Provisional Local Vessel Advisory Committee

Port Development Strategy Review (PDSR) Study On the Supply and Demand of Ship Repair Yards in Hong Kong

Purpose

This paper serves to inform members about the findings on the 4th PDSR review study on the supply and demand of ship repair yards in Hong Kong.

Methodology

2. The objective of this PDSR review is to collect up-to-date information on the local ship repair industry for future port planning purposes. Relevant information and data for this review were gathered through desktop studies and field surveys.

3. The desktop studies involved reviewing and updating of a list of local ship repair yards compiled in 1993 through information obtained from the Lands Department.

4. The field survey was mainly conducted either through face-to-face or telephone interviews with the ship repair and local fleet operators. Of the 147 ship repair yards identified, 132 were successfully interviewed. The response rate was about 90%. Separately, 40 local vessel operators were interviewed for verifying some of the data collated from the ship repair operators.

Review Findings

5. Ship repair yards in Hong Kong are distributed over 11 districts, with Aberdeen and Tsing Yi having the largest clusters. The majority of these yards offer a wide range of repair services covering various vessel types, such as launches, dumb steel lighters, cargo vessels, fishing vessels and pleasure craft etc.

6. In general terms, the survey revealed that the business of local ship repair yards had been declining over the past few years. The industry attributed the market downturn mainly to the Asian financial crisis, market recession and growing competition from shipyards on the Mainland. Many operators expected that the occupancy rate of their slipways would continue to drop in the future, albeit at a less dramatic rate.

7. According to industry sources, the main challenges faced by them are : soaring operating costs, stiff competition from neighbouring Mainland shipyards, inadequate land supply, ageing skilled labour, out-dated facilities and tightening of environmental protection requirements.

8. In 1999, it was estimated that the aggregate ship repair capacity outstripped the demand by around 46%, taking into account the diversion of business to shipyards on the Mainland. As the total number of licensed vessels, which have direct correlation with ship repair demand, are not anticipated to have any staggering increases over the forecast horizon, it is thus forecast that the ship repair industry would still be in a position of over-capacity. According to the industry, this over-capacity is estimated to gradually increase to around 53% by 2016, assuming that the total number of local yards remain at the current level.

9. Though local ship repair yards have been facing increasing competition from shipyards on the Mainland, the majority of them have no intention to withdraw from the market and believe that they could still maintain a certain degree of competitive edge over their Mainland competitors. Their strengths, as confirmed by local vessel operators, include experienced and high-skilled workforce, superior workmanship, availability of a wider range of spare parts, convenience and fast turnaround times and efficient customs procedures etc.

Conclusions

10. It is concluded that in 1999 the local ship repair industry had a 46% excess in capacity and that the excess would gradually increase to 53% by 2016. To strengthen the competitiveness of the ship repair industry, the industry has urged the Government to adopt the following: -

- More Flexible Land Policy
- More Secure Tenure for Marine Lots
- Upgrade future Manpower Training
- Rationalization of Local Shipyards

Presentation

11. This paper will be presented to members by Mr. C.Y. Tsang, Senior Marine Officer/Planning and Development (4).

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