

Promoting Efficient and Competitive Intra-ASEAN Shipping Services – *Singapore Country Report*

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I. NATIONAL SHIPPING POLICIES

A. MARITIME ADMINISTRATION

The Ministry of Transport (MOT) oversees the development and regulation of land, sea and air transport. MOT sets the strategic and policy direction, with operations and regulatory functions being carried out by a number of statutory boards established under Acts of Parliament, including: Civil Aviation Authority of Singapore (CAAS); Land Transport Authority (LTA); Maritime and Port Authority of Singapore (MPA); and the Public Transport Council (PTA). Organizationally, these boards operate under the aegis of the MOT.

The Maritime and Port Authority of Singapore (MPA) operates under the Maritime and Port Authority of Singapore Act (Chapter 170A)(1996). It was formed by the merger of the Marine Department, the National Maritime Board, and the regulatory departments of the former Port of Singapore Authority (PSA). MOT is responsible for overseeing the activities of the MPA.

The MPA's key roles include the following:

- as port authority, MPA controls vessel movements, ensures navigational safety and regulates marine services and facilities;
- as port industry regulator, MPA regulates marine services, notably pilotage and tugboat services, as well as the port industry's economic behaviour;
- as port planner, MPA draws up the national port master plan and determines where and when future port development should take place;
- as port developer, MPA works with other agencies to ensure the continuing strength of Singapore's maritime sector;
- as national sea transport policy developer and government adviser on matters relating to sea transport, MPA represents Singapore at regional and international meetings.

1. Ship Registration

Singapore has the 6th largest shipping registry behind Panama, Liberia, Bahamas, Greece and Malta.

The Merchant Shipping (Registration of Ships) Regulations provide for an open registry of ships. Under the Regulations, foreign owners can register their ships under the Singaporean flag. Under the Income Tax Act, shipowners may be granted an exemption of income tax on profits.

The Singapore register is open to citizens and permanent residents of Singapore, as well as companies incorporated in Singapore¹. A vessel may be registered under the ownership of a locally-owned or a foreign-owned company. A locally-owned company is defined as one in which more than 50% of the equity is owned either by citizens of Singapore or by a Singaporean company. A vessel, other than a tug or barge, owned by a company, whether locally-owned or foreign-owned, may only be registered if the company has a minimum paid-up capital of S\$50,000. A foreign-owned vessel must be at least 1,600GT and be self-propelled. There are no restrictions on the age of vessels that

¹ In the case of a company incorporated in Singapore, there are no restrictions on the proportion of equity that may be owned by foreign interests. However, the company must have a minimum paid up capital of S\$50,000. For tugs, barges and local companies and their holding companies, the paid-up capital will be pegged to 10% of the value of the first tug or barge registered or S\$50,000 whichever is the lesser, subject to a minimum of S\$10,000.

may be registered. However, a vessel above 17 years old may only be registered if the Registrar is satisfied that it is in a satisfactory condition in all respects.

In respect of a company resident in Singapore, profits derived from the operation of a Singapore ship are exempt from Singapore income tax. The exemption applies to income derived from the carriage in international waters of passengers, mails, livestock of goods and includes income derived from the charter of the ship. These profits are available for declaring dividends and the exemption carriers through to the shareholders of the holding company.

B. REGULATION OF COMPETITION IN SHIPPING

The Government has long subscribed to the philosophy that competition, both international and domestic, is desirable for the health of the economy. It regards the world as its marketplace, and international competition is thought of as an 'invisible hand' disciplining the domestic economy². Singapore passed legislation to ban certain anti-competitive practices in 2004, although the legislation will not come into effect until 2006.

Singapore's new Competition Law passed through Parliament in October 2004. It focuses on three areas: anti-competitive agreements; decisions and practices; abuse of dominant market position; and mergers and acquisitions which are likely to substantially reduce competition. Whilst the Competition Commission, a statutory board, will be created in January 2005, there will be a transition period of 12 months before the provisions of the Competition Law come into effect on 1 January 2006³.

Given the recent EC White Paper on Liner Shipping Conferences and the Interim Report of the Inquiry into Part X of the Australian Trade Practices Act, which favour the abolition of the exemption from anti-cartel laws currently enjoyed by shipping conferences, it will be interesting to see whether the new Competition Law is applied to the shipping sector. Historically, Singapore has not regulated the activities of liner shipping.

Singapore established its national shipping line, Neptune Orient Line (NOL), in 1968.

C. CABOTAGE

The geography of Singapore makes the reservation of the coastal trade for domestic flag shipping a non-issue.

D. SUBSIDIES, GRANTS AND TAX INCENTIVES

An Approved International Shipping Enterprise Scheme (AIS), providing conditional tax benefits to international shipping companies, was introduced in 1991. To qualify, companies must be significant owners and/or operators of vessels. Shipping companies awarded AIS status are exempt from paying tax on income earned from qualifying activities⁴. We understand that over 40 shipping companies, controlling some 1,000 vessels, operate under the AIS and benefit from tax and other concessions⁵.

The Singapore Government's current policy aims to build on the strength and reputation of the port of Singapore by developing a comprehensive cluster of shore-based maritime service industries – including bunkering, marine insurance, ship management and ship

² APEC Competition Policy and Law Database (<http://www.apeccp.org.tw>).

³ See Business Times (Singapore), 20 October 2004.

⁴ 'Incentives – Glad Handing', Lloyd's Maritime Asia, May 1992, p.13.

⁵ See 'Use S'pore as launch pad for Asia, Yeo urges marine insurers', Business Times (Singapore), 13 September 2004.

repair⁶. To encourage the growth of maritime-related service industries, Singapore offers a variety of tax breaks and tax exemptions. For example, tax breaks to promote the marine insurance industry have been introduced, including encouragement for professional reinsurers to write offshore business in Singapore. A concessionary tax rate of 10% is granted to insurance companies on income derived from underwriting profits stemming from offshore insurance business.⁷

Other services sectors - including transport, logistics, warehousing and distribution activities – are offered lucrative incentives to invest in Singapore. These incentives include:

- accelerated depreciation allowances and investment incentives allowing exemption of taxable income of an amount equal to a specific percentage, not exceeding 50 per cent, of fixed capital expenditure;
- exemption of corporate tax for up to 10 years for income arising from pioneer activities;
- a concessionary tax rate of not less than 10 per cent for up to 10 years for companies with qualifying activities;
- warehousing and servicing incentives (50% of qualifying export income is exempted from tax; the tax relief period is 5 years, with provision for extension.); and,
- export of services incentives (90% of qualifying export income is exempted from tax; the tax relief period is 5 years, with provision for extension).

E. SHIP FINANCING ISSUES

Supported by the strong banking infrastructure, Singapore is renowned as a ship financing centre for the region. More than a dozen specialised ship financing banks are located in the city state. Loan rates are generally competitive.

F. MANNING ISSUES

There are no restrictions on nationality of crew. Foreign officers and ratings may sail in any capacity on Singapore ships provided they are qualified to sail in that capacity. Singapore recognises valid foreign Certificates of Competency (CoC). However, these CoC must be issued in accordance with the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978, as amended in 1995 (STCW95) and issued by an administration whose certificates are recognised by Singapore.

⁶ Transport Minister Yeo Cheow Tong has argued that 'Singapore should not just be a place to tranship goods, or buy bunkers and supplies. We want to create value, and be a one-stop shop for shippers, shipowners and shipping lines, so that all their needs can be met here.' See 'Singapore wants larger marine insurance role', Straits Times (Singapore), 13 September 2004.

⁷ See 'Draw local investors to develop hull market', Business Times (Singapore), 13 September 2004.

G. SINGAPORE MERCHANT FLEET**Table 1: Vessels Registered under the Singapore Flag (as at Dec 2004)**

VESEL TYPE	NUMBER	GROSS TONNAGE	% OF FLEET BY NUMBER	% OF FLEET BY TONNAGE
Oil Tanker	315	8,139,660	10.13	29.37
Product Tanker	140	1,502,241	4.50	5.42
VLCC	14	2,124,337	0.45	7.67
Chemical Tanker	55	383,928	1.77	1.39
Liquefied Gas Carrier	41	1,005,182	1.32	3.63
Combination Carrier	2	77,946	0.06	0.28
OBO Carrier	6	534,024	0.19	1.93
Bulk Carrier	129	5,147,401	4.15	18.58
Vehicle Carrier	35	1,134,890	1.13	4.10
Livestock Carrier	2	2,629	0.06	0.01
Container Ship	190	3,828,636	6.11	13.82
Cargo Ship	92	1,478,835	2.96	5.34
Passenger Ferry	80	14,653	2.57	0.05
Tug	740	277,411	23.80	1.00
Offshore Supply Vessel	59	39,877	1.90	0.14
Utility Vessel	75	9,006	2.41	0.03
Non-Propelled Barge	1093	1,834,236	35.20	6.62
Miscellaneous	41	176,057	1.32	0.64
Total	3,109	27,710,949	100.00	100.00

The Singapore Registry recorded a total of 3,109 ships amounting to some 27.71 million GT, an increase of 8.37% over 2003.

II. PORTS

A. PORT ADMINISTRATION

In 1997, PSA Corporation Limited took over the terminal operations function previously carried out by the Port of Singapore Authority. The Maritime and Port Authority of Singapore (MPA) was set up in 1996 to take over the Port of Singapore Authority's regulatory functions. Currently, MPA is the regulatory body responsible for overseeing Singapore's port and maritime affairs, while PSA Corporation (PSA Corp) functions as a provider of port services.

As port regulator, MPA issues four types of public licence: port services and facilities; pilotage services; towage services; and licences for the sale of desalinated water. Public licenses require the licensee to provide efficient and reliable services and to comply with price control arrangements and service standards set by MPA. Licensees are prohibited from engaging in any conduct that would have the effect of preventing or distorting competition in the Singapore market for port services and facilities.

Public licences for port facilities and services have been issued to the PSA Corp and to Jurong Port Pte. Ltd. Both PSA Corp and Jurong Port Pte Ltd provide cargo terminal handling services for containers as well as conventional and bulk cargoes. Port of Singapore has the reputation for being the largest and most efficient publicly-owned port in the world. It has benefited from two decades of management effort aimed at improving labour productivity and berth throughput. While some of the cargo handling activities like lashing/unlashing work and driving of prime movers are performed by private stevedore contractors, the quay and yard crane equipment operators in the container terminals are employees of the respective licensees. Since the PSA Corp is the dominant container terminal operator, most liner vessels trading to/from Singapore must necessarily purchase terminal services from PSA Corp. PSA continuously customises its services to meet customers' needs, through customised integrated service packages such as the Terminal Service Agreements or the Virtual Terminal Agreements, which benchmarks its services against that at dedicated terminals. PSA Corp has also entered in a joint venture with COSCO Pacific to operate container berths in Singapore.

The provision of towage services in the port of Singapore has been liberalised. There are now five licensed towage operators in the port. To obtain a towage license, a company must have paid up capital of at least S\$2 million, be able to maintain full operational capability on a 24-hour basis and have had at least three years' operational experience in the port.

PSA International is one of the leading port operators in the world. With its flagship operations in Singapore and Belgium, PSA operates an extensive global network of 16 port projects in 11 countries across China, Europe, India, Korea, South East Asia and Japan. PSA delivers reliable and best-in-class services to its customers and develops win-win relationships with its partners. In 2004, PSA handled more than 33 million TEUs of containers worldwide.

B. PORT PERFORMANCE

1. Throughput

The growth of cargo volume through the port of Singapore is shown in Table 2 below.

Table 2: Singapore Port Throughput

Year	Total Cargo (‘000 t)	Seaborne Bulk Cargo		Seaborne General Cargo		
		Oil	Other	Containerised	Conventional	TEU
1993	273,723	123,477	7,602	127,074	15,568	9.05
1994	290,074	124,079	8,747	142,240	15,006	10.4
1995	305,484	126,375	9,364	154,500	15,244	11.85
1996	314,164	129,877	9,203	160,278	14,804	12.95
1997	327,506	129,786	12,161	170,140	15,418	14.14
1998	312,322	127,168	12,185	160,317	12,650	15.14
1999	325,902	124,385	12,963	176,568	11,894	15.94
2000	325,591	113,329	12,684	185,857	13,719	17.09
2001	313,487	113,759	12,652	171,208	14,867	15.57
2002	335,155	120,667	15,968	183,954	14,565	16.94
2003	347,694	123,374	17,872	191,687	14,759	18.41

Source: Singapore Shipping Association, Annual Review 2003.

2. Port infrastructure and handling performance

The ability of Singapore to provide world-class sea and air transport services has hinged on its superior infrastructure. Its port infrastructure, which has defined its capacity to handle vessels and container flows, is generally divided into ‘hard’ (physical) and ‘soft’ (managerial and manpower) elements. Maximum deployment of both types of infrastructure assist in reducing vessel turn-around, thereby increasing the port’s capacity to accommodate more vessels and container flows.

The port’s ‘soft’ infrastructure in terms of skilled port management and the provision of a wide range of port-related and ship related services is very effective. It has adopted a remuneration system that encourages high productivity and cooperation, rather than confrontation, from port workers. By tying remuneration to performance, the system encourages high productivity and dedication.

In addition, good relations between management and the port workers’ union have played an important role in maintaining constructive communications and helping the port employees adapt to the fast-changing and competitive business environment.

The port of Singapore has a well-developed ‘hard’ infrastructure in terms of the number of container terminals, container berths, cranes and adequate storage facilities, and the quality and effectiveness of the cranes, port/inter-port information systems, and approach channel, and a sophisticated inter-terminal transport system.

C. PHYSICAL FACILITIES

Table 3 provides details of the container terminal facilities available at PSA Singapore Terminals.

Table 3 PSA Singapore Terminals: Container Terminal Facilities

Terminal	Area (ha)	Draft (m)	Berths	Cranes	Ground Slots	Reefer Points
Tanjong Pagar	80	11.0-14.6	6-main	27-QC	16,532	840
			2-feeder	85-yard cranes		
Keppel	96	9.6-14.6	4-main	36-QC	20,248	936
			10-feeder	114 yard cranes		
Brani	79	12.0-15.0	5-main	29-QC	15,424	1,120
			4-feeder	107 yard cranes		
Pasir Panjang	84	15	6-main	22 -QC	14,260	648
				59 yard cranes		

A hub port requires an adequate number of berths and other port facilities to deal with significant volumes of cargo traffic, high frequencies of ship visits and very large ships. It also requires a well-motivated, skilled and cooperative workforce to handle the high level of co-ordination required as a hub port. To meet these requirements, the port of Singapore has ensured that its port facilities are adequate to handle future increases in cargo traffic and ship visits in the region by investing in port expansion and upgrading.

Pasir Panjang Terminal was officially opened in 2000. PSA Singapore Terminals will be adding a total of 15 new berths at Pasir Panjang Terminal over the next five to seven years. Three of these new berths will be operational in 2005, adding to its existing 37 berths.

The Port of Singapore is supported by a number of district parks, providing over half a million square metres of warehousing in total. A district park is a large covered warehouse, which provides storage facilities. Customers can process their documents, pack and unpack, mark, label and assemble their goods for distribution to other distribution centres.

The Port of Singapore has now established itself as the region's premier port and holds a position as one of the busiest container ports in the world. It lagged behind the port of Hong Kong in terms of container throughput for several years, but in 1998 its container throughput grew by about 7 percent to 15.3 million TEUs, surpassing Hong Kong. In 2000 the port's container throughput grew by 6.5 percent to reach a record 17.086 million TEUs⁸. In 2003, container throughput increased to 18.411 million TEUs. In terms of shipping tonnages, Singapore has consistently ranked as the world's busiest port. In 2000, more than 140,922 ships (totalling 910.1 million GRT) called at the port. It has been said that at any one time 800 ships are in the port. Singapore is the largest bunkering port in the world, with 20.81 million tonnes of bunkers sold in 2003.

In the national context the port has been a major contributor to national income and employment, despite the Asian economic crisis of 1997/1998. PSA recorded a turnover of

⁸ Straits Times, 10 January 2001, p.10.

S\$2541 million in 1999. While these figures demonstrate the impact that PSA has on the national economy they do not reflect the total multiplier effects of port activities on the entire local economy.

D. PORT DEVELOPMENT PLANS

PSA plans to expand its cargo-handling capacity from the present capacity of 20 million TEUs to 31 million TEUs in the next five to seven years. This is based on the assumption of a continued growth in the global economy underpinned by the economic rise of China, India and Southeast Asian economies.

III. INTRA-ASEAN SHIPPING ROUTES AND THEIR CHARACTERISTICS

By virtue of its strategic location and high level of efficiency Singapore has successfully played a trans-shipment role between Southeast Asia and the rest of the world as well as among states within Southeast Asia. Around 80 percent of its total cargo throughput on average is trans-shipped.

A. BULK CARGO

Although Singapore is predominantly a containerized port, it also handles bulk and general cargoes through its multi-purpose terminals at Pasir Panjang, and Sembawang wharves and at Jurong Port. Pasir Panjang and Sembawang wharves handle over 12 million tonnes of break bulk cargo and specialized cargo annually. Pasir Panjang wharves have dedicated Ro-Ro and car carrier facilities handling 530,000 vehicles annually. Dry and liquid bulk cargoes are handled at Singapore's Jurong Port.

B. GENERAL CARGO

The majority of Singapore's intra-ASEAN general cargo movements are containerised. The structure of its intra-ASEAN shipping services is highly complex due to the large number of operators involved: many of the ports linked to Singapore have several shipping services almost on a daily basis. Some of the main shipping lines offering regional services include Regional Container Lines, Advanced Container Lines and Samudera Shipping Lines.

The route structure for major intra-ASEAN Services varies from carrier to carrier. The route structure of one of the most active shipping lines in intra-ASEAN trades - Regional Container Lines – includes the services shown in Table 4.

South East Asia has remained RCL's key strategic area, with Singapore acting as its main hub port and Thailand being the strongest cargo generating area. Trade from major Southeast Asian ports made up of two thirds of the total cargo volume transported in 2003. The remaining volume came from North Asia, Australia and the Indian Subcontinent. RCL's fleet size ranges from 600 TEUs to 1500 TEUs.

After a significant drop in freight rates in 2002, RCL benefited from the recovery of the freight market post 2003. For example, the average freight rate per TEU in the years before 2003 ranged from US\$100-120. Rates rose to US\$140-160 in 2003 and rose again to US\$160-200 in the first half of 2004. The freight rate recovery was mainly driven by the surge in demand derived from a resurgent regional economy accompanied by a continuing trend towards containerization encouraged by higher break bulk freight rates (which increased three times faster than container rates). On the supply side, container shipping capacity has remained stable due to the high cost of shipping (roughly it costs US\$60,000 per day for a 6000 TEU ship) and the condition imposed by ship owners for chartering contracts to cover a minimum period of 3 years.

Table 4 Regional Container Lines: Major Routes and Service Frequency

Route	Frequency
Sing-LC-BK-LC-Sing	4 sailings a week
Sing-BK-Sing	1 sailing a week
Sing-Bel-Pen-PK-Pen-PK (NP)-PK(WSP)-Sing	1 sailing a week
Sing-PK(WSP)-PK(NP)-Pen-PK(NP)-PK(WSP)-Sing	2 sailings a week
JK-Sing-PK(NP)-PK(WSP)-LC-Sing-PK(NP)-PK(WSP)-JK	1 sailing/2 weeks
Sing-Sem-JK-Sing	2 sailings a week
Sing-Bris-Syd-Mel-PK(WSP)-Sing	2 sailings a month
Sing-Siha-Songk-Sing	2 sailings a week
Song-HK-Taic-HK-Siha-Song	1 sailing a week
Sing-Catlai-VICT-HCM-VICT-Kuan-Sing	1 sailing a week
BK-LC-HK-Shang-Xiam-HK-HCM-BK	2 sailings/3 weeks
Sing-Davao-GenSantos-Cebu-Sing	1 sailing/2 weeks
HK-Haiphong-HK	1 sailing a week
Sing-MNL-Pusan-Shang-HK-Sing	3 sailings/3 weeks
Sing-MNL-Sing	2 sailings/3 weeks
Sing-HK-Shang-Xingang-Qingdao-Ningbo-Sing	2 sailings/3 weeks
Sing-Surayaba-Sing	1 sailing a week
Sing-PK(NP)-PK(WSP)-Madras-PK(NP)-PK(WSP)-Sing	1 sailing/ 2 weeks
Sing-Bombay-Javaneru-PK(WSP)-PK(NP)-Sing	2 sailings/3 weeks
Pusan-Shang-Ningbo-HK-Sing-PK(NP)-JawaNehru-PK(NP)-	
Sing-HK-Pusan	2 sailings/5 weeks

Source: RCL Annual Report, 2003