



PHILIPPINE SHIPBUILDING AND SHIP REPAIR SITUATION REPORT 2022



MARITIME
INDUSTRY
AUTHORITY



CONTENTS

List of Tables and Figures	i
Abbreviations	ii
1. INTRODUCTION	2
1.1 Philippine Shipbuilding and Ship Repair Towards Recovery from Pandemic	
2. SBSR INDUSTRY PROFILE	4
2.1 Number of MARINA-registered SBSR entities	
2.2 MARINA-Registered SBSR Entities with ISO 90001:2015 Certification	
2.3 Number of SBSR Facilities	
2.4 Number of Ships Constructed and Acquired by MARINA-registered SBSR Entities	
2.5 Ship Repair and Maintenance	
2.6 SBSR Human Resource Profile	
2.7 SBSR Capitalization	
3 CHALLENGES	21
4 RECOMMENDATIONS	22
5. REFERENCES	24

LIST OF TABLES AND FIGURES

TABLES

Table 1:	Number of MARINA-Registered & Licensed Shipyards as of 2022
Table 2:	Number of MARINA-Registered & Licensed Shipyards per Region as of 2022
Table 3:	Number of the MARINA Registered & Licensed Shipyards with ISO 9001:2015 Certification as of 2022 by Category
Table 4:	Number of Shipyard Facilities by Class per Capacity in DWT in 2020
Table 5:	Total Number of Locally Constructed Ships for Domestic Use and for Export in 2021 and 2022
Table 6:	Number of Ships Dry-docked per Region in 2022
Table 7:	Number of SBSR Employed Personnel by Region in 2022
Table 8:	Total SBSR Entities Capitalization as of 2022

FIGURES

Figure 1:	Percentage Distribution of MARINA-Registered & Licensed Shipyards by Category as of 2022
Figure 2:	Percentage Distribution of MARINA-Registered & Licensed Shipyards by MRO as of 2022
Figure 3:	Location Map of the Philippine SBSR Entities as of 2022
Figure 4:	Percentage Distribution of the Status of Shipyards' ISO 9001:2015 Certification as of 2022
Figure 5:	Total Number of Ships Acquired for Domestic Use and for Export through Local Construction and Importation from 2018 to 2022
Figure 6:	Number and Sizes of Locally Constructed Ships for Domestic Use and for Export per Region as of 2022
Figure 7:	Number and Sizes of Locally Constructed Ships for Domestic Use and for Export per Type of Service as of 2022
Figure 8:	Percentage Distribution of SBSR Personnel by Occupational Category as of 2022

ABBREVIATIONS

ADLE	–	Additional Deduction for Labor Expense
AFAB	–	Authority of the Freeport Area of Bataan
AWA	–	Alternative Work Arrangement
BCDA	–	Bases Conversion and Development Authority
BOI	–	Board of Investments
BRS	–	Barry-Rogliano-Salles Group
C&C	–	Capability and Capacity
CDC	–	Clark Development Corporation
CFZ	–	Clark Freeport Zone
CSEZ	–	Clark Special Economic Zone
COVID-19	–	Coronavirus Disease 2019/ COVID Pandemic
CSC	–	Civil Service Commission
DWT	–	Deadweight
ECC	–	Environmental Compliance Certificate
EO	–	Executive Order
GAD	–	Gender and Development
GDP	–	Gross Domestic Product
GT	–	Gross Tonnage
HHIC-Phil	–	Hanjin Heavy Industries and Construction – Philippines
IPP	–	Investment Priorities Plan
ISO	–	International Organization for Standardization
ITH	–	Income Tax Holiday
ITF	–	International Transport Forum
LCT	–	Landing Craft Transport
LDA	–	Less Developed Area
MARINA	–	Maritime Industry Authority
MC	–	MARINA Memorandum Circular
MIDP	–	Maritime Industry Development Program
MRO	–	MARINA Regional Office
NCR	–	National Capital Region
OECD	–	Organization for Economic Cooperation & Development
OSH	–	Occupational Safety and Health
PD	–	Presidential Decree
PEZA	–	Philippine Export Zone Authority

PHILSECO	–	Philippine Shipbuilding and Engineering Corporation
PHP	–	Philippine Peso
PSSRR	–	Philippine Ship Safety Rules and Regulations
QMS	–	Quality Management System
RA	–	Republic Act
ROPAX	–	Roll-On, Roll-Off Passenger Ship
RORO	–	Roll-On, Roll-Off
RoW	–	Rest of the World
SBMA	–	Subic Bay Metropolitan Authority
SBSR	–	Shipbuilding and Ship Repair
ShAP	–	Shipyards Association of the Philippines
SRS	–	Shipyards Regulation Service
USD	–	United States Dollar
VAT	–	Value-Added Tax
WHO	–	World Health Organization

The **Philippine Shipbuilding and Ship Repair Situation Report 2022** aims to provide an assessment on the current situation of the SBSR sector particularly the capability and capacity of MARINA-registered shipyards. It determines the performance of the Philippine SBSR entities in terms of shipbuilding output, against the factors stated in this report that may affect its daily operations.

In addition, the analysis expressed through figures, tables and narrative are based on the data collected by the MARINA-Shipyards Regulation Service (SRS) with the assistance of MARINA Regional Offices (MROs).

INTRODUCTION

1.1 Philippine Shipbuilding and Ship Repair Towards Recovery from Pandemic

With the severity of COVID-19 pandemic that spread rapidly across the world in 2020, businesses from various sectors in the Philippines including the maritime industry had no exception from the impact of SARS COV-2. Among the maritime activities that have been affected by the viral disease are the shipbuilding and ship repair (SBSR), shipping, fishing and the seafarers.

The Philippines consists of 7,641 islands that stretch from the South of China to the Northern tip of Borneo. In this regard, the country has always been considered as an ideal place to maximize the potential of maritime industry particularly SBSR sector. Back in late 1970s, Shipbuilding and Ship Repair industry started in the Philippines through joint ventures between local and foreign firms. At that time, Subic Shipyard & Engineering, Inc. (formerly PHILSECO) is considered as the largest shipyard which had its focus in ship repair works. The company was owned by a consortium of local enterprises and some Japanese and then Singaporean multinationals. Over the years, the SBSR sector in the Philippines continued to grow as another shipbuilding giant, South Korea invested in the country. In line with this, the local firms also expanded its capability and capacity to cater projects in SBSR industry, which eventually led to maintaining of status of the Philippines as the fifth largest shipbuilding country worldwide. Meanwhile, the Philippine SBSR sector has also experienced a downfall with the huge corporate bankruptcy of a Korean shipyard in 2019 followed by the restriction of business operations in 2020 due to COVID-19 pandemic.

Based on the 2023 Annual Review of BRS Group of Shipping and Shipbuilding Markets, the three Asian shipbuilding giants including China, Republic of Korea and Japan retained the 95% of global orderbook by deadweight in 2022. The three countries also accounted the same amount of percentage on global orderbook by deadweight in 2021. It was also stated in the 2023 Annual Review of BRS Group that China improved its market share from 47.7% to 50.3% in the year 2022 while increasing its orderbook significantly. For Republic of Korea, a slight increase in orderbook was recorded but the market share decreased from 29.6% to 29%. On the other hand, the market share of Japan decreased from 17.6% to 15.1%. Meanwhile, the Rest of the World (ROW) held 3.3% shares from the previous 2.6% while Europe remained at 2.3% share.

Orderbook		2021	2022
China	Market Share	47.7%	50.3%
	m dwt	110.1	121.3
	ships	1,708	1,794
Korea	Market Share	29.6%	29.0%
	m dwt	68.3	69.8
	ships	626	734
Japan	Market Share	17.6%	15.1%
	m dwt	40.7	36.5
	ships	612	587
Europe	Market Share	2.4%	2.3%
	m dwt	5.5	5.5
	ships	288	319
ROW	Market Share	2.8%	3.3%
	m dwt	6.4	7.9
	ships	180	188

Source: 2023 BRS Annual Review

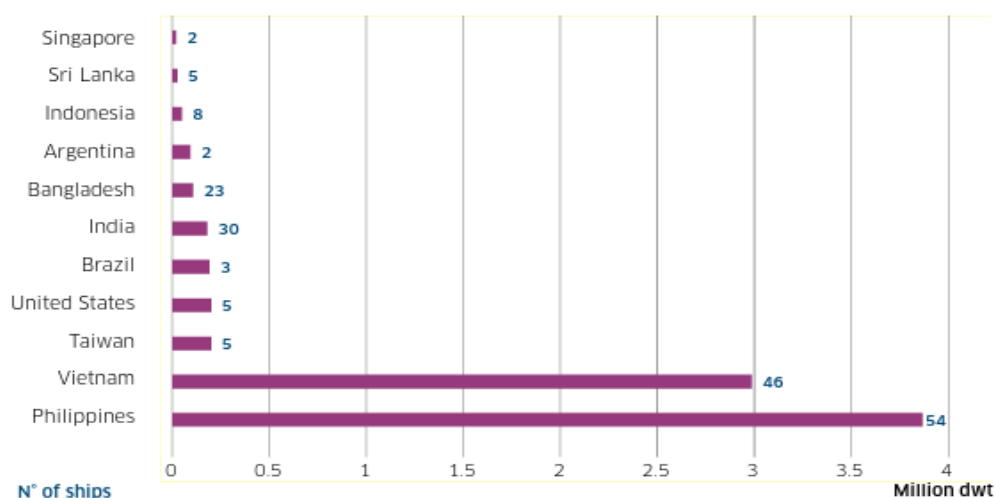
On the situation of shipbuilding in the Rest of the World (ROW), the orderbook at shipyards in the said region increased slightly in the year 2022 from 6.4 million deadweight to 7.9 million deadweight. The same report of BRS also mentioned the decrease of deliveries from 3.5 million dwt in 2019, to 2.7 million dwt in 2020, to 2.3 million dwt in 2021 to 1.7 million dwt in 2022. However, it was stated that the ratio between the current orderbook and yearly output has continued to double each year from 1.4 in 2020, to 2.2 in 2021 and to 4.6 in 2022.

ROW		2021		2022	
		m dwt	Ships	m dwt	Ships
Orderbook	Market share	2.8%	5.3%	3.3%	5.2%
	Bulk	3.8	74	4.4	76
	Tanker	2.0	50	2.9	49
	Container	0.3	12	0.4	9
	All ships	6.4	180	7.9	188
Orders	Bulk	2.9	39	1.4	21
	Tanker	1.3	28	1.8	26
	Container	0.1	4	0.2	3
	All ships	4.3	84	3.5	75
Deliveries	Bulk	1.1	16	0.8	19
	Tanker	0.8	29	0.7	23
	Container	0.1	4	0.1	6
	All ships	2.3	74	1.7	63

Source: 2023 BRS Annual Review

In 2022, about 14 RoW shipyards secured new orders, which is higher compared to the data in the year 2021 where 8 RoW shipyards secured new orders that time. It is also greater compared to year 2020 and 2019 with 7 and 13 RoW shipyards respectively. Tsuneishi Cebu in the Philippines and HVS in Vietnam account for 49% and 34% respectively, of the RoW orderbook. Also, the two shipyards secured 77% of the region's new orders in 2022 compared to 92.7% in 2021. The BRS Group reported that Tsuneishi only secured 12 ships last year (7 kamsarmax and 5 ultramax) against 23 ships in 2021.

Orderbook in Rest of the World at end-2022 (million dwt)



Source: 2023 BRS Annual Review

Despite of the decrease of shares on total Rest of the World orderbook in 2022, Philippines remains as the leading country under RoW category. The Philippines, led by the Tsuneishi Cebu and Austal Philippines maintained its leadership among RoW shipbuilding countries after tallying 49% of the total RoW orderbook for the year 2022. However, it is equivalent to more than 4-percent decrease from its shares in 2021. The record shows that the Philippines had 53.8% shares in 2021, 52% in 2020, 45% in 2019, 48% in 2018 and 54% in 2017.

2. SBSR INDUSTRY PROFILE

2.1 Number of MARINA-Registered SBSR Entities

As the COVID-19 related protocols were eased by the Government of the Philippines, businesses from various sectors including maritime industry have started to recover from the severe impact of pandemic. In this regard, the Maritime Industry Authority (MARINA) recorded a total of 124 SBSR entities in the Philippines in the year 2022. It was after the

MARINA tallied nine more shipyards while one shipyard in Navotas City did not renew its license to operate.

The number of shipbuilding and ship repair (SBSR) entities in the year 2022 is greater than the number of SBSR entities in 2020 and 2021 with 115 and 116 shipyards respectively.

Table 1: Number of MARINA-Registered & Licensed Shipyards as of 2022

SBSR Category	Classification	Number	Capacity Limitation
Shipbuilder & Ship Repair (SBSR) under MC No. 2018-02 and MC No. SR-2019-01.	Class A	7	Capable of building and repairing big ships with minimum length of at least 130 meters
	Class B	19	Capable of building and repairing ships with a maximum length of 129 meters
	Class C	98	Capable of building and repairing ships with a maximum length of 80 meters
Total Number of Shipyards		124	

Source: MARINA Statistical Records

Table 1 shows that there are 124 SBSR entities registered by MARINA as of 2022. Out of the 124 shipyards, seven or 6% are classified as Class A; nineteen or 15% are classified as Class B while ninety-eight or 79 percent are classified as Class C. These shipyards are registered and licensed in accordance to MC No. 2018-02 and MC No. SR-2019-01. The latter Circular was issued by MARINA in 2019 that served as a set of additional guidelines on the registration and licensing of shipyards.

Despite of the non-renewal of the license to operate of one shipyard in Navotas City, the MARINA still recorded 9 additional shipyards in the year 2022 including one Class B shipyard and 8 Class C shipyards. Shown in Table 2 are the 9 additional shipyards recorded by the MARINA per region and per classification in the year 2022.

Table 2: Additional Shipyards recorded by MARINA per Region and per Classification in 2022

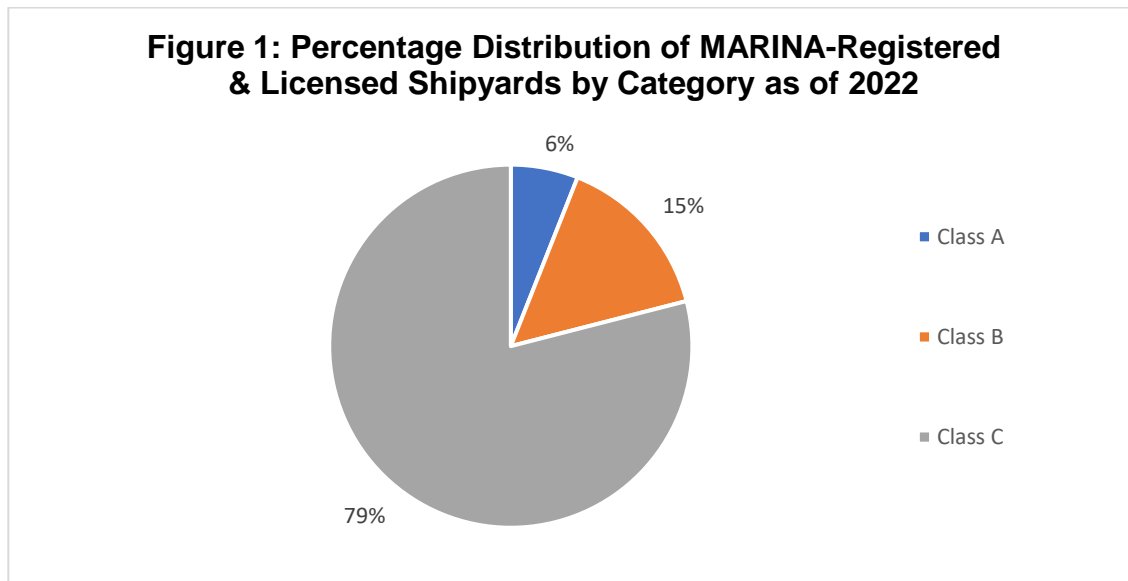
Name of Shipyard	Region	Classification	Application
Stoneworks Specialist International Corp.	IV	C	NEW
Tabaco Drydock Inc.	V	C	NEW
Fortune Shipworks, Inc.	VII	B	RENEWAL
Elite Fabrication Yard	VII	C	RENEWAL
Gam Engineering Services	VII	C	NEW
Maayo Shipbuilding and Ship Repairs, Inc.	VII	C	RENEWAL
Philippine Regid Construction Corp.	VII	C	NEW

C&T Shipyard Inc.	XIII	C	NEW
Saint Nicolas Ship Repair Services	XIII	C	NEW

Source: MARINA Statistical Records

From 116 shipyards in 2021, the number of shipyards recorded in 2022 increased to 124. The increase of number of shipyards may be attributed to MA No. 2022-30 - Moratorium on the ISO Certification Requirement under MARINA Memorandum Circular No. SR 2019-01 which aims to extend compliance requirement for Ship Repair Class-C (SR-C) on the Certification on ISO 9001:2015 on Quality Management Systems considering that it is financially challenging at this time of crisis for small Class C shipyards exclusively catering to the needs of the fishing sector (i.e. manufacturers of small fishing vessels).

The percentage distribution of MARINA-registered & licensed shipyards by category as of 2022 is shown in Figure 1.



Source: MARINA Statistical Records

Table 3: Number of MARINA-Registered & Licensed Shipyards per Region as of 2022

MARINA Offices	CLASS A	CLASS B	CLASS C	TOTAL
NCR & Region III (MARINA Central Office)	3	8	33	44
La Union (MRO I & II)	0	1	0	1
Batangas (MRO IV)	2	0	5	7
Legaspi (MRO V)	0	0	2	2
Iloilo (MRO VI)	1	0	7	8
Cebu (MRO VII)	1	5	14	20
Tacloban (MRO VIII)	0	1	0	1
Zamboanga (MRO IX)	0	0	11	11
Cagayan de Oro (MRO X)	0	0	1	1
Davao (MRO XI)	0	0	1	1
General Santos (MRO XII)	0	3	19	22

Surigao (MRO XIII)	0	1	5	6
TOTAL	7	19	98	124

Source: MARINA Statistical Records

Table 3 shows the number of SBSR entities registered and licensed by MARINA per region as of 2022. The MARINA recorded 44 SBSR entities in Metro Manila, it is the largest number of shipyards being monitored among all regions. The MARINA also recorded in Metro Manila the greatest number of Class A and Class B shipyards with 3 and 8 respectively. On the other hand, the MARINA recorded the least number of shipyards under their jurisdiction or one SBSR entity each in Regions I & II, Region VIII, Region X and Region XI.

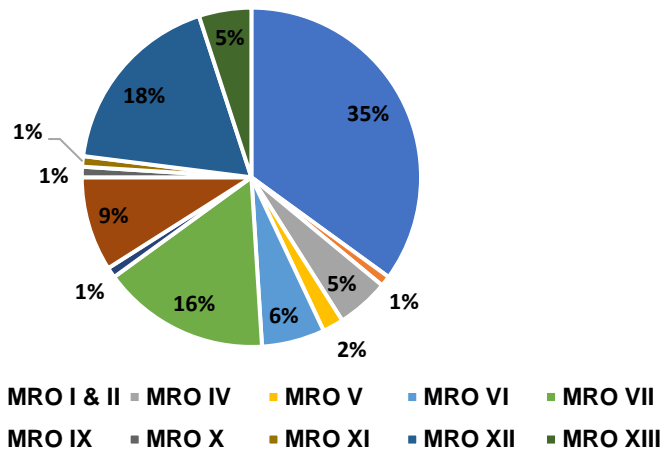
Further, the MARINA also recorded some changes on the number of shipyards in other regions in 2022 including the following:

- In Region IV, from 6 SBSR entities in 2021, the MARINA recorded one new Class C shipyard, tallying a total of 7 shipyards in 2022;
- In Region V, from 1 SBSR entity in 2021, the MARINA recorded one new Class C shipyard, tallying a total of 2 shipyards in 2022;
- In Region VII, from 15 SBSR entities in 2021, the MARINA recorded 5 more shipyards, tallying a total of 20 shipyards in 2022;
- In Region XIII, from 4 SBSR entities in 2021, the MARINA recorded 2 more shipyards, tallying a total of 6 shipyards in 2022.

Meanwhile, the validity of license of Cubname Marine Services in Region XI was upgraded from Boatbuilding A to SBSR-C for the year 2021 to 2026. The MARINA reported that the number of shipyards in Region XI remains at 22 in the year 2022.

The percentage distribution of MARINA-registered & licensed shipyards by MRO as of 2022 is shown in Figure 2.

Figure 2: Percentage Distribution of MARINA-Registered & Licensed Shipyards by MRO as of 2022



Source: MARINA Statistical Records

Figure 2 shows which regions have the greatest and least number of MARINA-registered and licensed shipyards. In Metro Manila, the MARINA recorded the greatest percentage with 35 percent of the total number of SBSR entities in the Philippines. Meanwhile, the MARINA recorded 1 percent each in Regions I & II, Region VIII, Region X and Region XI.

Shipyards across the country are almost evenly distributed as shown Figure 3 or in the location map below. Shipbuilding projects are now prevalent in Luzon, Visayas and Mindanao.

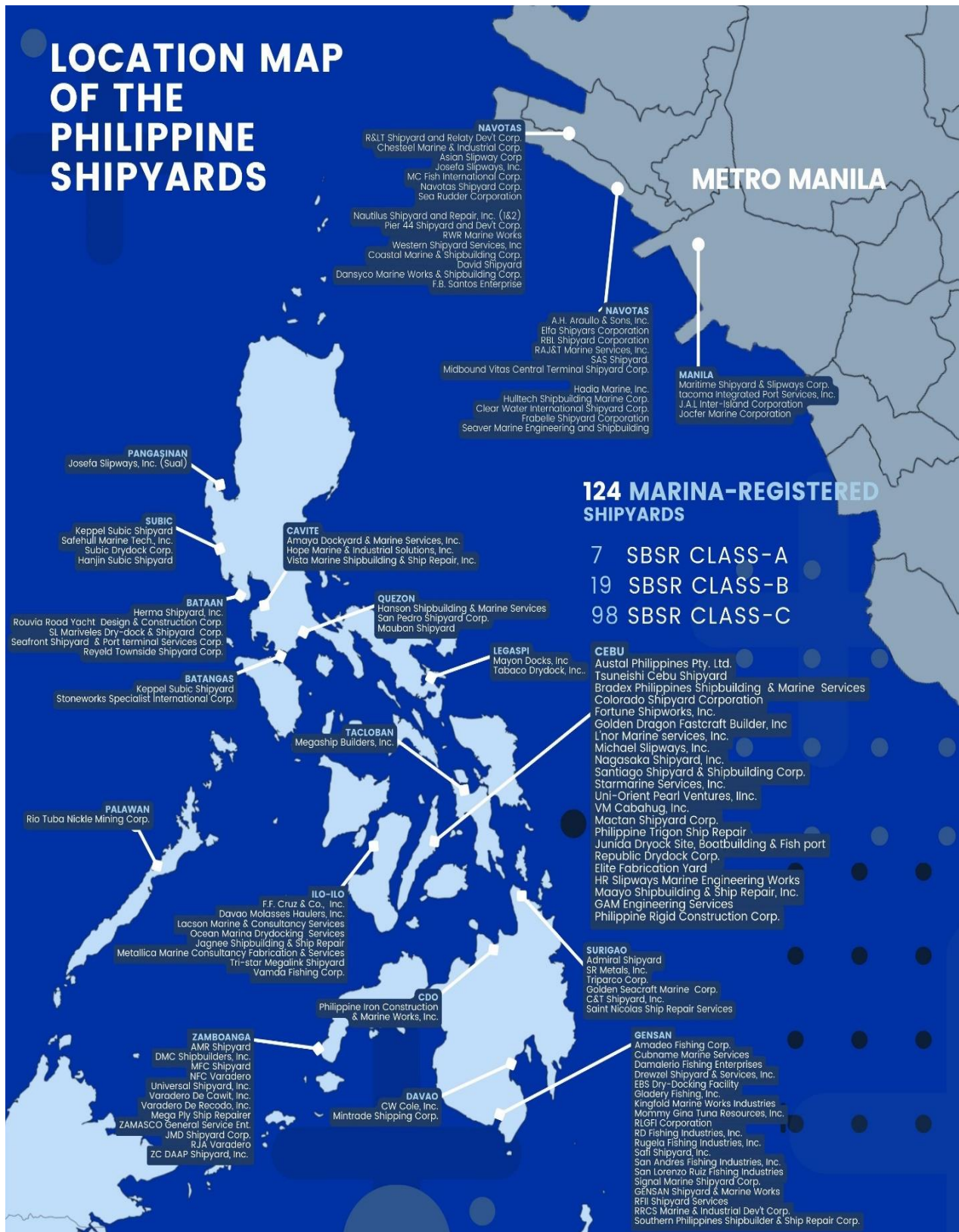


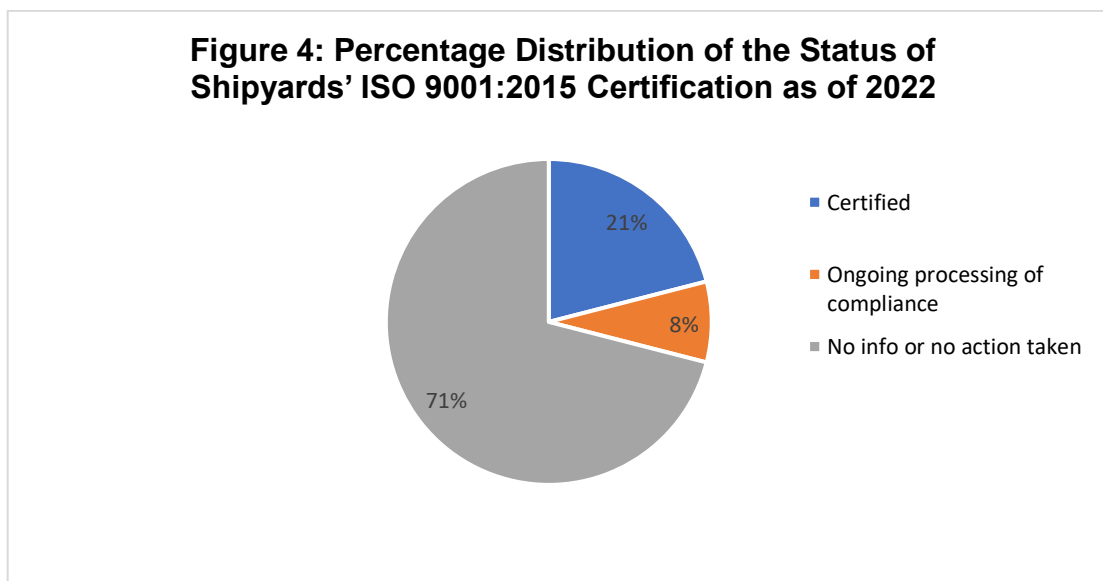
Figure 3

2.2 MARINA-Registered SBSR Entities with ISO 9001:2015 Certification

There are certificates that MARINA-registered shipyards must present in order to secure a license to operate. A shipyard should be able to submit a valid Environmental Compliance Certification (ECC) from the Department of Environment and Natural Resources (DENR) and Occupational Safety and Health (OSH) accreditation from the Department of Labor and Employment (DOLE). Among others that shipyard should possess is a Fire Safety Inspection Certification and a copy of its ISO 9001:2015 QMS Certificate.

In order to raise the competence and credibility of the Philippine SBSR facilities on the global level, the MARINA requires shipyards to have an ISO 9001:2015 QMS Certificate. It certifies that a business consistently provides efficient customer service and implements effective business processes.

As per MC SR-2019-01, Class C shipyards in the country must comply with the ISO 9001:2015 by 05 January 2022. However, based on the data submitted to different MARINA Regional Offices, only 26 out of the 124 shipyards in the Philippines are ISO 9001:2015 certified as of the year 2022. There are 10 other shipyards that are still in coordination with ISO consulting groups or are in the process of completing their requirements. On the other hand, the remaining 88 shipyards have either not submitted an information yet about their compliance or did not take any action at least to the knowledge of MARINA.



Source: MARINA Statistical Records

Figure 4 shows that as of 2022, 21 percent of the 124 shipyards have ISO 9001:2015 certification, 8 percent are still on process of their compliance while 71 percent are either no action taken or did not submit any information to the MARINA about their ISO 9001:2015 certification.

Table 4: Number of the MARINA Registered & Licensed Shipyards with ISO 9001:2015 Certification as of 2022 by Category

Class A	Class B	Class C	Total
4	5	17	26

Source: MARINA Statistical Records

Shown in Table 4, out of the 26 shipyards with ISO 9001:2015 certification, four (4) are Class A shipyards, five (5) are Class B shipyards while seventeen (17) are Class C shipyards.

2.3 Number of SBSR Facilities

Based on the 2021 Philippine SBSR Capability and Capacity Assessment Report, most of the shipyard facilities nationwide still needs to be rehabilitated. In 2020, the Maritime Industry Authority (MARINA) did not record a significant change in the shipyard facility profile in the Philippines. In line with this, the number of main yard facilities in the Philippines remains at 186. The said Assessment Report shows that 66 percent of the total main yard facilities need to undergo rehabilitation including the facilities which are mostly owned by Class C shipyards. On the other hand, the larger assets including synchrolifts, graving docks, and floating docks are mostly owned by Class A and Class B SBSR entities. The shipyard facilities in the Philippine SBSR industry are classified as Class A, Class B and Class C depending on its building / dry-docking capacity in terms of length (by meter) based on MC No. 2018-02 and MC SR-2019-01.

Since most of the shipyard facilities need rehabilitation, it is important to take note that these facilities seem to not be suitable yet in delivering the goal of constructing modern ships. One of the reasons that may be a challenge in upgrading shipyard facilities is the availability of investment incentives or attractive financing scheme to put up or rehabilitate shipbuilding and ship repair facilities.

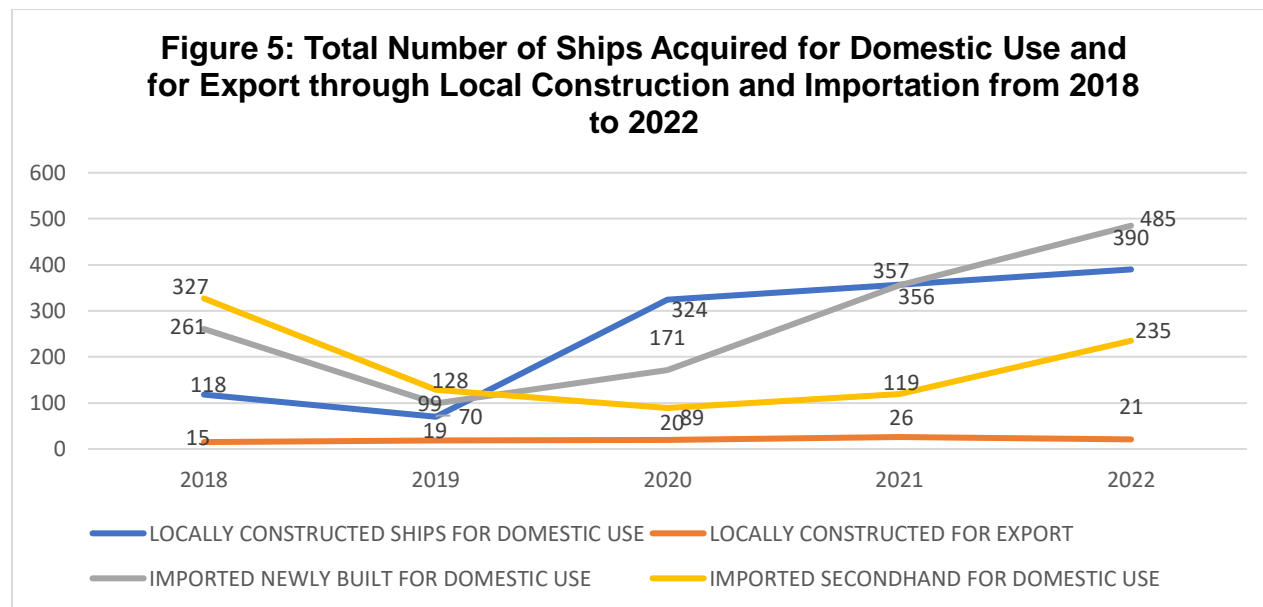
The number of Shipyard Facilities by Class per Capacity in the year 2020 is being shown in Table 5.

Table 5: Number of Shipyard Facilities by Class per Capacity in DWT in 2020

SBSR Category		Slipway (DWT/No.)	Floating Dock (DWT/No.)	Graving Dock (DWT/No.)	Synchrolift or Liftdock (DWT/No.)	Building Yard (m ² /No.)
Classification	Capacity (DWT)					
Class A	Above 20,000	100,000 (1)	18,000 (1)	550,000 (1)	7,500 (1)	29,143 (1)
		19,500 (1)	4,000 (1)	200,000 (1)	6,000 (1)	28,500 (1)
		2,400 (1)	1,600 (1)	40,000 (1)		19,840 (1)
		no info (4)	500 (1)	15,000 (1)		
			no info (3)			
	Sub Total	7	7	4	2	3
Class B	19,999 - 3,000	20,500 (3)	12,000 (1)	35,000 (1)	0	6,200 (1)
		10,000 (6)	5,974 (1)			3,800 (1)
		5,500 (2)	4,000 (2)			3,120 (1)
		5,000 (2)	2,833 (1)			3,000 (1)
		4,900 (3)				1,500 (1)
		4,500 (1)				500 (1)
		3,000 (1)				450 (1)
		2,999 (1)				300 (1)
		2,100 (2)				250 (1)
		2,000 (2)				
		500 (1)				
	Sub Total	24	5	1	0	9
Class C	Below 3,000	5,580 (3)	2,700 (1)	0	No info (1)	6,000 (1)
		5,000 (3)	1,096 (1)			3,000 (3)
		4,100 (3)				2,500 (1)
		3,700 (2)				2,100 (1)
		3,000 (7)				2,000 (1)
		2,900 (1)				1,800 (1)
		2,700 (2)				1,310 (1)
		2,500 (1)				1,200 (2)
		2,000 (1)				1,160 (1)
		1,800 (5)				1,050 (1)
		1,700 (2)				1,000 (2)
		1,501 (2)				900 (1)
		1,500 (3)				820 (1)
		1,300 (3)				800 (2)
		1,000 (6)				700 (1)
		900 (3)				600 (1)
		750 (1)				567 (1)
		700 (4)				500 (4)
		600 (1)				400 (1)
		500 (4)				330 (1)
		400 (2)				250 (1)
		350 (1)				200 (4)
		300 (6)				160 (1)
		250 (1)				150 (1)
		200 (6)				100 (3)
		160 (2)				80 (1)
		150 (3)				30 (1)
		100 (3)				
	Sub Total	81	2	0	1	40
TOTAL NUMBER		112	14	5	3	52
GRAND TOTAL		186				

Source: MARINA Statistical Records

2.4 Number of Ships Constructed and Acquired by MARINA-Registered SBSR Entities



Source: MARINA Statistical Records

Figure 5 shows the total number of ships acquired for domestic use and for export through local construction and importation from the year 2018 to 2022. Based on the records, in the year 2022, the MARINA recorded the highest number of locally constructed ships in the past five years, tallying a total of 411 ships. Out of the 411 ships, 390 were locally constructed ships for domestic utilization while 21 were locally constructed ships for exportation.

The MARINA also recorded an increase in the number of locally constructed ships for exportation since the year 2018 to 2021 from 15 ships to 26 ships. However, the number of locally constructed ships for exportation in the year 2022 decreased to 21 ships. On the other hand, for the number of locally constructed ships for domestic use, there was a decrease from the year 2018 to 2019 with 118 and 70 ships respectively. Since then, the number of locally constructed ships for domestic use increased from the year 2019 to 2022, tallying 70 ships in the year 2019; 324 ships in 2020; 357 ships in 2021 and 390 ships in 2022.

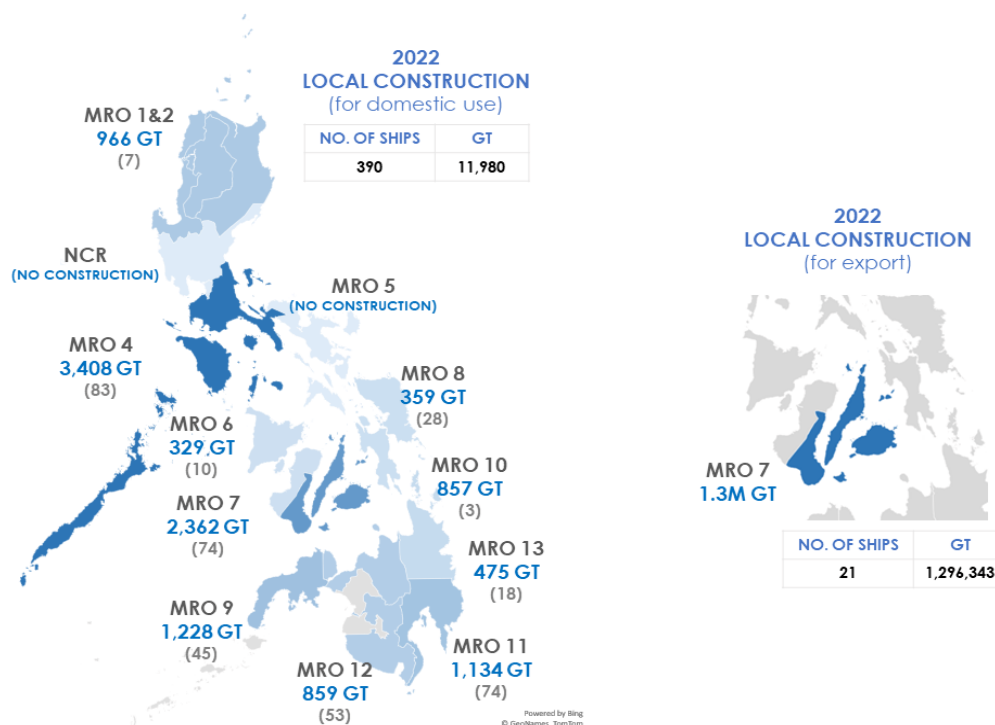
Meanwhile, there was a significant decrease on the number of imported newly built ships for domestic utilization in 2019. From 261 ships in the year 2018, the number of imported newly built ships for domestic use in 2019 was tallied at 99 ships. Since then, the number of imported newly built ships for domestic use increased yearly from 99 ships in 2019, to 171 ships in 2020, to 356 ships in 2021 and to 485 ships in 2022.

Further, back in the year 2018, the number of imported secondhand ships for domestic use reached its peak, tallying 327 vessels. It is important to take note that the number decreased to 128 ships in 2019. The significant decrease in the number of imported secondhand ships for domestic use may be attributed to the rules on the importation of vessels under MARINA MC 2017-04 which states that the passenger ships to be imported should be no less than 500GT and should not be more than 20 years old.

In 2022, there were a total of 720 imported ships including 485 imported newly built ships for domestic use and 235 imported secondhand ships for domestic use.

Out of the 485 imported newly built ships, 473 ships or 97.5 percent are miscellaneous ships which are mostly recreational boats. On the other hand, out of the 235 imported secondhand ships for domestic use, 134 ships are above 10 years old while 101 ships are 10 years old and below.

Figure 6: Number and Sizes of Locally Constructed Ships for Domestic Use and for Export per Region as of 2022



2022 LOCAL CONSTRUCTION (Regional)				
	LOCAL		EXPORT	
	Number	GT	Number	GT
<u>NCR</u>	-	-	-	-
<u>MRO 1&2</u>	7.00	966.84	-	-
<u>MRO 4</u>	83.00	3,408.58	-	-
<u>MRO 5</u>	-	-	-	-
<u>MRO 6</u>	10.00	329.06	-	-
<u>MRO 7</u>	74.00	2,362.12	21.00	1,296,343.39
<u>MRO 8</u>	23.00	359.10	-	-
<u>MRO 9</u>	45.00	1,228.00	-	-
<u>MRO 10</u>	3.00	857.00	-	-
<u>MRO 11</u>	74.00	1,134.62	-	-
<u>MRO 12</u>	53.00	859.78	-	-
<u>MRO 13</u>	18.00	475.86	-	-
	390.00	11,980.96	21.00	1,296,343.39

Source: MARINA Statistical Records

Figure 6 shows the number and sizes of locally constructed ships for domestic utilization and for exportation as of 2022. The number of locally constructed ships for the year 2022 was tallied at 411 ships including 390 ships for domestic use and 21 ships for exportation. For the locally constructed ships for domestic utilization, the MARINA recorded in Region IV the greatest number of ships for domestic use in the year 2022 with a total of 83 ships. The largest number of sizes in locally constructed ships for domestic use was also recorded in Region IV with 3,408 GT. The second greatest number of locally constructed ships for domestic use was recorded by the MARINA in Region VII and Region XI with 74 ships each. The MARINA recorded a total size of 2,362 GT on locally constructed ships for domestic use in Region VII while 1,134 GT in Region XI for the year 2022. On the other hand, the MARINA recorded no new locally constructed ships for domestic use in NCR and Region V in the year 2022.

Meanwhile, all of the 21 locally constructed ships for exportation in the year 2022 were recorded by MARINA in Region VII with a total size of almost 1.3 million GT.

Figure 7: Number and Sizes of Locally Constructed Ships for Domestic Use and for Export per Type of Service as of 2022

2022
LOCAL CONSTRUCTION
(Type of Service)

	LOCAL		EXPORT	
	Number	GT	Number	GT
<u>PASSENGER</u>	49.00	3,638.21	-	-
<u>CARGO</u>	32.00	2,873.05	21.00	1,296,343.39
<u>FISHING</u>	178.00	3,757.23	-	-
<u>MISCELLANEOUS</u>	33.00	1,023.78	-	-
<u>TANKER</u>	-	-	-	-
<u>RECREATIONAL</u>	96.00	627.69	-	-
<u>TUG</u>	2.00	61.00	-	-
	390.00	11,980.96	21.00	1,296,343.39

Source: MARINA Statistical Records

Figure 7 shows the number and sizes of locally constructed ships for domestic utilization and for exportation per type of service as of 2022. The MARINA tallied a total of 411 locally constructed ships in 2022 including 390 ships for domestic use and 21 ships for exportation.

Out of the 390 locally constructed ships for domestic use, MARINA recorded 178 fishing boats, 96 recreational boats, 49 passenger ships, 33 miscellaneous ships, 32 cargo ships and 2 tugboats. The total size of locally constructed ships for domestic use in 2022 was tallied at 11,980 GT.

Meanwhile, all of the locally constructed ships for exportation in 2022 were cargo ships with a total size of almost 1.3 million GT.

Table 6: Total Number of Locally Constructed Ships for Domestic Use and for Export in 2021 and 2022

Year	For Domestic Use		For Export		Total	
	No. of Ships	Total Size (GT)	No. of Ships	Total Size (GT)	No. of Ships	Total Size (GT)
2021	357	15,177	26	1,800,000	383	1,815,177
2022	390	11,980.96	21	1,296,343.39	411	1,308,324.35

Source: MARINA Statistical Records

As shown in Table 6, the number of locally constructed ships for domestic use and for export increased from 383 ships in the year 2021 to 411 ships in 2022. The MARINA tallied a total of 411 locally constructed ships in 2022 including 390 ships for domestic use and 21 ships for export. The increase in the number of locally constructed ships in 2022 may be attributed to easing of COVID-19 protocols nationwide and the continuous economic recovery from the severe impact of pandemic.

In addition, Table 6 shows the size comparison between locally constructed ships for domestic use and for export in 2021 and 2022. Despite of the greater number of locally constructed ships in 2022, the total size of locally constructed ships that year was only tallied at 1,308,324 GT, which is lower than the 1,815,177 GT in the year 2021.

For the number of locally constructed ships for domestic use in 2022, it was tallied at 390, higher than the 357 ships in 2021. However, the total size of locally constructed ships for domestic use in 2022 was recorded at 11,980 GT, which is lower than the 15,177 GT in 2021. For export, the size of locally constructed ships in 2022 was tallied at 1,296,343 GT, which is lower than the 1,800,000 GT in the year 2021.

2.5 Ship Repair and Maintenance

The large volume of dry-dock and repair activities in the country are considered as result of the increased shipping activities in the domestic trade and in the East Asian Region. In this regard, ships engaged in domestic trade and in fishing are being dry-docked in local shipyards and inspected by concerned government authorities such as MARINA to assure its safety.

As per MC MS-2023-01, all Philippine-registered ships shall be drydocked twice within five years.

Ship repair remains as the core of shipyard activities in the Philippine maritime sector. Aside from dry-docking jobs, there are also orders for overhauling, alteration, conversion and reconditioning of ships under the ship preventive maintenance system of the shipping company. It is important to note that not all the ships are being dry-docked on schedule by local shipyards, for the following reasons:

- Some shipyards' capacities, particularly those with sophisticated facilities are fully utilized in dry-docking/ repairing of foreign and large domestic ships;

- Other companies have dedicated facilities for dry-docking and repairing of their own ships primarily those engaged in deep sea fishing activities;
- Only few are left to service the rest of the fleet, mostly specialized in the maintenance and repair of small ships.

Table 7: Number of Ships Dry-docked per Region in 2022

NAME OF SHIPYARD	QUARTERLY SHIPS DRYDOCKED								GRAND TOTAL	
	1st QTR		2nd QTR		3rd QTR		4th QTR			
	No. of Ships	Total GT	No. of Ships	Total GT	No. of Ships	Total GT	No. of Ships	Total GT	Ships	GT
MRO-NCR	78	43,417.22	48	15,457.81	36	12,172.48	48	13,033.96	210	84,081.48
MRO 1 & 2 - LA-UNION	1	27.18	0	0	0	0	0	0	1	27.18
MRO 4 - BATANGAS	40	81,006.77	38	132,264.80	35	139,081.75	29	38,443.56	142	390,796.88
MRO 5 - LEGAZPI	2	No GT Info	1	No GT Info	1	No GT Info	1	No GT Info	5	0
MRO 6 - ILO-ILO	11	1,199.68	3	212.26	7	4,337.02	13	2,047.36	34	7,796.32
MRO 7 - CEBU	9	4,958.82	2	136.35	46	16,847.73	44	12,700.89	101	34,643.79
MRO 8 - TACLOBAN	6	4,009.00	4	1,266.00	8	4,399.25	7	5,262.47	15	14,936.72
MRO 9 - ZAMBOANGA	93	8,135.46	47	5,008.38	31	3,903.90	46	5,045.28	212	22,093.02
MRO 10 - CAGAYAN DE ORO	17	5,916.49	15	4,120.17	11	4,954.69	6	1,737.19	49	16,728.54
MRO 11 - DAVAO	1	152.00	2	630.22	1	291.02	2	286.53	6	1,359.77
MRO 12 - GENSAN	63	22,917.49	58	30,439.21	93	23,315.90	98	25,624.37	312	102,296.97
MRO 13 - SURIGAO	6	5,710.62	8	15,382.21	2	2,097.00	0	0	16	23,189.83
TOTAL	327	177,450.73	226	204,917.41	271	211,400.74	294	104,181.61	1103	697,950.50

Source: MARINA Statistical Records

Table 7 shows the number of ships dry-docked per region in 2022. The MARINA recorded a total of 1,103 ships dry-docked nationwide with a total size of 697,950 GT. It is important to take note that MRO V did not report the size of ships that were dry-docked in their region.

2.6 SBSR Human Resource Profile

After the significant decrease in the number of employees in shipbuilding and ship repair sector in the year 2021 due to COVID-19 pandemic, the SBSR workforce in the year 2022 slightly increased as the country continued its economic recovery. Based on the data gathered by the MARINA, there were 9,414 shipyard employees nationwide in 2022, which is equivalent to 6.9-percent increase compared to the manpower in 2021. Based on the 2021 Philippine SBSR Capability and Capacity Assessment, there were only 8,801 workers in the Philippine SBSR companies that year.

However, the number of SBSR employees in the year 2022 is still lower than the pre-pandemic figures. Based on the 2019 Philippine SBSR Capability and Capacity Assessment Report, there were 13,479 personnel in the shipbuilding and ship repair sector in 2019.

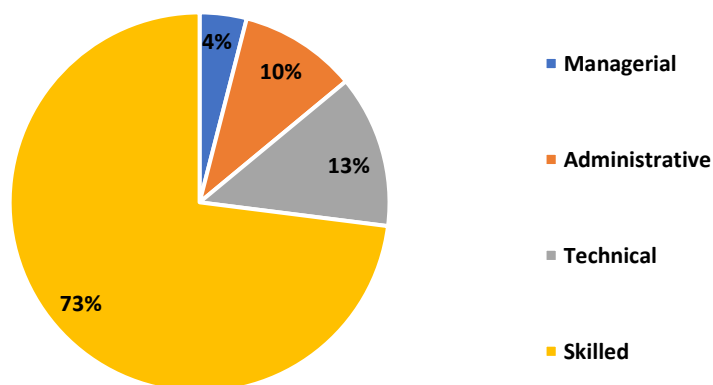
Shown in Table 8 is the number of SBSR employed personnel by region in the year 2022.

Table 8: Number of SBSR Employed Personnel by Region in 2022

OFFICE	MNGL	ADMN	TECHNICAL		SKILLED		TOTAL
			PERM'T	CONT'L	PERM'T	CONT'L	
MRO NCR	144	282	322	58	1862	530	3198
MRO I & II	2	20	2	3	10	20	57
MRO IV	35	74	78	8	250	211	656
MRO V	2	2	6	10	3	0	23
MRO VI	15	62	62	21	128	188	476
MRO VII	90	211	326	41	551	1534	2753
MRO VIII	2	3	6	0	0	29	40
MRO IX	21	43	26	19	204	245	558
MRO X	8	31	13	58	9	224	343
MRO XI	2	5	2	2	13	34	58
MRO XII	70	131	108	43	518	204	1074
MRO XIII	10	38	24	2	64	40	178
TOTAL	401	902	975	265	3612	3259	9414

Source: MARINA Statistical Records

Figure 8 shows the percentage distribution of occupational categories in the shipbuilding and ship repair industry as of 2022.

Figure 8: Percentage Distribution of SBSR Personnel by Occupational Category as of 2022

Source: MARINA Statistical Records

Skilled workers account the most percentage in the SBSR workforce in the country. With a total of 6,871 personnel as of 2022, skilled workers such as welders, solderers and the like account 73 percent of the total manpower in the Philippine SBSR sector. The other occupational categories include managerial with 401 personnel, administrative with 902 personnel and technical with 1240 personnel.

In addition, back in the year 2020 at the outbreak of COVID-19, shipyards have only 10 to 20% of their staff reporting for work, mostly just for station-keeping and few to no technical personnel on site. Shipbuilding and ship repairs in progress have stopped. However, for foreign-owned shipyards, staff reporting to work is 70 to 80%. Personnel that perform crucial works, who are mostly LGU dependents, cannot travel to the yard so final checkout or owner's crew cannot take over ships, this is very dire for new construction. All major work has stopped since supplier technicians who oversee work cannot be present due to travel restrictions. The MARINA issued Advisory No. 2020-33 in May 2020 to set the official rules on the resumption of operations of SBSR entities (including SBK and ASR) under the General Community Quarantine (GCQ) and IATF Alert Level No. 1.

Aside from the severe impact of COVID-19 pandemic, the significant decrease in the SBSR workforce from 2019 to 2021 may be attributed to the closure of one of the major shipyards in the country in 2019. Meanwhile, there are other foreign players who are eyeing to invest in the Philippine shipbuilding and ship repair sector particularly in Subic Bay Area and other potential locations.

On the other hand, back in the year 2019, male workers were dominant over female personnel in terms of the number of male and female employees in the SBSR sector. Based on the 2019 Philippine SBSR Capability and Capacity Assessment Report, 93 percent or 12,529 out of the 13,479 personnel that year are male employees. Over the years, the shipyards inserted efforts and initiatives to promote gender equality in their companies.

The result of the survey for the 2021 Philippine SBSR Capability and Capacity Assessment Report shows that among the efforts and initiatives of the shipyards regarding the said matter are conducting gender awareness seminars for employees; orientation or briefing for new hires on proper workplace etiquette relative to gender sensitivity and awareness; and by encouraging individuals of all genders to apply in job postings.

2.7 SBSR Capitalization

The paid-up capitalization of MARINA-registered shipyards in the year 2022 was recorded at PHP 12,120,483,965.00, which is lower compared to the total capitalization of SBSR entities in 2021 that was tallied at PHP 15,546,371,509.92.

Table 9: Total SBSR Entities Capitalization as of 2022

OFFICE	PAID-UP CAPITALIZATION
MRO-NCR	2,246,458,243.00
MRO I & II	227,101,135.00
MRO IV	4,859,904,955.00
MRO V	10,500,000.00
MRO VI	1,652,000,000.00
MRO VII	1,584,654,906.00
MRO VIII	60,000,000.00
MRO IX	115,500,000.00
MRO X	195,030,976.00
MRO XI	10,500,000.00
MRO XII	971,685,000.00
MRO XIII	187,148,750.00
TOTAL	PHP 12,120,483,965.00

Source: MARINA Statistical Records

3. CHALLENGES

The following are the challenges that Philippine SBSR sector is facing:

3.1 COVID-19 Pandemic - Several challenges pose risks to the development and improvement of the SBSR industry. In 2020 and 2021, the virus known as SARS COV-2 spread rapidly that led the World Health Organization (WHO) to declare a global pandemic, which resulted to the implementation of various restrictions. The COVID-19 related protocols led to the temporary closure of industries including the businesses in the shipbuilding and ship repair sector. It affected its operation that led to losses in the financial performance of different companies. However, in April 2020, the ShAP formally requested to the MARINA official guidelines on the operations of shipyards under community quarantine circumstances. The MARINA issued MA No. 2020-33 in May 2020 to set the official rules on the resumption of operations of SBSR entities under the General Community Quarantine (GCQ) and IATF Alert Level 1.

3.2 Lack of Manpower - Due to the COVID-19 pandemic and the corporate bankruptcy of Hanjin Heavy Industries and Construction Philippines, there was a significant decrease in the workforce of the SBSR sector. Even though there is a slight increase on the number of SBSR employees in 2022, it is still lower compared to pre-pandemic figures. Aside from this, the shipbuilding and ship repair industry has no exception to the emigration of highly trained technical and skilled workers just like in other industries in the country. This is in line with the workers seeking for better career opportunities that include higher salary, which would eventually help them in the development or improvement of their way of living.

3.3 Outmoded Facilities - In general, the advanced or updated facilities, equipment, tools and machinery belong to the Class A shipyards or shipyards with foreign partners. Around 66 percent of the total main yard facilities nationwide need rehabilitation and/or upgrading. Also, additional skills training is needed for workers in Class C shipyards.

3.4 Availability of the Machineries, Equipment and Materials used in Shipbuilding and Ship Repair - One of the factors that pose as a challenge is the availability or scarce supply of basic machineries, equipment and spare parts used for shipbuilding and ship repair including marine grade steel.

3.5 Continuous Importation of Ships - In 2022, the MARINA recorded a total of 485 imported newly built ships for domestic use. Although, it was found out that 97.5 percent or 473 out of the 485 ships are categorized as miscellaneous which covers recreational boats.

3.6 Environmental Hazards - The Shipping industry is considered as one of the major contributors to climate change - with more than three (3) percent of global carbon dioxide emissions attributed to ocean-going ships. In this regard, the MARINA formulated regulations for the ships including the shipbuilding and ship repair sector which are focused in protecting marine environment. Also, the entities from private sector should play a vital role in shaping the Philippine maritime industry into an environmentally-conscious trade.

3.7 Lack of Interest to ISO Certification – As of 2022, almost 80 percent of the MARINA-registered shipyards nationwide have not yet applied to ISO Certification. This may be attributed to lack of knowledge regarding the purpose of the ISO Certification. In addition, most of the shipyards have a tendency to consider the ISO certification as a marketing tool. In result, these shipyards did not apply for the ISO certification since they were only engaged in catering company owned vessels.

4. RECOMMENDATIONS

The analysis of the data and information gathered for this situation report has led to the following recommendations:

4.1 Effectively implement the programs under the Maritime Industry Development Plan (MIDP) to address different environmental issues in the shipbuilding and ship repair sector. Also, it is recommended to pursue the key strategic projects under the Core Program on “Modernization, Expansion and Promotion of the Philippine Shipbuilding and Ship Repair Industry.”

4.2 Adopt the whole of government approach in revisiting relevant government laws and policies that regulate the SBSR industry of the country particularly in the review of

Executive Order No. 558, strengthening the Philippine SBSR Sector and instituting measures to promote its growth and development.

4.3 Raise awareness on the incentives offered by the BOI and other relevant government agencies to the SBSR sector. Prioritize these incentives offered by the relevant government agencies for acquiring ships through local construction. PEZA to also provide incentives to non-PEZA local shipyards in able to accelerate the fleet modernization programs.

4.4 Conduct a collaboration between the MARINA and the Local Government of Consolacion in Cebu in order to enhance the proposed reclamation area in Brgy. Tayud into a maritime hub where the shipyard and the existing maritime ancillary services will be modernized and co-exist with the new developments in the area thus creating more local jobs and enticing investors to the municipality.

4.5 Conduct a face-to-face survey to shipyards for the 2023 Philippine Shipbuilding and Ship Repair Capability and Capacity Assessment Report to gather more precise data.

4.6 Develop an updated database system on the capability of SBSR sector in relation to making laws and policies.

4.7 Provide more training to the SBSR workers and hire more competent and qualified workforce to at least bring back the number of workers before the pandemic.

4.8 Legislate the Shipbuilding and Ship Repair Bill which recognizes the role of the SBSR industry as one of the vital components of the maritime sector. It highlights the key role of the SBSR industry relative to the economic growth of the country. The enactment of this Bill would pave the way for the country's global competitiveness on SBSR industry.

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