

Shipbuilding

Moves to prune unprofitable operations are gaining momentum in Japan's shipbuilding industry. One underlying reason for this is a continuing decline in world demand for new ships. But the immediate trigger has been the precipitous climb of the yen since the autumn of 1985 and its calamitous impact on the industry's international competitiveness. South Korea, Japan's most formidable competitor, has snatched away orders in the shrinking world shipbuilding market. Japanese shipbuilders for their part can only secure orders at a loss, and while they once obtained orders just to keep their workers on the payroll, that is increasingly a thing of the past. Instead, they are giving priority to restructuring their operations in order to bolster their competitive position.

Setting the pace is Ishikawajima-Harima Heavy Industries (IHI), Japan's second largest shipbuilder after Mitsubishi Heavy Industries. In September 1986, IHI put together a package of major retrenchment measures, including the closing of the Aioi No. 1 Shipyard in Hyogo Prefecture. The package is designed to slash IHI's shipbuilding capacity by 60% and its work force by 30%. In fact, by the end of 1986, the number of employees had already been cut by 6,000 to only 17,000 through voluntary retirement, only half the 1972 peak of 37,000.

The Aioi No. 1 Shipyard, the birthplace of Harima Shipyard back before its merger with Ishikawajima, was the world's largest in terms of launchings from 1962 through 1964. The closing of this star facility attests to the great difficulties facing the industry, which is now being forced into sweeping structural adjustments.

Hitachi Zosen Corp. has laid off more workers than any other company. In the autumn of 1985, Hitachi had 17,000 people on the payroll. At the end of March this year, the number was down to 5,800, or less than one-third of the 1985 work force. In 1986, the company let go large numbers of its workers through voluntary retirement. Hitachi is also slashing redundant capacity. Production at three shipyards in Hiroshima will be discontinued completely.

Kurushima Dockyard, which bettered its performance and actually expanded

operations during the recession in the late 1970s, this time has been hit hard. The total number of employees at the 20-odd shipbuilding companies of the Kurushima group, including those working for subcontractors, went from 11,600 in early 1986 to 6,750 by the end of the year. The group is trying to cut even more jobs in 1987.

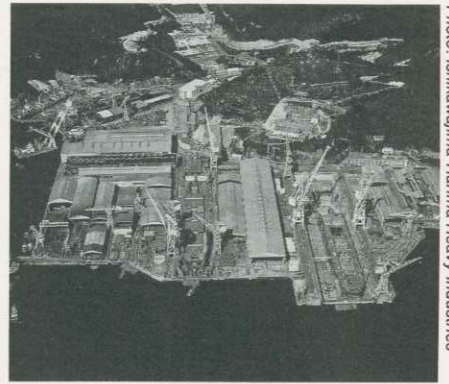
Kurushima Dockyard likewise is drastically reducing its facilities. The number of shipyards will be cut from 17 with 24 slipways to seven with 11 slipways. As a result, fiscal 1987 production is expected to drop 71% for new ships. Hisao Tsubouchi, the leader of the Kurushima group, for a time was lauded as Japan's premier troubleshooter for floundering firms. This time around, however, the "corporate savior" was virtually powerless. He did not have even a chance of putting his faltering group back on its feet.

Kawasaki Heavy Industries worked out its own set of measures to improve its performance in November 1986. Under a retirement program that began in March this year, about 4,000 employees offered to leave voluntarily. Thus the corporate goal of reducing the work force to 17,000 by the end of March 1988 was achieved ahead of schedule. Meanwhile, merchant shipbuilding operations are to be consolidated at the Sakaide Shipyard in Kagawa Prefecture.

Sumitomo Heavy Industries, in a stepped-up move to cut costs, pared away 1,700 surplus workers in February this year, bringing its work force down to 5,900 from 7,600.

Mitsubishi Heavy Industries is the only company in the depressed industry that has been able to continue producing profits. In December 1986, however, the firm announced a program to trim its shipbuilding work force from about 7,000 to 4,900 in fiscal 1989. Surplus workers will be reassigned to other divisions or transferred to affiliates.

In all, Japan's major shipbuilders are set to trim their shipbuilding capacity about 20% this fiscal year (April 1987 to March 1988) and coordinate their remaining business operations in line with recommendations from the Shipping and Shipbuilding Rationalization Council, an advisory body to the transport minister.



IHI's Aioi No. 1 Shipyard, once the world's leader in ship launchings, is one of many shipyards being shutdown.

Photo: Ishikawajima-Harima Heavy Industries

The round of shipyard closings is causing serious problems in outlying "company towns" that have in the past depended heavily on shipbuilding companies for jobs and tax revenue. Now these towns are trying to develop new industries in an effort to overcome their difficulties. In Aioi City, for example, moves are under way to develop a major resort zone.

Shipbuilding companies are also branching out into new fields of business. IHI set up two departments in July last year to study possible new operations, including some in the service industry. At a shareholders meeting earlier this year, the company included various new lines of business in its articles of incorporation, such as real estate, the management of sports, leisure facilities and hotels, the marketing of apparel, furniture, pharmaceuticals, cosmetics and cars, and a temporary manpower service. The company hopes to increase the share of these new operations, now standing at only 3% of total value of orders, to around 20% in the future.

Kawasaki Heavy Industries has established a factory automation center to integrate its high-technology operations, including industrial robots and electrical systems. The firm considers these operations strategically important, as it does aircraft and other defense equipment, an area in which it has traditionally been strong. It is also giving priority to domestic social infrastructure development projects and the leisure industry. ●

(By Tadashi Imanishi, business news correspondent, the *Nihon Keizai Shimbun*)