

Promotion of Local Shipping Industry is Crucial for Survival in Thriving Global Market

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Shipping has always been an efficient and economic driving force for prosperity; thus, it remains at the heart of the global economy. Some 11 billion tons of goods are globally transported by ship each year. Nevertheless, operating ocean-going vessels has never been without challenge; investment in shipping demands handsome capital, prudence, knowledge and courage to take a calculated risk. There have been ups and downs in the shipping industry worldwide. Intelligent players with essential knowledge of the field generally survive well in adverse conditions. Successful governments also promote the new entrepreneurs for better performance.

As an emerging littoral maritime nation, Bangladesh is striving to attain excellence in the blue economy with

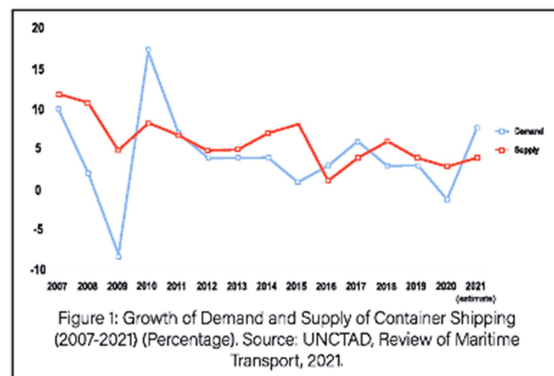
many new agendas, where shipping is one of the front line industries. Over the last four decades, there has been an upswing in this sector. Alongside shipping, shipbuilding is a thrust sector and can influence shipping directly once the builders can deliver ocean-going vessels. But unfortunately, there is hardly any remarkable achievement in the shipbuilding sector (in terms of building ocean-going vessels), which would introduce Bangladesh as a shipbuilding country in line with other Asian countries that are leading from the front. Opportunities available have not been adequately exploited to attain brilliance. The major issue lies at the expert level as there is a shortage of skilled human resources. Moreover, there is a shortage of strong

entrepreneurs supported by pragmatic policy packages.

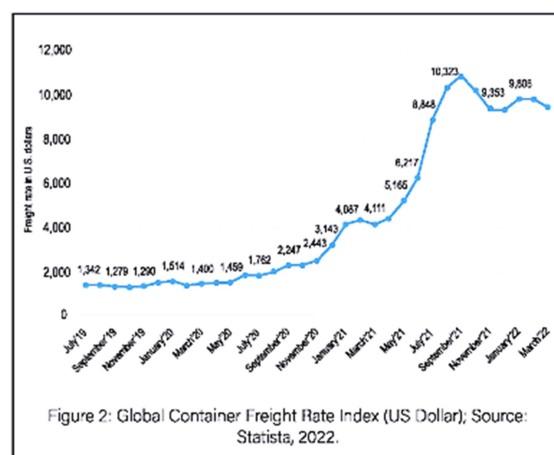
In Bangladesh, a shipping company was first established in the public sector by the Father of the Nation Bangabandhu Sheikh Mujibur Rahman in 1972 and was named Bangladesh Shipping Corporation (BSC). In the late eighties, private entrepreneurs started investing in the shipping trade. Bangladesh Ocean Going Ship Owners Association (BOGSOA) was formed in 1989 to represent private and public enterprises. At one stage, the public sector had developed uncertainties in managing the assets, and the number of ships began to decline. Presently, almost 90% of the flag carriers at sea are owned by the private sector. One positive news is that when there were shrinkages during the pandemic, the number of ocean-going vessels touched a new record within the country with 2.22 million GRT (80 vessels). Again, this number is not enough as it is less than 10% of total shipping loads taken by foreign ships (import and export together) at three national ports of Bangladesh.

The shipping business is one of the fastest-growing businesses of today's time because it helps generate good revenue, and the need for shipping companies is on a constant rise. Over 55,000 merchant ships are plying global trade around the world. These ships include General Cargo, Bulk and Break Bulk ships, Container ships, Chemical, Oil and LNG Tankers, Passenger and various other types of ships. Out of all, containerisation has increased the efficiency of moving traditional break-bulk cargoes significantly, reducing

shipping time by 84% and costs by 35%. Today, about 90% of non-bulk cargo worldwide is transported by container ships. Since 1980, there has been a significant evolution in this category. Early container vessels of the 1950s had a carrying capacity of 500-800 TEU only. The recent vessels like Megamax-24 (MGX 24) of 21,000 to 25,000 TEUs are phenomenal. Leading Container companies MSC - Mediterranean Shipping Company (4.28m TEUs) and APM-Maersk (4.27m TEUs) are world leaders (Marine Insight, 2022).



In Bangladesh, container ships entered at the beginning of this century for a brief period by HRC Shipping Ltd, and it could not continue due to multiple reasons. The recent inclusion of six

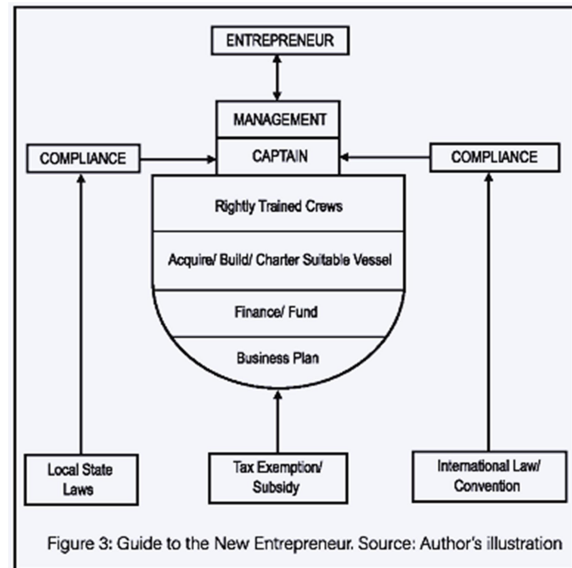


container ships by HR Lines Ltd, an affiliate of the Karnaphuli Group with a 100% Bangladeshi crew, has brought a change to the local scene. The company deserves immense appreciation from the maritime community for taking such a major decision at the right time. They have a further scope of enhancing business in the coming days through new routes.

Under the Bangladesh flag, almost all categories of vessels are now operating. With the occurrence of the Russian-Ukrainian war amid the pandemic, the shipping business has become expensive at this time. These charter and freight rates will not last long, so the new entrepreneurs must plan accordingly. Congestion at ports, lockdown, shortage of vessels and empty containers have driven prices exceedingly high. However, maritime experts have different opinions about it. When the boom cycle will end, the drop may not be as big as it used to be, and the benchmark for charter and freight rates will be elevated compared to the pre-pandemic crisis.

The shipping sector has some peculiarities in its area of operation, which may result in uncertainties and new challenges. This entails a detailed understanding of the field before any kind of investment. New entrepreneurs need to have a fair understanding of the 'shipping cycle' at the planning stage. This business plan should talk about facts, figures, and strategies that would be depending on. This business plan needs to include target market, skills, price, cost, financial plans, core

competencies, etc. A simple guideline is shown in Figure -3.



A market should be selected where there is demand but has limited shipping companies. The next requirement is to look into the state's local laws and be respectful of them. Selection of staff/crews for ships and at sea is another important area that continually needs proper attention. An experienced captain is responsible for sailing the ship, boarding the right crew and technicians for maintenance and staff for handling customers and orders using appropriate, affordable gadgets. During the recent depression in the dry cargo sector, ship owners adopted two tactics: Learn how to survive and Look for opportunities. Ideally, ship-owners should behave like strategic managers and think in line with Michael Porter's (1980) strategy of "cost leadership" mainly through economies of scale, cutting-down fleet's average age, and total cost. Bigger ships have lower unit costs, and unit cargo handling and storage are also cheaper at high throughput volumes. For a newcomer in

the shipping sector, the followings are important:

- > Stable platform with satisfactory design, assistance in technology transfer and effectively trained crew
- > Government support, favourable access to international and domestic support; know how to be competitive in the market
- > Combination of short and long term charters (preferable) a future market estimation; minimum crew; the right time between dockings, and a more efficient propeller design
- > Economies of scale; minimum port time; a long term chartering contract
- > Third-Party ship managers for part or all of the owners' management functions

Bangladesh is gradually emerging as a shipping power with its limited resources. The vast maritime community needs to be encouraged by the state to remain more attached to this enormous sector. In order to promote the shipping business within the business community, the government may provide incentives in different forms. A few examples are mentioned below:

Subsidies for capital investments to shipping companies to acquire ships are a suitable option. This support may be given to both shipbuilding and shipping industries simultaneously. South Korea has such subsidies with a double aim and channel to support their local shipyards via their domestic shipping

companies. Even during the challenging limitations of IMO 2020 sulphur-content (0.5% sulphur fuel) of marine fuels, they have provided subsidies to the entrepreneurs. Subsidies are also required for maritime knowledge, and innovation is another outstanding scheme to advance progress in the field. For example, Singapore's Maritime Innovation and Technology Programme (MINT) funds universities.

Tax exemptions of shipping companies are the area where entrepreneurs are more interested in getting support at the initial stage of business. These are corporate income taxes, either via shipping-specific alternative taxes (the tonnage taxes) or via other exemptions from regular corporate and business taxes, advance income taxes etc.

Because shipping is the backbone of international trade, Bangladesh, as a rapidly rising economy, must encourage new entrepreneurs to enter the sector. The government of Bangladesh has rightly identified the strategic importance of the shipping sector by enacting the Bangladesh Flag Vessel (Protection of Interest) Act of 2019. This encourages Bangladeshis to own and invest in ocean-going vessels, thereby saving valuable foreign exchange and creating a large number of job opportunities for Bangladeshis.

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