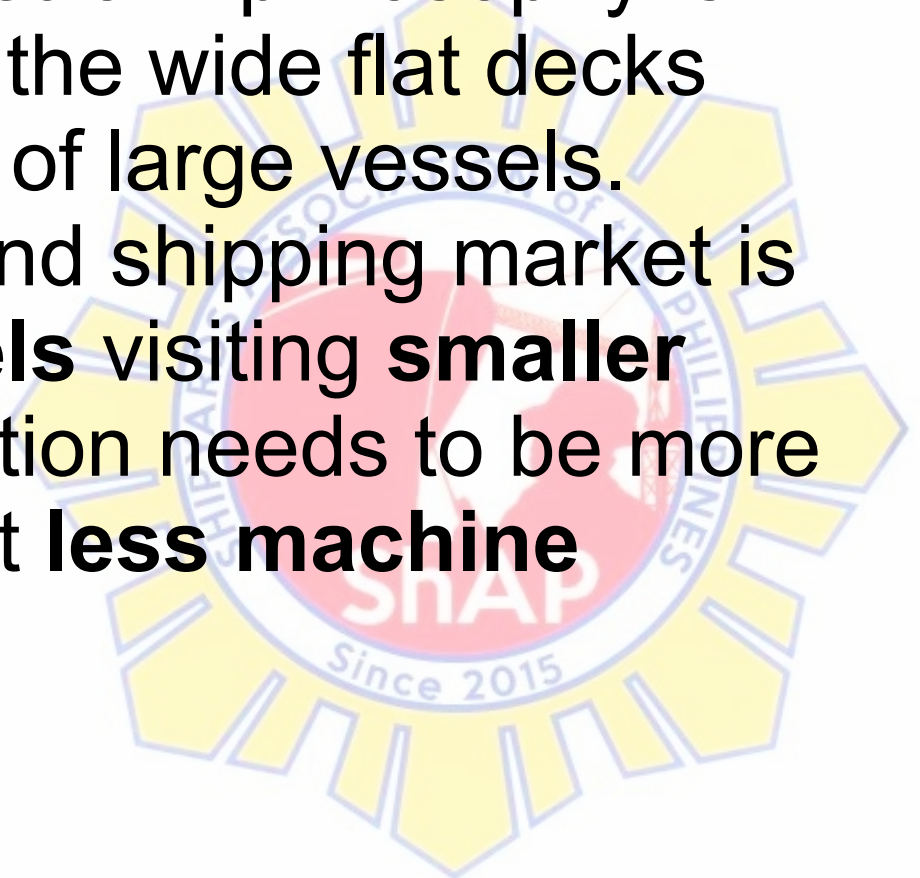
Issues and Challenges

METHODS – Emphasis on design flexibility.

Large vessels contain structures that lend themselves easily to machine-aided production.

The “**design for production**” philosophy is most easily implemented in the wide flat decks and slab-sided double hulls of large vessels.

The Philippine inter-island shipping market is generally for **smaller vessels** visiting **smaller ports**. This drives construction needs to be more **labor reliant** and somewhat **less machine intensive**.



Issues and Challenges

MONEY – PhP \$\$\$ £££ ¥¥¥ Rmb

Shipyard new build **margins are low**, in large part due to the **high cost** of materials & ship equipment as well as due to **intense global competition**.

Nevertheless, the financial needs of shipyards are modest, and the decision to modernize is less governed by available finances rather **governed more by market demand**.



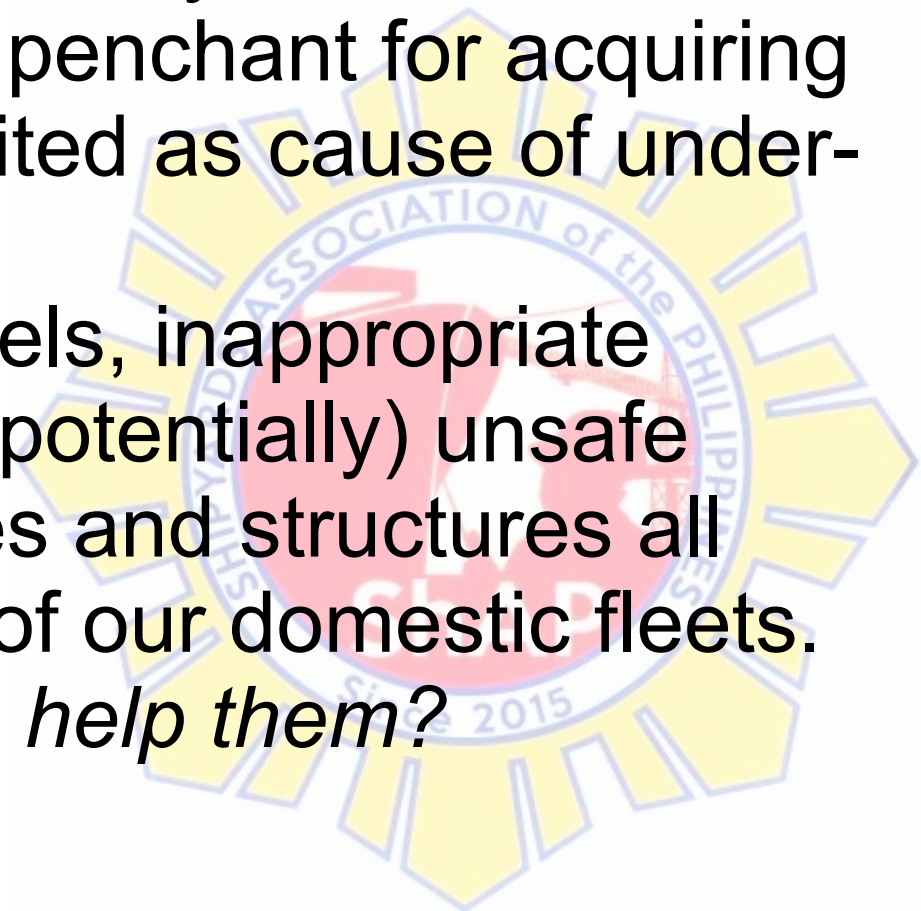
Issues and Challenges

The financial capacity of our customers is our biggest concern.

Net terms as long as 120 days are not uncommon. Moreover, the penchant for acquiring 2nd hand vessels is often cited as cause of under-performance.

Poorly maintained vessels, inappropriate designs, and unregulated, (potentially) unsafe changes to vessel capacities and structures all lower the safety reputation of our domestic fleets.

How can we help them?

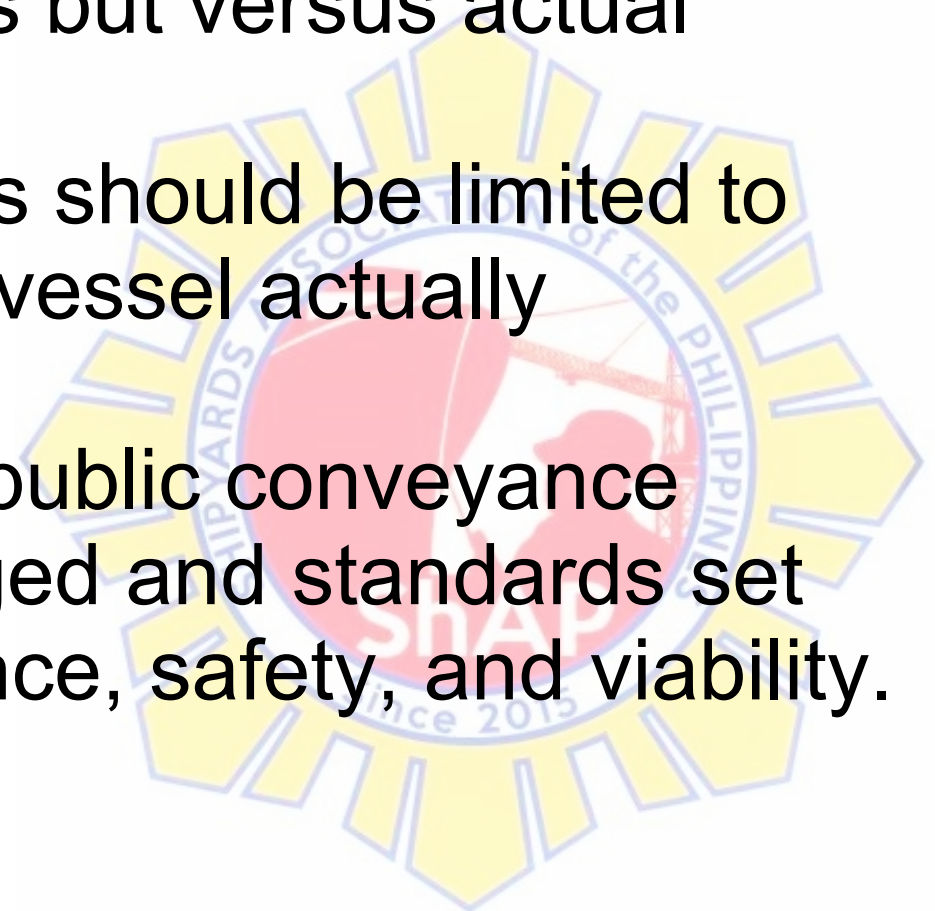


Issues and Challenges

Access to **competitive, affordable financing** is vital. Rates should be bench-marked not versus published local rates but versus actual international practices.

Collateral for new builds should be limited to the equity and value of the vessel actually contracted.

The financial health of public conveyance operators should be managed and standards set to assure proper maintenance, safety, and viability.



Issues and Challenges

Why build local? Who benefits from vessel construction? Let's compare...

BENEFIT GOES TO?	IMPORTED NEW BUILD	LOCAL NEW BUILD
VAT	Philippine Gov't	Philippines Gov't
Salaries & Payroll Taxes	Overseas	Filipinos & Philippines Gov't
Corporate Income Tax	Overseas	Philippines Gov't and LGU
Local Shipyard Spending	Overseas	LGU, subcontractors and service providers
Experience and Know How	Overseas	Phl Companies and Filipino workers

Who's side are you on anyway?

Issues and Challenges

Side with us.

This concludes my
presentation.

Thank you.

