

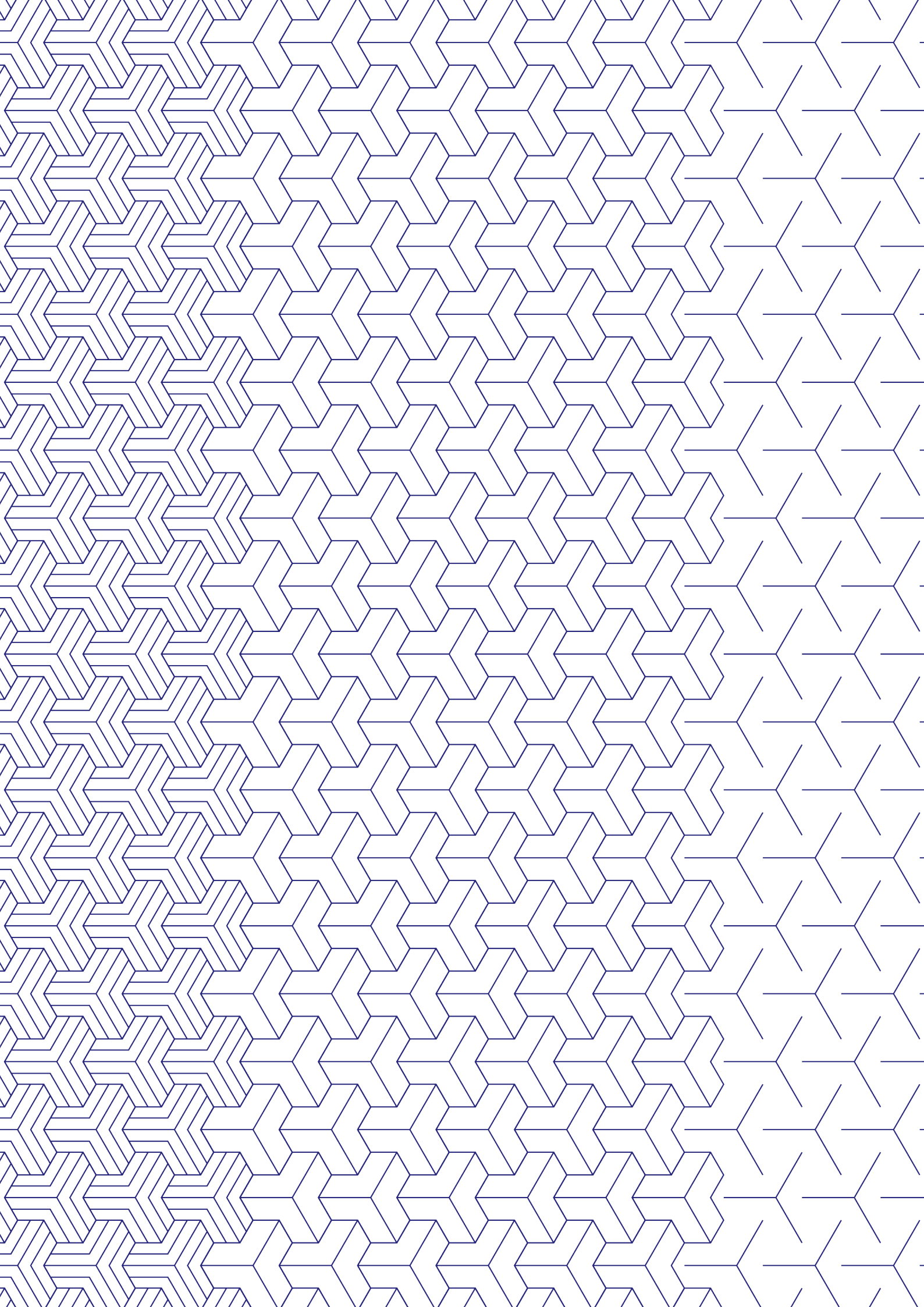


MINISTRY OF INVESTMENT,  
TRADE AND INDUSTRY

NEW INDUSTRIAL  
MASTER PLAN 2030

# SHIPBUILDING AND SHIP REPAIR (SBSR) INDUSTRY







e ISBN No. : 978-967-0020-41-9

**PUBLISHED BY:**



MINISTRY OF INVESTMENT,  
TRADE AND INDUSTRY

Menara MITI, No. 7, Jalan Sultan Haji Ahmad Shah,  
50480 Kuala Lumpur, Malaysia.

Tel : 603-8000 8000

Fax : 03-6206 4693

Email : [webmiti@miti.gov.my](mailto:webmiti@miti.gov.my)

© **MINISTRY OF INVESTMENT, TRADE AND INDUSTRY**

MITI, 2023

**All rights reserved**

No part of this document may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior permission from Ministry of Investment, Trade and Industry (MITI). The information in this document has been updated as accurately as possible until the date of publication.

# TABLE OF CONTENTS

	<b>Preface</b>	i
	<b>Introduction</b>	1
	<b>Overview of the Document</b>	4
<b>Section</b>	<b>1</b> <b>Background</b>	5
	Areas Covered	5
	Value Chain	5
	Market Players	6
	Policies, Laws and Regulations	6
<b>Section</b>	<b>2</b> <b>Performance</b>	7
	IMP3 Focus and Performance	7
	Investments	7
	Exports	8
	Imports	9
	Value-added	10
	Employment	10
	Labour Productivity	11
	Institutional Support	11
<b>Section</b>	<b>3</b> <b>Trends and Opportunities</b>	12
	Geographical Advantage	12
	Green Ships	13
	Offshore Support Vessels	13
<b>Section</b>	<b>4</b> <b>Challenges</b>	14
	Ecosystem Support	14
	Reliance on Imported Products	14
	Local Capabilities	15
<b>Section</b>	<b>5</b> <b>Strategies and Action Plans</b>	16
	NIMP 2030 Focus	16
	Action Plans	16
	<b>Appendix 1: Incentives</b>	17

## PREFACE

---

Malaysia's strength in the manufacturing sector has been significantly driven by the implementation of robust and forward-thinking Industrial Master Plans, first launched in 1986.

The success of the IMP3 (2006-2020) was anchored on innovation, research and development (R&D) and human capital development to drive high value-added industries to transform Malaysia into a knowledge-based economy.

The journey towards formulating the NIMP 2030 is underscored by the need to build a robust industrial sector as an important prerequisite to achieve socioeconomic prosperity. Three previous iterations of the Industrial Master Plans have driven industrial development in Malaysia, with the Government adopting industrial development strategies relevant to the period to transform the economy. Malaysia flourished from a low-productivity agrarian-based economy and is heading towards achieving developed nation status, underpinned by robust manufacturing and services sectors. The strategy has successfully raised the living standards of the Rakyat and propelled remarkable growth in Gross National Income (GNI) per capita, increasing 34 times between 1967 to 2019, making Malaysia one of the fastest growing economies in modern history.

Industrial policies have since become more diverse and complex, incorporating new imperatives including the integration into the global value chain (GVC), development of indigenous capabilities in a knowledge economy, evolution of environmental, social and governance (ESG) criteria and disruptions from the new industrial revolution. The question is not about the necessity of such policies, but rather what new policies are required and how to proceed.

Given the current challenging environment, benchmarking and learning from other country's experiences are no longer sufficient. Malaysia needs to embark on its own path into uncharted territory, to steer the nation into the challenging future. The combined impact of the new imperatives and the recent pandemic has compelled the Government to rethink Malaysia's industrial strategy.

With the NIMP 2030, Malaysia intends to transform the industry into greater heights, capitalising on emerging global trends, supply chain disruptions, current geopolitical landscape, digitalisation and ESG considerations. These trends are moving at an unprecedented pace and Malaysia has to act fast.

Therefore, the NIMP 2030 is designed to achieve the aspirations in a span of seven years and takes on a Mission-based approach for industrial development. This approach unites Malaysia by encouraging collaboration between the Government and the private sector to rally the industries.

## **Purpose of the NIMP 2030**

The NIMP 2030 sets forth Malaysia's future direction in industrial transformation. It provides a national integrated plan for resilient industrial development until 2030 – setting the fundamentals for future policy development and enabling the industry at all levels. It articulates Malaysia's position and participation in the global economic environment.

The NIMP 2030 serves to:

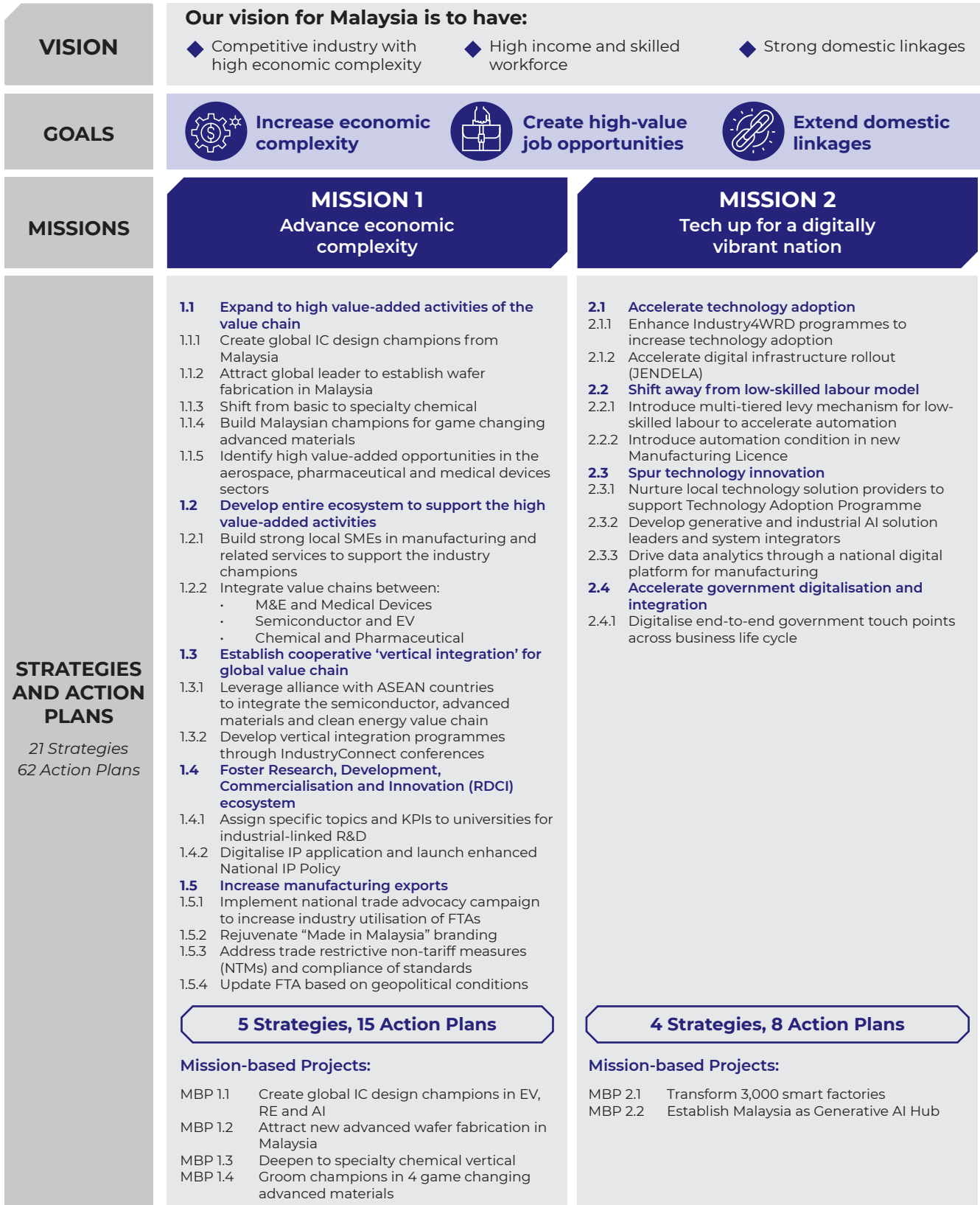
- Provide national strategic direction to lead the industrial development policies;
- Be a conversation piece for investors and other economies on Malaysia's position and direction; and
- Feature the role of the Malaysian Government in shaping the economy.

# INTRODUCTION

## New Industrial Master Plan 2030

The Missions and Enablers identified will be executed through 21 Strategies and 62 Actions Plans to unlock the needed enabling ecosystems. Several catalytic Mission-based

Projects (MBPs) have been identified to catapult the mission-based implementation. The NIMP 2030 strategic framework is illustrated below:





◆ New and existing industry clusters

◆ Balanced and inclusive participation

◆ Sustainable development

**Develop new & existing clusters****Improve inclusivity****Enhance ESG practices****MISSION 3**  
Push for Net Zero**MISSION 4**  
Safeguard economic security and inclusivity**ENABLERS****3.1 Accelerate transition towards sustainable practices**

- 3.1.1 Develop sectoral decarbonisation pathways to guide transition
- 3.1.2 Decarbonise "hard-to-abate" sectors
- 3.1.3 Introduce carbon policy, accounting and tax
- 3.1.4 Launch iESG framework and transition programmes

**3.2 Transition to renewable and clean energy**

- 3.2.1 Enhance adoption scheme for energy efficiency or renewable energy
- 3.2.2 Accelerate availability and accessibility of renewable energy source for the industry

**3.3 Catalyse new green growth areas**

- 3.3.1 Catalyse EV as a key growth driver
- 3.3.2 Grow carbon capture, utilisation and storage (CCUS) as a new sector
- 3.3.3 Develop circular economy framework for the industry

**3.4 Shift towards green infrastructure**

- 3.4.1 Accelerate transformation of industrial estates into eco-industrial parks

**4.1 Develop resilient supply chain**

- 4.1.1 Identify specific supply chain resilience strategies for critical sectors
- 4.1.2 Establish supply chain cooperation and collaboration through G2G and G2B programme
- 4.1.3 Introduce National Mineral Policy for downstream processing of critical minerals

**4.2 Foster climate resilient development**

- 4.2.1 Develop sectoral adaptation pathways
- 4.2.2 Foster an adaptation industry to provide adaptation products and services (including exports)
- 4.2.3 Instil climate resilience measures for critical economic infrastructure

**4.3 Strengthen industrial clusters for regional development**

- 4.3.1 Expand clusters for spillover regional impact
- 4.3.2 Align industrial development plan between Federal and States

**4.4 Empower Bumiputera participation and create inclusive workforce**

- 4.4.1 Uplift capabilities of *Bumiputera* companies in manufacturing via *Tindakan Pembangunan Bumiputera 2030*
- 4.4.2 Develop programme to increase women participation in high-skilled manufacturing employment

**E.1 Mobilise financing ecosystem**

- E.1.1 Introduce NIMP Industrial Development Fund and NIMP Strategic Co-Investment Fund
- E.1.2 Boost financing for digitalisation and decarbonisation transition
- E.1.3 Establish green *sukuk* to facilitate transition
- E.1.4 Establish supply chain financing for SMEs
- E.1.5 Increase utilisation of the capital market
- E.1.6 Expand the imSME platform to show all available funding options including government funding and capital market
- E.1.7 Review government funding for consolidation

**E.2 Foster talent development and attraction**

- E.2.1 Leverage mynext and MYFutureJobs for strategic workforce planning to address long-term demand-supply requirement
- E.2.2 Introduce progressive wage system policy
- E.2.3 Improve policy to enable fast and hassle-free access to high-skilled foreign talents
- E.2.4 Expand TVET programmes for high-skilled jobs in critical sectors
- E.2.5 Raise profile of high-tech manufacturing career to attract interest in STEM subjects

**E.3 Establish best-in-class investor journey for ease of doing business**

- E.3.1 Establish a unified investment strategy and align investment evaluation to new parameters under NIA
- E.3.2 Harmonise and streamline functions and KPIs across IPA landscape
- E.3.3 Review and design competitive, agile and relevant incentives
- E.3.4 Improve One-Stop Portal for seamless investor experience

**E.4 Introduce whole-of-nation governance framework**

- E.4.1 Establish public-private collaborative councils
- E.4.2 Set up NIMP 2030 Delivery Management Unit
- E.4.3 Develop NIMP 2030 dashboard system

**4 Strategies, 10 Action Plans****Mission-based Projects:**

- MBP 3.1 Create decarbonisation pathway role models
- MBP 3.2 Launch locally-manufactured EV
- MBP 3.3 Deploy large-scale CCUS solutions

**4 Strategies, 10 Action Plans****4 Strategies, 19 Action Plans**

## NIMP 2030 SECTORAL PLAN

There are individual enclosures of 21 sectors included as a supplementary reference to the main NIMP 2030 document.

They provide a view of the respective sectoral perspective in the context of the main NIMP 2030 document, and were developed with reference to individual sectoral roadmaps, where applicable.

The 21 sectors are:

Category	Industry
<b>Priority Sectors</b>	<ol style="list-style-type: none"> <li>1. Aerospace</li> <li>2. Chemical</li> <li>3. Electrical and Electronics (E&amp;E)</li> <li>4. Pharmaceutical</li> <li>5. Medical Devices</li> </ol>
<b>Sectors</b>	<ol style="list-style-type: none"> <li>6. Digital and Information and Communication Technology (ICT)</li> <li>7. Automotive</li> <li>8. Food Processing</li> <li>9. Global Services and Professional Services</li> <li>10. <i>Halal</i></li> <li>11. Machinery and Equipment (M&amp;E)</li> <li>12. Manufacturing-Related Services (MRS)</li> <li>13. Metal</li> <li>14. Mineral</li> <li>15. Palm Oil-based Products</li> <li>16. Petroleum Products and Petrochemicals</li> <li>17. Rail</li> <li>18. Rubber-based Products</li> <li>19. Shipbuilding and Ship Repair (SBSR)</li> <li>20. Textile, Apparel and Footwear</li> <li>21. Wood, Paper and Furniture</li> </ol>

This document is the [NIMP 2030 Sectoral Plan – Shipbuilding and Ship Repair Industry](#).

## OVERVIEW OF THE DOCUMENT

This NIMP 2030 Sectoral Plan – Shipbuilding and Ship Repair Industry (Document) provides insights into the sector and its prospects during the NIMP 2030 period.

This Document offers a comprehensive understanding of the industry's direction during the NIMP 2030 period based on its historical performance, opportunities and strategies to overcome existing challenges and achieve its targets.

The Document is presented in five sections:

### 1. Background

- This section sets the foundation to help readers understand the industry.
- It delves into the industry's focus area, encompassing its sub-sectors, for a comprehension of the industry's breadth.<sup>1</sup>
- Readers will find details about the industry's value chain and its key players, including the relevant industry associations, in this section.
- The section lists the policies that are related to the industry.

### 2. Performance

- This section reports the industry's performance during specific periods.
- There are two notable periods for the review of the industry's historical performance:
  - the IMP3 period (2006 to 2020); and
  - from 2021 to 2022.
- The performance review of the industry's development includes its investment trends, export and import dynamics, employment figures, value-added and productivity measures.

### 3. Trends and Opportunities

- This section highlights the opportunities and potential avenues for growth that the industry can leverage during the NIMP 2030 period.

### 4. Challenges

- This section provides insights into potential obstacles that could impact the industry's growth and development.

### 5. Strategies and Action Plans

- The final section of the document outlines the future trajectory for the industry.
- This section provides the Strategies and Action Plans that are intended to catalyse the industry during the NIMP 2030 period.
- The Strategies and Action Plans set in this Document have been aligned to the Missions set in the main NIMP 2030 document.

<sup>1</sup> Incentives available for this industry as of time of writing can be found in Appendix 1

## SECTION 1 BACKGROUND

### Areas Covered

- The products of the shipbuilding and ship repair (SBSR) industry can be grouped into two categories (Table 19.1).

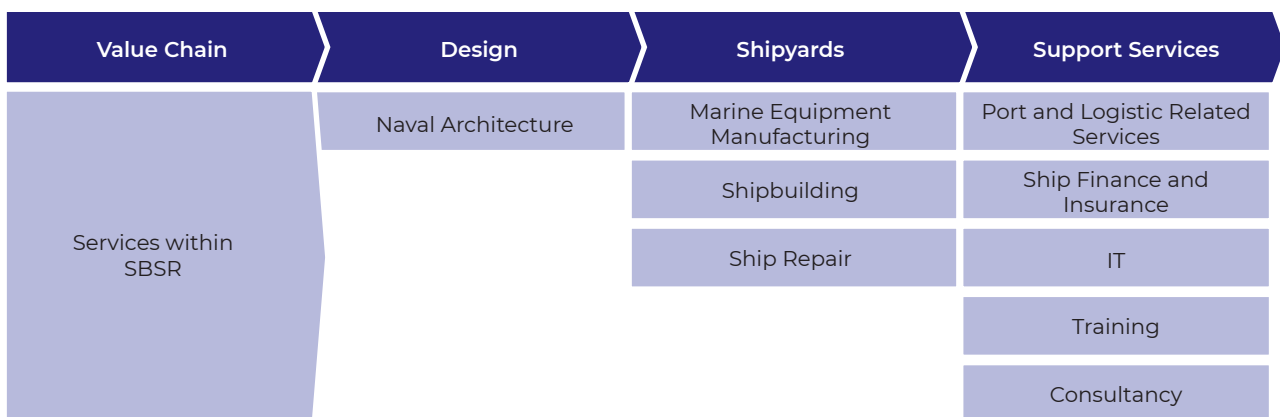
**Table 19.1: Product Categories of SBSR Industry**

Categories	Products
<b>i. Vessels</b>	<ul style="list-style-type: none"> <li>Ocean-going ships</li> <li>Near-coastal ships</li> <li>Government ships</li> <li>Passenger ships</li> <li>Offshore ships</li> <li>Fishing vessels</li> <li>Hovercraft</li> <li>Combat ship</li> <li>Naval ship</li> <li>Drilling ship</li> <li>Patrol boats</li> </ul>
<b>ii. Marine Equipment</b>	<ul style="list-style-type: none"> <li>Parts and components fitted and integrated to form the sub-systems and systems of a vessel</li> </ul>

### Value Chain

- The value chain for the SBSR industry is illustrated as follows (Figure 19.1).

**Figure 19.1: Value Chain of SBSR Industry**



Source: MITI

- The value chain can be divided into three segments:
  - design – involves naval architecture in creating ship designs;
  - shipyards – include various activities such as:
    - building and construction focuses on assembling ships;
    - repairing and maintaining involves refurbishment, repair and maintenance of existing ships; and
    - converting and upgrading of vessels for new purposes.

- iii. support services – include various supporting activities in the industry:
  - a. port and logistic related services;
  - b. ship finance and insurance;
  - c. information technology (IT) services;
  - d. training; and
  - e. consultancy.

## Market Players

- 4. The stakeholders in Malaysia's SBSR industry can be categorised into three categories:
  - i. industry players;
  - ii. industry associations; and
  - iii. Ministries and Government Agencies.
- 5. There are over 100 companies involved in SBSR activities in 2022. Currently, industry players mainly carry out support services and provide learning or training activities. There is limited participation in design services and moderate participation in shipyard manufacturing activities.
- 6. Industry associations play an important role in representing the interests of manufacturers. Examples of the associations are:
  - i. Association of Marine Industries of Malaysia (AMIM);
  - ii. Sarawak Association of Marine Industries (SAMIN);
  - iii. Malaysia Shipowners' Association (MASA); and
  - iv. Malaysia Offshore Support Vessel Owners' Association (MOSVA).
- 7. Several Ministries and Government Agencies have prominent role in Malaysia's SBSR industry, including:
  - i. Ministry of Transport (MOT);
  - ii. Ministry of Finance (MOF);
  - iii. Ministry of Investment, Trade and Industry (MITI);
  - iv. Malaysian Investment Development Authority (MIDA);
  - v. Malaysia External Trade Development Corporation (MATRADE);
  - vi. Marine Department Malaysia (MDM); and
  - vii. Maritime Institute of Malaysia (MIMA).

## Policies, Laws and Regulations

- 8. The industry's development is guided by the Malaysian Shipbuilding/ Ship Repair Industry Strategic Plan 2020 (SBSR 2020).

## SECTION 2 PERFORMANCE

### IMP3 Focus and Performance

9. During the IMP3 period (2006 to 2020), the industry was focused on enhancing domestic capabilities in building smaller vessels and maintenance, repair and overhaul activities.
10. In 2011, Malaysia introduced the SBSR 2020 to set up vision and outline strategies related to the SBSR industry. In 2019, the SBSR industry contributed RM4.1 billion to Malaysia's Gross Domestic Product (GDP).

### Investments

11. The investment performance (2006 to 2022) of the industry is recorded in Table 19.2.

**Table 19.2: Approved Investments of SBSR Industry**

Items	Units	IMP3			2021	2022	2021-2022
		2006	2020	2006-2020			
<b>Total Investment</b>	RM billion	790	42.1	7,335.2	65.8	363	428.8
<b>Domestic Investment</b>	RM billion	780.6	42.1	6,585.1	35.5	363	398.5
<b>Foreign Investment</b>	RM billion	9.3	-	749.2	30.3	-	30.3
<b>Number of projects</b>	#	11	7	90	5	5	10
<b>Employment</b>	persons	1,835	199	10,471	172	183	355

*Note: There were no FDIs in 2020 and 2022*

*Source: MIDA*

12. During the IMP3 period, a total of 90 projects were approved in the industry with a total investment of RM7.3 billion and committed a total of 10,471 job opportunities.
13. The SBSR industry remained resilient – mostly driven by DDI, despite unstable oil and gas prices as well as weaker global trade due to the COVID-19 pandemic that affected the demands for SBSR.
14. Substantial SBSR investments approved during the IMP3 period include expansion of docking capacity, development of a new maritime hub, and design & development of offshore support vessels (OSV).
15. In 2021 and 2022, a total of 10 projects were approved with a total investment of RM428.8 million. These investments committed a total of 355 job opportunities.
16. From 2006 to 2022, 72 (72.0 per cent) of the 100 approved projects were implemented.

## Exports

17. Export performance (2006 to 2022) of the industry is depicted in Table 19.3.

**Table 19.3: Exports of SBSR Industry**

Item	IMP3			2021	2022	2006-2020	2020-2021	2021-2022
	2006	2020	2006-2020			CAGR <sup>2</sup>	Annual Growth	
Exports (RM billion)	3.5	0.8	21.3	0.7	0.7	-9.8%	-11.6%	-1.2%

Source: MATRADE

18. During the IMP3 period, the industry's exports declined by a CAGR of 9.8 per cent from RM3.5 billion (2006) to RM817.2 million (2020).
19. In 2021 and 2022, exports further decreased by 11.6 per cent and 1.2 per cent, amounting to RM722.7 million and RM713.7 million respectively.
20. The trend in export was attributed by the decline in exports of light vessels, dredgers and floating dock.
21. In 2022, major export destinations were:
- i. Indonesia (RM174.4 million, 24.4 per cent);
  - ii. United States (US) (RM130.3 million, 18.3 per cent);
  - iii. United Arab Emirates (RM128.4 billion, 18.0 per cent);
  - iv. Australia (RM76.2 million, 10.7 per cent); and
  - v. Singapore (RM36.1 million, 5.1 per cent).
22. In 2022, the top exported products were:
- i. tugs and pusher craft (RM246.8 million, 34.6 per cent);
  - ii. yachts/ other vessels for pleasure/ sports (RM206.6 million, 29.0 per cent);
  - iii. light vessel, dredger and floating dock (RM152.0 million, 21.3 per cent);
  - iv. cruise ship, cargo ship and barges (RM83.1 million, 11.6 per cent); and
  - v. floating structure (RM13.9 million, 1.9 per cent).

<sup>2</sup> Compound Annual Growth Rate

## Imports

23. Table 19.4 presents import performance of the SBSR industry (2006 to 2022).

**Table 19.4: Imports of SBSR Industry**

Item	IMP3			2021	2022	2006-2020	2020-2021	2021-2022
	2006	2020	2006-2020			CAGR	Annual Growth	
<b>Imports (RM billion)</b>	3.0	10.3	52.1	0.8	0.5	9.2%	-92.7%	-39.6%

Source: MATRADE

24. During the IMP3 period, the industry's imports grew by a CAGR of 9.2 per cent from approximately RM3.0 billion (2006) to RM10.3 billion (2020).
25. In 2021 and 2022, the industry's imports decreased by 92.7 per cent and 39.6 per cent, totalling RM756.9 million and RM457.1 million respectively.
26. The significant import value in 2020 was attributed to the imports from Korea to build new liquefied natural gas (LNG) carriers.
27. In 2022, major import sources included:
- i. China (RM340.9 million, 74.6 per cent);
  - ii. Canada (RM21.2 million, 4.6 per cent);
  - iii. Mexico (RM19.2 million, 4.2 per cent);
  - iv. Singapore (RM15.0 million, 3.3 per cent); and
  - v. Indonesia (RM9.3 million, 2.0 per cent).
28. In 2022, major imported products were:
- i. light vessel, dredger and floating dock (RM318.0 million, 69.6 per cent);
  - ii. yachts/ other vessels for pleasure/ sports (RM52.6 million, 11.5 per cent);
  - iii. floating structure (RM49.9 million, 10.9 per cent);
  - iv. vessels including warships and lifeboats (RM21.1 million, 4.6 per cent); and
  - v. cruise ship, cargo ship and barges (RM12.0 million, 2.6 per cent).



## Value-added

29. The industry's value-added (GDP) between 2006 to 2022 is recorded in Table 19.5.

**Table 19.5: Value-added of SBSR Industry**

Item	IMP3		2021	2022	2006-2020	2020-2021	2021-2022
	2006	2020			CAGR	Annual Growth	
<b>Value-added<sup>3</sup> (RM billion)</b>	1.2	2.8	3.3	3.6	3.2%	21.1%	8.0%

Source: Department of Statistics Malaysia (DOSM)

30. During the IMP3 period, the industry's GDP contribution has grown by a CAGR of 3.2 per cent from RM1.2 billion (2006) to RM2.8 billion (2020).

31. In 2021 and 2022, the industry's GDP grew by 21.2 per cent and 8.0 per cent to RM3.3 billion and RM3.6 billion respectively.

32. The industry GDP's growth was attributed to increased demand in vessels.

## Employment

33. The SBSR industry's employment (2019 to 2022) is tabulated below (Table 19.6).

**Table 19.6: Employment in SBSR Industry**

Item	IMP3		2021	2022	2019-2022
	2019	2020			CAGR
<b>Employment<sup>4</sup> (persons)</b>	13,087	12,926	12,847	13,936	2.1%

Source: DOSM

34. Employment grew by a CAGR of 2.1 per cent, from 13,087 persons (2019) to 13,936 persons (2022).

35. The growth of employment in the industry was driven by the recovery from the COVID-19 pandemic and the increased demand for OSVs.

<sup>3</sup> Value-added is measured by the GDP of the industry; 2006 GDP data is based on constant 2005 prices, while 2020 to 2022 data are based on constant 2015 prices

<sup>4</sup> This employment data is based on Monthly Manufacturing Statistics December 2022. Due to the change in methodology for employment statistics tabulation in 2019, industry's employment breakdown from 2006 to 2018 is not available

## Labour Productivity

36. The SBSR industry's labour productivity (2019 to 2022) is tabulated below (Table 19.7).

**Table 19.7: Labour Productivity of SBSR Industry**

Item	IMP3		2021	2022	2019-2022
	2019	2020			CAGR
Labour Productivity <sup>5</sup> (RM)	309,721	213,541	260,289	259,095	-5.8%

Source: DOSM

37. The labour productivity of the industry declined by 5.8 per cent from RM309,721 (2019) to RM259,095 (2022).
38. Overall, the decline in labour productivity was due to the COVID-19 pandemic, which led to a decrease of demand for ships and ship repairs.

## Institutional Support

39. The Government has provided financial support and incentives through various schemes to support projects in the SBSR industry.
40. Financial support such as the Maritime and Logistic Scheme (MLS) provided by Bank Pembangunan Malaysia Berhad (BPMB) – introduced in 2021 with an availability of fund until 2025, designed to offer financial assistance to companies engaged in maritime, aerospace and logistics activities.
41. Incentives includes tax incentives and the Bona Fide Status:
- SBSR tax incentives (i.e. Pioneer Status, Investment Tax Allowance for new companies and existing companies) – introduced in 2016 to drive growth and attract investments, spanning a period of seven years until 31 December 2022. The incentives were further extended up to 2027 to support the industry's development and position Malaysia as a regional hub for SBSR.
  - Bona Fide Status – entitles companies to enjoy import duty and sales tax exemption for materials or components used for the SBSR activities.

<sup>5</sup> Annual labour productivity is derived from value added per employment

## SECTION 3 TRENDS AND OPPORTUNITIES

42. Moving forward, the global SBSR market size is expected to increase to over RM896.0 billion<sup>6</sup> by 2030.<sup>7</sup> Factors contributing to this growth include:
  - i. increasing focus on sustainable and energy-efficient solutions;
  - ii. aging ships leading to a higher demand of maintenance and repair;
  - iii. increasing global trade driving the growth in ship fleet; and
  - iv. growing OSVs demand driven by the growth of oil and gas (O&G) industry.
43. This prospective growth has created opportunities for Malaysia to expand and strengthen the local industry to remain competitive globally.
44. These opportunities are contributed by Malaysia's geographical advantage – surrounded by busy shipping traffic, development in green ships and a dynamic offshore O&G industry.

### Geographical Advantage

45. Malaysia is strategically located in the heart of Southeast Asia, with easy access to major shipping lanes such as the Strait of Malacca – one of the busiest shipping routes in the world used by over 80,000 ships per year<sup>8</sup> and provides Malaysia easy access to major markets in Asia, Europe and the Middle East.
46. Malaysia's long coastline and deep-water ports provide an ideal location for other industries such as fishing, shipping and offshore O&G. The SBSR industry is expected to grow, benefitting from the spillover effects of these industries.
47. The fishing industry in Malaysia is expected to flourish from the development of new fishing technologies and the growth of the aquaculture industry, creating a demand for the SBSR industry to provide services for fishing vessels to operate.
48. To seize the opportunities presented and establish a strong foothold in the industry, it is crucial to:
  - i. provide a cost-effective domestic classification system for local players in order to ensure safety and environmental performance;
  - ii. nurture local talents and equip the workforce with the requisite skills essential for sustainable growth in the industry; and
  - iii. strengthen fisheries management and develop a robust institutional framework for Malaysia to spearhead the fishing industry.
49. Refer to:
  - i. Action Plan 1 (AP1) in Section 5 for strategies and action plans related to high value-added activities;
  - ii. Action Plan 5 (AP5) and Action Plan 6 (AP6) in Section 5 for strategies and action plans related to talent development; and
  - iii. Action Plan 8 (AP8) in Section 5 for specific SBSR industry action plan related to classification systems.

<sup>6</sup> USD200 billion, converted based on exchange rate USD1.0 to RM4.48

<sup>7</sup> Source: SNS Insider

<sup>8</sup> Source: MIMA

## Green Ships

50. Green ships are a growing trend in the industry as businesses and the Government look for ways to reduce the environmental impact coupled with increasing emphasis on sustainability, energy efficiency and advanced technologies.
51. Green ships are designed, built and operated in a way that minimises the environmental impact through transition fuel ships (e.g. LNG-carrier) or alternative fuel powered by hydrogen, ammonia, methanol and electric.
52. The SBSR is a capital-intensive industry – requiring significant investments in infrastructure, equipment and skilled labour. This poses a high risk for commercial banks due to potential defaults on ship loan. Commercial banks tend to be more conservative to fund the SBSR industry due to the combination of long repayment periods for shipbuilding loans and the rapid depreciation of ships.
53. Collaboration between the Government and financial institutions is required in order to support local players. This will help the industry to stay ahead of the competition by meeting the growing demand for green ships.
54. Refer to Action Plan 4 (AP4) in Section 5 for strategies and action plans related to funding.

## Offshore Support Vessels

55. Offshore support vessels (OSVs) are used to support offshore O&G operations, such as:
  - i. transportation of equipment and personnel;
  - ii. provision of maintenance services; and
  - iii. installation and maintenance of offshore infrastructure.
56. Malaysia is well-positioned to take advantage of the growing demand for OSVs as Southeast Asia is the home to major O&G producers.
57. The O&G industry is a major user of OSVs, and the demand for these vessels is expected to grow in the coming years as the industry expands. Malaysian shipyards have a competitive global advantage due to its proximity to major players.
58. Malaysian shipyards companies have built and sold approximately 300 OSVs worldwide since 2005.<sup>9</sup> The track record showcases Malaysia's profound expertise in OSV construction, rendering the country as a highly appealing destination for investments in the industry.
59. Promoting Malaysia as a destination for OSVs is an important step to create new opportunities and attract further investments for the SBSR industry.
60. Refer to Action Plan 2 (AP2) in Section 5 for strategies and action plans related to promote Malaysia-made SBSR products and services.

<sup>9</sup> Source: *The Malaysian Reserve*

## SECTION 4 CHALLENGES

### Ecosystem Support

61. A key challenge faced by the SBSR industry is the absence of a dedicated agency to support and promote the industry. This has led to duplication of efforts and missed opportunities in the SBSR industry.
62. An ecosystem consisting of interconnected organisations such as industry associations, industry players, training institutions, Federal and State Governments will support the growth and development of the industry.
63. Establishment of an inter-ministerial agency is important in advocating industry development. This agency would be responsible to provide support and coordinate efforts between industry players.
64. A comprehensive blueprint outlining the strategies and initiatives for the industry's development will provide a clearer vision and direction for the industry players – creating a more coordinated and supportive ecosystem.
65. Refer to Action Plan 7 (AP7) in Section 5 for strategies and action plans related to ecosystem support.

### Reliance on Imported Products

66. The SBSR industry in Malaysia is reliant on imported products – making the industry vulnerable to fluctuations in the global market.
67. The dependency on imported raw materials and equipment from overseas increases costs and limits self-sufficiency – causing the inability for local shipyards to service certain type of ships.
68. The industry's dependence on original equipment manufacturers (OEMs) for complex systems and integration further amplifies this challenge.
69. Localisation of the industry's supply chain can be achieved by enhancing capabilities in areas such as:
  - i. system integrators;
  - ii. marine equipment; and
  - iii. material producing.
70. Promoting local sourcing, enhancing supply chain integration and fostering self-sufficiency could reduce the industry's reliance on imported products.
71. Refer to Action Plan 3 (AP3) in Section 5 for strategies and action plans related to localisation.

## Local Capabilities

72. As Malaysia's focus on smaller ships deviates from the global trend – which are shifting towards focusing on larger ships.
73. This could pose a challenge for the industry as the local talent may not be able to meet the demand for larger vessels – leading to loss of opportunities for the industry.
74. This is caused by several factors, which include:
  - i. the negative perception of the SBSR industry as a 3D (dirty, difficult and dangerous) industry currently is a deterrent in attracting talents, due to the low pay and unexciting career prospects; and
  - ii. technical and vocational education and training (TVET) institutes not producing graduates with skills tailored to industry's demand – leading to a shortage of skilled workers and increases reliance on foreign workers.
75. To address this challenge, collaboration among the Government and other stakeholders is essential to:
  - i. explore opportunities in marina and marine facilities to reduce the industry's reliance on OSV construction and repair as major revenue;
  - ii. improve awareness and knowledge by providing training and conducting awareness programmes; and
  - iii. provide specialised training by encouraging academia-industry placement for knowledge exchange to foster talent development.
76. Refer to:
  - i. Action Plan 5 (AP5) and Action Plan 6 (AP6) in Section 5 for strategies and action plans related to talent development; and
  - ii. Action Plan 9 (AP9) in Section 5 for strategies and action plans related to new opportunities.

## SECTION 5 STRATEGIES AND ACTION PLANS

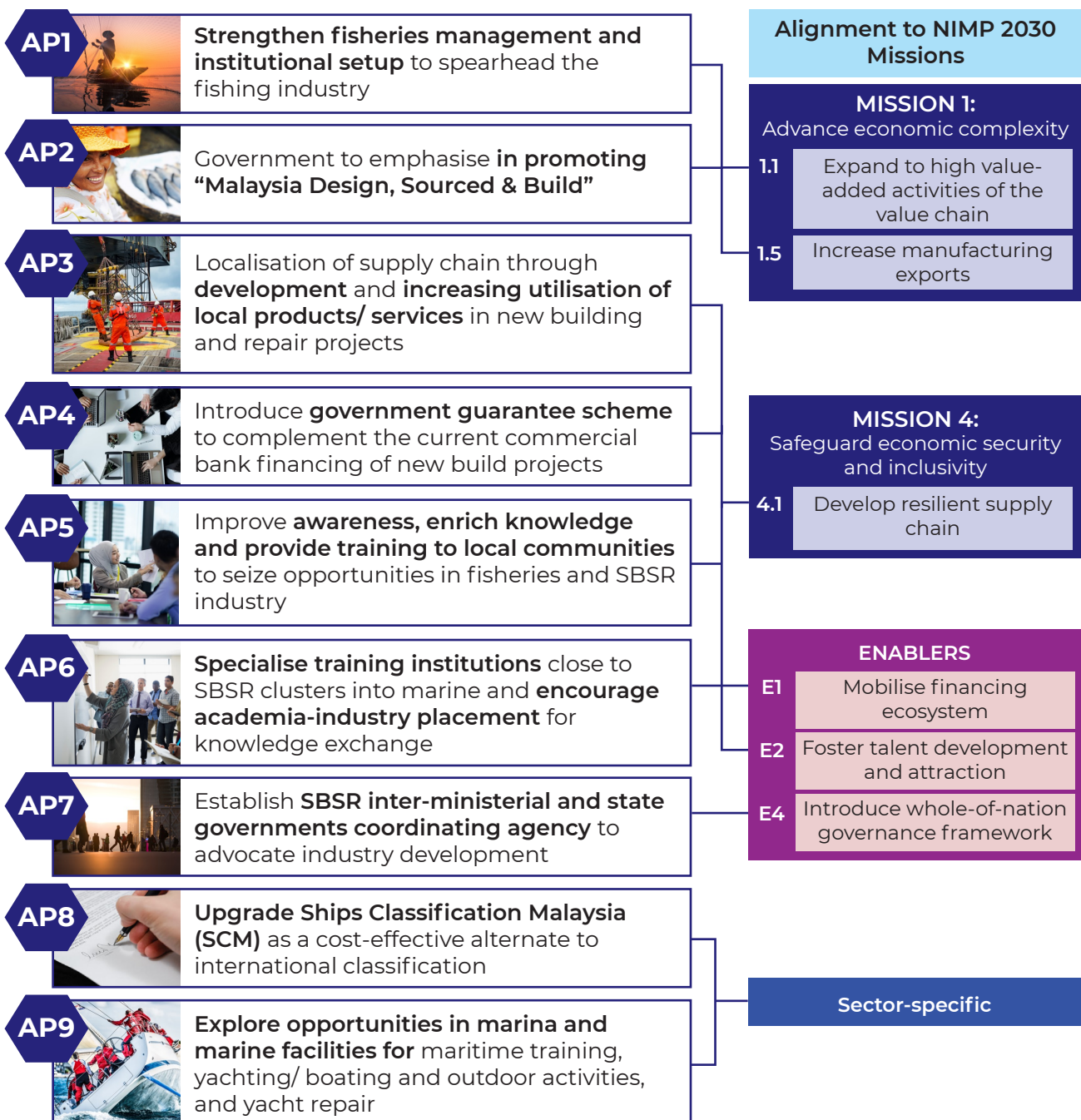
### NIMP 2030 Focus

77. During the period of the NIMP 2030, the industry will continue to:
- enhance integration of the SBSR industry into the global economy;
  - accelerate talent development in the SBSR industry; and
  - strengthen the business ecosystem in the SBSR industry.

### Action Plans

78. Strategies and Action Plans relating to the NIMP 2030's Missions and Enablers are applicable to this industry (Figure 19.2).

Figure 19.2: Strategies and Action Plans for SBSR Industry



## APPENDIX 1 INCENTIVES

There is an array of incentives offered for key players of SBSR industry, these include the following:

Incentives	Agency
Bona Fide Status	Ministry of Finance (MOF)
Pioneer Status (PS)	Malaysian Investment Development Authority (MIDA)
Investment Tax Allowance for new companies	
Investment Tax Allowance for existing companies	
Maritime and Logistic Scheme (MLS)	Bank Pembangunan Malaysia Berhad (BPMB)





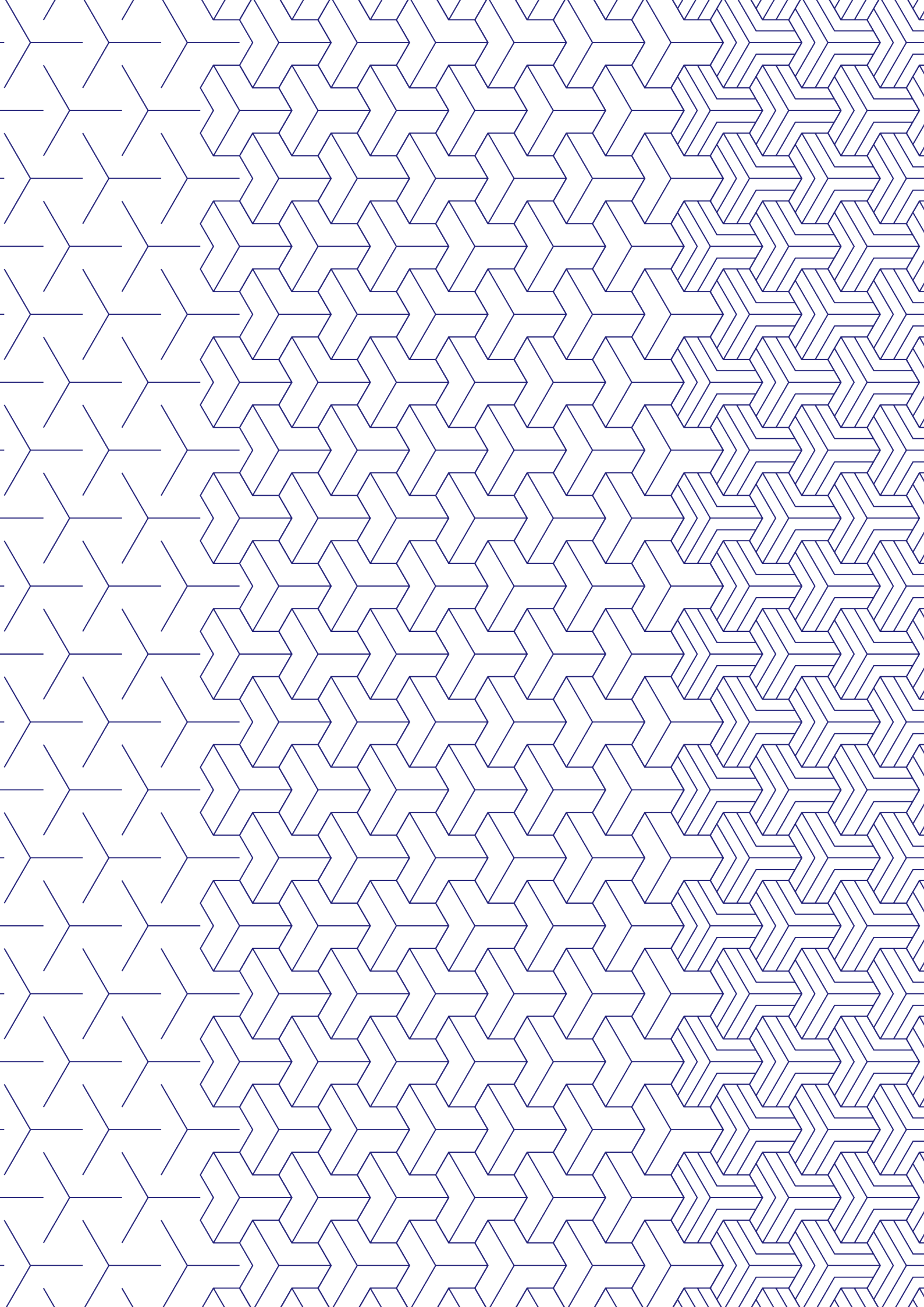


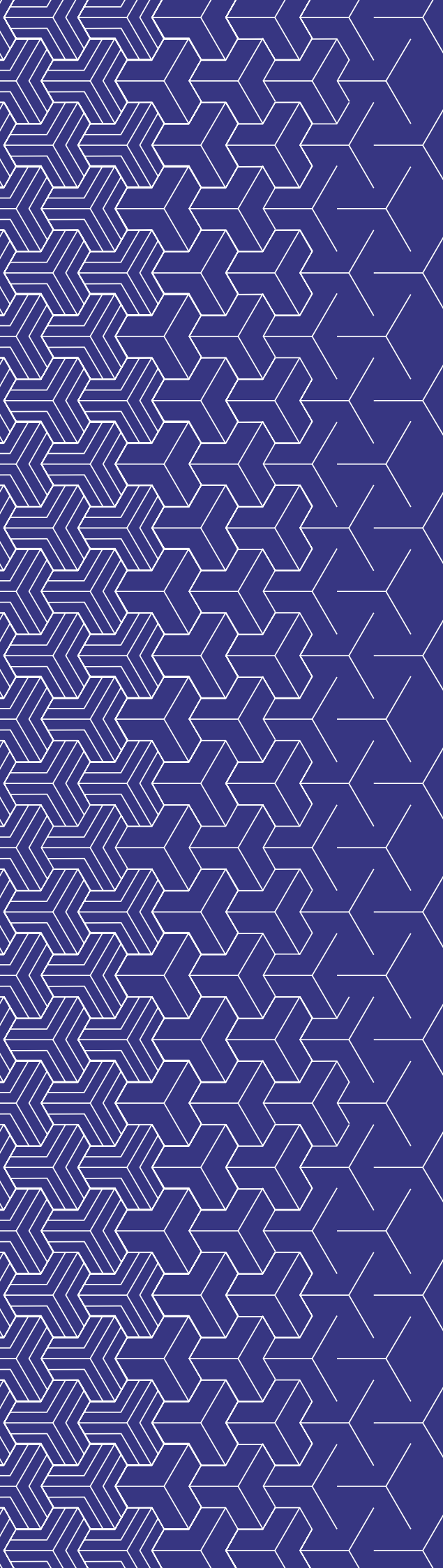












e ISBN 978-967-0020-41-9



9 789670 020419