

SUSTAINABILITY OF PRIVATE SHIPPING IN MALDIVES

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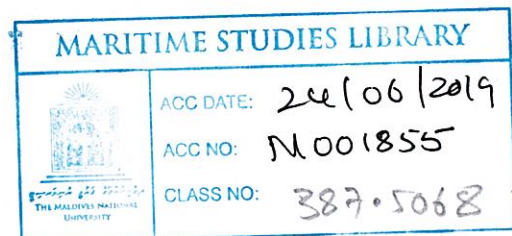
Acknowledgements & References

Acknowledgements

- Sincerely thank to Capt. Ahmed Inaz for helping to prepare questionnaire
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1.0 Introduction

- Maldives being a small country with a **few private shipping companies** does not mean we can escape the competition right ahead it has to face the challengers of the fast moving global economic developments even though **most of the private companies are based in Male and are only dealt with the cargo to be imported from the neighboring countries like India and Srilanka.**
- Secondly being an archipelagic state with very tiny infertile islands country requires to import all consumer goods like rice, flour, spices etc.. From foreign countries. Fruits and other canned high quality food items are imported from European countries and USA, Australia, New Zealand and South Africa for high class people, though most of the staple foods are imported from neighboring Asian countries. This national duty is carried by jointly by government and private sector hand in hand. While most of the consumer goods are carried by private vessels from neighboring countries the far away sector is specially dealt by the government owned or government controlled company vessels .
- Though **there is only one private shipping company at the moment established and handles cargo from Singapore region to Male. Lily Shipping Company Private Ltd, a container handling company covers Male/ Singapore concurrently with the Maldives National Shipping Management Company.**
- Other than Lily Shipping Company vessels almost all the private vessels travel between Male and neighboring countries touching Tuticorin in South India, Colombo in Srilanka.
- In fact, Maldives is one of the few countries which enjoys an annual GDP growth rate of 6.0%. One of the minor industries in the Maldives consist of building and construction.

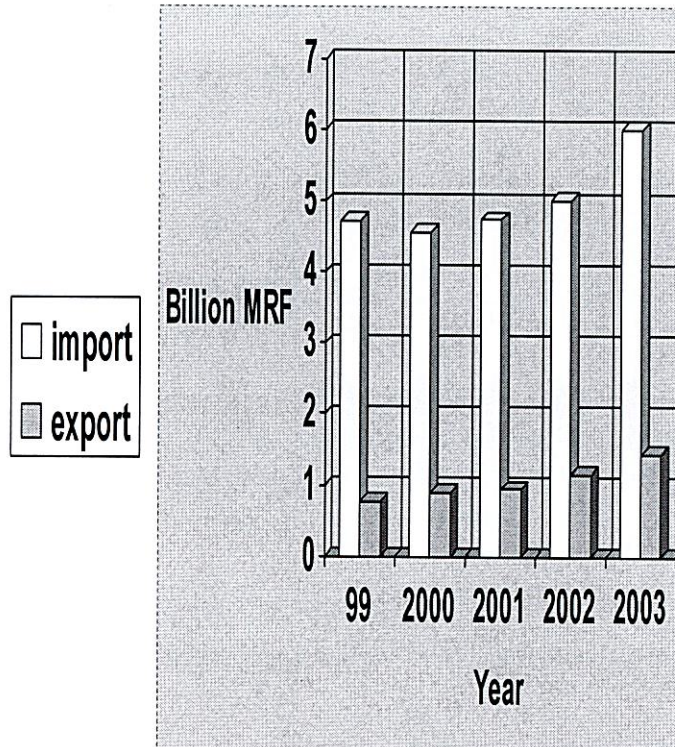
- Even though the private shipping industry is established between the neighboring SAARC countries it is not definitely restricted to this sector. Therefore it is also very important to find the global prospectus challengers and trends to develop The Maldivian Private Shipping Industry in a level that we eagerly expects to turn in an international level. It is always good to visualize and work hard for the target as well . In this concept I also checked the developments in all the maritime related fields in the region from near to far as a whole. So that a greater view will be on the table of discussion with which the whole subject will be measured from different perspectives.
- **I also interviewed some high level personnel of shipping corporations established in Male to know what they have to say, and their opinion as well as their fears and hopes. To one step further a questioner was put forward to extract the relevant details from which this project is based.**
- According to them most of the companies depend upon the construction material as their major freight gainer. At this juncture the tourism development is on the rise at the upcoming bidding of the eleven more resorts. Therefore the near **future seems to be optimistic.**
- Additionally as we know Maldives is not blessed with many natural resources except for her beauty and the riches of the sea. In fact, 99% of its territory consists of water. Hence it is not surprising that tourism and fishing are the major industries of the country. Agriculture is practiced only on a limited scale, as the land is not very fertile. The diversity of the flora is limited to a few tropical fruit and vegetables, root crops and others. The essentials and consumer goods are not manufactured because of the lack of resources. Almost everything required for living has to be imported. During seventies and early eighties the Maldivian economy was based on three major industries, fishing, tourism and shipping. As a result a modest merchant fleet in the region called Maldives Shipping Limited (MSL) came into existence.
- However, today **shipping is a minor actor in the Maldives but still the game is not over, Private Shipping Companies are filling the gaps that MSL failed.**

2.0.0. Shipping Companies

- According to our survey almost all the ships are of 1970s built. That means the **ships are old as per international standards**. Most of the ships are general cargo ships traveling in the region. They sometimes carry containers but mostly construction material
- It takes approximately 12 hours to load about 1500 gt vessel at Tuticorin.
- Discharge at Male 3 days or Thilafushi using ships gear of 15 swl. At Thilafushi private gangs of locals of no experience normally discharge cargo. According to some ship operators.
- **Most ideal ships for Male Tuticorin sector is 1500 gt. And Male Singapore is 3500gt.**
- When asked about the difficulties in ports some say that gangs in **Male are not reliable..** While at **Tuticorin private truck drivers create delays**. But things in **Sri Lanka are seems to be ok.**
- About the expenses in ports they say that **Male is reasonable,tuticorin is medium , and Colombo is high.**
- Only one or two have pure shipping , others have **mixed business** like shipping and tourism etc.
- Some companies have regular customers and **they give preferences** for them.
- When asked whether shipping is profitable they **yes reluctantly**.
- Most of the companies have plans for widening business but no details given, and are ready to by new ships but not sure of date of built.
- Shipping companies are happy about the present staff . But survey reveals that some companies are having **staff who are not really familiarize with shipping .**
- Some company executives are interested to learn more about business and have uk certificates indicating that they have been given an introduction to shipping .Some are interested in **learning more while most of them are ignorant**. The companies that have staff more educated are seems to have ventured in to some new areas . And are taking things much more seriously and are more involved in cargo bookings rather than depending on freight forwarding agents taking a upper hand.
- Most of the companies claim the **expenditures are high**. Docking charges over 25000 us dollars. IMO qualified seamen demand high salaries , as result overhead expenses are high said one manager. but as per record the salaries of seamen have gone down with their allowances.

3.0.0 Activities Related To Shipping Imports/ Exports

Import/ Export



Even though the import figures are favorable according to the national statistics, the figures of the number of ships registered in Maldives is also increased with time. In 1993 the number of vessels stand on **156** while at **2002** the figure has risen up to **342**.

According to the imported figures the Industrial supplies are the highest which is about **28 %** of the imports while food and beverages are at **22%**.

Also according to presidents **2020 plan** he has emphasized the need to develop the shipping and maritime sector with the co operation of private shipping industry.

He also emphasized the need to **further develop the man power of quality seaman**. These in term gives some hope for the future of

5/8/2004 **quality shipping in Maldives ,including the Private sector.**

4.0.0 Developments of Harbors Concerned With Maldives Shipping

- **4.1.0 Maldives Ports .**
- Male' Commercial Harbor is the Port and the main focal point of trade and commerce in the Republic of Maldives. Port handles more than 800,000 freight tons per year through the Port..
- Container out put is approximately at 16,012 units. With the emerging importance of Male' as the commercial and financial centre. An alongside berth of 101 meters in length and a draught of 10.84 meters was inaugurated. Average ship turnaround of the Port is 3 to 4 days.
- In modern times the port has lost none of its importance to the nation. Referred to as the “Gateway to the Maldivian economy,” and holds a prominent position on the busy north shore of the island of Male’.
- Ninety-eight percent of all the goods in the country are imported. And **80 percent of these are brought in by ship**. In 1998, a total of 822,762 freight tons of cargo from 397 ship calls passed through the harbor at Male. Main imports include rice, sugar, flour, textiles, electronics, food, and other necessities of daily life. Even sand (for use in the construction industry) is brought in from the outside so as not to disturb the delicate eco-system of the islands..

- Male's harbor handles all the international sea cargo for the country except petroleum products, which are unloaded at an offshore island. Regular cargo services are provided to and from Europe, the Middle East, Africa, and much of Asia and the Far East.
- The harbor can accommodate up to five ships with a 3.5-meter draught dockside and about 10 additional vessels of any size midstream. An along side berth can also accommodate ships with a 14-meter draught. Other facilities include two quay areas, a 17,420 sq. meter storage area for containers and provides facilities for a fully integrated network of management information systems, finance and cargo statistics and operations. Dock turn-around time runs between two and three days.
- Its presence has contributed significantly to the growth of international trade in the Maldives that benefit both carriers and consignees, and keep the price of goods within the reach of the people.
- Currently seeking private sector participation in port activities such as fleet management and stevedoring (cargo loading and unloading operations).
- plans
- **Immediate plans for the MPA include the development of two more major ports at the opposite ends of the country. One will be in the far North at Kulhudhoo fushi in the Haa Dhaalu Atoll and the other will be in the far South at Hithadu in the Seenu Atoll.** Harbor basins at both ports will provide a seven-to-eight-meter water depth at low water level. The plan has been named the Outer Islands Harbor Development Project. According to Haveeru news of 1st August 2004 both harbors will be in operation on soon.

5.0.0

Developments of Ports in Sri Lanka

- Sri Lanka has been identified as a high priority market for the transport sector, with which Maldives is highly dependent according to the statistics. About **25%** of the total imports to Maldives comes via Colombo. There for the development in Colombo will have a great impact to the private shipping industry in Maldives. And it will definitely play a great role in designing the private shipping sector in a sustainable way with the amount of information that we have about the changes in Sri Lanka with regard to maritime fields. Shipping industry is not developed, mainly due high costs. The government owned Ceylon Shipping Corporation owns one container carrier, which operates a feeder service to India and Pakistan and a break bulk ship operating a coastal shipping service between Colombo, Galle, Eastern and Northern Ports. Additionally, two local companies operate 9 cargo ships offering a similar service.
- **All major main lines call at Colombo Port and use Colombo Port as a transshipment hub for cargo to & from the Indian sub-continent.** Unlike Maldives Sri Lanka is a fertile land with lot of natural resources and the demand for developing a shipping industry is not a need for Sri Lanka may be the reason for them to have a low phase at shipping sector, but as Maldivian with limited resources need to find ways to establish a full fledged functional private shipping industry for the good of the country. There fore we need to find more ways and more sectors with more co operation with neighbors specially.

- The Colombo Port has been ranked **24th amongst the 352 container** handling ports in the world. Colombo also enjoys a hub status for transshipment of cargo to & from countries on the Indian sub-continent. Developments in the shipping industry have resulted in large container carriers of 8,000-18,000 TEU capacity being planned. These ships with drafts of 15-18 m will not be able to enter Colombo as the depth is only 14 m. When these mega carriers are commissioned, one port in the region will become a mega hub, whilst others will become sub hubs. Due to competition from other ports in the region for transshipment cargo handling, the government has realized that urgent action is required to avoid Colombo Port losing its hub status. Towards this objective, they have already set in motion several projects to develop and enhance the capacity, efficiency and productivity of the Colombo Port. The Port presently has a throughput of 1.7 mn TEUs per annum and a capacity of 2.0 mn TEUs. By 2004 demand at 2.8 mn TEUs per annum will have equaled the extra capacity provided by the expansion of Queen Elizabeth Quay. **By 2005 demand would exceed capacity as the increased demand is forecast at 3.1 mn in 2005 and 9.8 mn TEUs by 2020.** Therefore, if the port is not expanded and developed, it will not be able to meet the demand and lose its status as a hub port.
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6.0.0 developments of ports in India

- Like Sri Lanka India is also a very frequently dealt country by Maldivian Shipping both government as well as private. There was a time when the MSL (Maldives Shipping Limited) was on its highest Maldivian ships were seen in Mumbai Port awaiting for cargo . There fore the developments in the Indian Ports are also to be analyzed for defining the numerical for measuring the sustainability of private shipping of Maldives. To find details I checked the ports of India specially the ports which are most frequently touched by Maldivian ships. And the details are as follows.
- Jawaharlal Nehru Port Container Terminal (JNPCT)
A decade ago, JNCPT attracted all mainline vessels from the congested Mumbai Port. Owned and operated by the landlord port, Jawaharlal Nehru Port, JNPCT is now striving to come back on the tracks, after P&O Ports started its high-voltage campaign of improved services next door.
- During the financial year 2001-02, the terminal handled 629,749 TEUs, up from 494,881 TEUs recorded in the previous financial year.
-

- **6.1.0 Nhava Sheva International Container Terminal (NSICT)**
- NSICT is the undisputed leader in India's container terminal sector. The first private terminal in country, the P&O Ports-run NSICT has proved a huge success over the last couple of years, and is regarded as a 'jewel' in P&O's crown. With a 600 m quay length, it handles around 100,000 TEUs every month,
- The terminal has crossed 1.2 m TEUs during 2002, and has already handled over one million boxes up to December. Its berth productivity is 58-60 moves per hour, and has an average turnaround time of 18 hours.

- **6.2.0 Tuticorin Container Terminal (TCT)**
- The terminal started commercial operations in December 1999 , and is being operated by **PSA Sical Terminals, a joint venture between Port of Singapore Authority (PSA) and two Chennai-based companies– Sical and Nur Investments.** The terminal, owned by Tuticorin Port Trust, was awarded to the consortium on a 30-year lease under a Build Operate Transfer (BOT) deal. The quay length is 370 m, while equipment include two quay cranes and 4 rubber-tyre gantries (RTGs). During the financial year 2001-02, the terminal handled 203,000 TEUs, a growth of 30 per cent over the previous year. This year, the terminal expects around 20 per cent growth.
- The direct **India-US east coast service IndAmEx calls at the terminal. The other major services include Karachi Express Service by Samudra and Maersk's Middle East service.** The capacity of the terminal is 300,000 TEUs. The terminal has on average 38 moves per hour, while turnaround time is around 8-10 hours.
- Now Tuticorin Port Trust (TPT) has finalized a joint venture with PSA Corporation for operating another container terminal at the port berth number 8). It will hold 74 per cent stake in a special purpose vehicle (SPV) and the port trust will put in the remaining 26 per cent equity. **The new container terminal will have a capacity to handle 150,000 TEUs annually.**
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- **6.3.0 Rajiv Gandhi Container Terminal, Kochi**
- During the financial year 2001-02, the terminal handled 151,000 containers, up from 143,000 containers handled during the previous year. It is expected to handle 160,000 during the current fiscal. It currently offers various feeder services run by **Maersk, P&O Ned Lloyd and Mitsui, among others, to ports in the Far East and the Middle East.**
- The port is now **going in for a mega project** – Vallarpadam Container Trans-shipment Terminal (VCTT). The Dutch consultant Frederic Harris has estimated a conservative 3.39 million TEUs by 2025. Four international port operators and a domestic major have entered the fray for the 20-billion Vallarpadam Terminal. CSX World Terminals (UK), Nippon Yusen Kaisha (Japan), Port of Singapore Authority (PSA), Maersk India and Larsen & Toubro (L&T) are keen on the project.
- The hub terminal will cover 350 acres that has already been allotted. It will be a Greenfield project close to the international sea route, and will attract the entire cargo to and from India.

- **6.4.0 Vizag International Container Terminal (VCTL)**
- VCTL, being set up by **Dubai Port Authority and United Liner Agencies of India at Visakhapatnam Port**, is expected to be operational in the second half of the current financial year 2002-03. The consortium has appointed D Sugantha Raj, one of the architects of the container terminal project at Jawaharlal Nehru Port, to head the outer harbor project. The container terminal operator will have to put in place the entire infrastructure, worth one billion during the next 15 months.
- The Visakhapatnam Port Trust has already prepared the necessary license for the consortium. The license is for a period of 30 years on a Build Operate Transfer (BOT) basis. Once operational, the volumes of cargo as well as number of vessels calling at port are expected to increase. The developers have plans to bring main line vessels in due course, as the berths had already been deepened to 16.5 m draught, which can accommodate vessels up to 14.9 m draught.
- **An average of six feeder vessels are calling at this Port, a month, handling an average of 3,000 TEUs.**

7.0.0 The final say about port developmentsI

- Interpretation from the points high lighted lead to the conclusion that demand for shipping business is high. As per the developments in Maldives, Sri Lanka and India are on the right track and it is a very favorable condition for the shipping in the region as well as others. Therefore the prospects are very high and what is required is to join the trend and get going.
- By concluding the status of the most frequently touched ports of India by Maldivian ships , specially Tuticorin Port , the port has gone through a complete change with the co operation of PSA (Port of Singapore Authority). There fore we have to get ourselves fully prepared for the challenges. I hope you will find the data helpful in deciding the sustainability of private shipping of Maldives
- By reading the developments of the ports both India and Sri Lanka you will find the importance of containers. Therefore it is time to change from the old style of shipping with old ships burdened by claims for cargo damages, to new ships and specially go for container vessels which the ports are prepared for. I know bulk carriers also play a major role in the shipping business but still I think because of the developments in favor of container is a viable reason to change for container. If Maldivian Ships can transform without further delay we can still be in the boat with out missing the changing golden opportunities. To high light the opportunities and prospectus I decided to analyze the developments of ports in the region.

8.0.0 A brief look at Singapore Shipping

- The Singapore Registry of Ships (SRS) was established in 1966 and efforts to promote it commenced in 1969. The Singapore fleet has been **growing at a rate of about 10 percent in recent years**. On 17 January 2000, the SRS broke the 24 million Gross Tons (GT) mark with the 30,745GT General Cargo "Star Indiana".
- According to the 1998 Edition of the Lloyd's Register on World Fleet Statistics, the SRS is **currently ranked 7th in the world**. This may be explained by the advantages/benefits which ship-owners stand to gain by registering their vessels here :
-
- The Registry is also well-known for its efficient services and its high operational and pollution control standards. It is equally proud of its good safety record, which boasts a casualty rate which has been consistently below the world average. Spot checks are conducted on ships in port to ensure that safety standards are maintained and regular surveys are performed in accordance with international safety conventions.

9.0.0 A Brief Looking at International Shipping

- The last two decades have been an exciting period for the development in a global context. The introduction of various international **trade agreements and economic unions**, such as the European Union, the North American Free Trade Association and the Association of South-east Asian Nations, has had a significant impact on the globalization of trade. Such changes have had a major influence on the structure of distribution and logistics systems throughout Europe and the rest of the world as trade barriers have disappeared and new transport networks have been established.
- The development of economic unions has encouraged transport and distribution companies to increase the scope of their services across wider geographical areas. There is now more competition between third-party companies because of the increased market. **Transport and third party distribution companies can give a more comprehensive service**, and there is easier and faster movement of goods across borders.
- According to economic experts things are changing very fast demand is high for cargo vessels therefore this is a correct opportunity to get set in the shipping business and get a reasonable share. For a small country like opportunities like these are very rare, so I think Maldives Private Shipping Industry can wide there area and go out and start to fill the gaps that is required to be filled, rather than sticking to a particular region and complaining of disruption by others. In the free trade system we have to compete others and for that we have to be experts .

10.0.0 **Emerging New Markets for Shipping**

- While developed countries in the West remain the main demand centers, the **highest growth in consumption is being recorded in Asia. In the next 20 years, Asia could possibly become one of the biggest consumption centers of the world.** As markets grow and become more sophisticated, they would require a highly coordinated approach, assuring a quick response, a high-velocity supply chain with the ability to react to market uncertainty, and a rapidly changing competitive environment.
- Regional and global trade developments and the emergence of new markets have brought about significant changes in transportation of goods..
- As a result of this change in the economic front of the globe Maldives shipping can still emerge from the ashes that left by the Maldives Shipping Limited like phonics. What we need is to develop more experts in the field who can lead this without any fear. At present the people who perform managerial jobs in the Private shipping industry in Maldives is not as promising as it ought to be. This may be the reason why the industry is still at the spot where it had more than 30 years ago.

11.0.0 Conclusions and recommendations

- The continuing pace of technological change and the trend toward larger and faster ships is evident as shipping lines compete in seeking economies of scale in the global market and ports become increasingly reliant on sophisticated equipment. Across the Asia and Pacific region some of the world's most modern container ships are calling at an extensive network of mainline and feeder ports. Therefore the Maldivian Shipping Private Sector is also required to face the challenges of the fast growing technology. **The ships are required to be new and technologically challenging. We no longer can afford to fail in the shipping industry** which we once were experts to the world. This is the correct time to be once in the boat without any delay ,so that we may not lose the boat once and for all. We can be masters of the seas this is what we ought to be naturally.

In 2000, the UN announced that it would graduate the Maldives from the list of Least Developed Countries (LDC) to "become" a Developing Nation. With the graduation from the LDC status the international economic advantages that have contributed to the Maldives' progress will disappear: preferential market access, development assistance and concessional finance programmers. We may not be getting the same benefits of a least Developed Country but still if our **economy is sound new development programmes be initiated the then there is always going demand for cargo ships to transport construction material as before.** For this to happen the political stability is a factor. Since Maldives is bind by very stable foreign policy, the hope for private shipping companies are evident.

- Due to the various factors the freights are at rock bottom at usd 10 per metric ton in the Male Tuticorin, while usd 12 seems to be satisfactory. In the 1980s the freight were around usd 30. On of the main reason for this unhealthy decrease in freight is due to lack of co operation in the private shipping industry. There fore it is highly recommended to immediately establish an association of the private shipping in Maldives.

According to the front page headline of Haveeru news paper the demand for construction is so high even the freight is on the rise. This is what I was trying to highlight for the new future due to scheduled new resorts and also due to the construction material needed for the construction of new houses in the Hulhumale. The question is are we talking about Maldivian Private Shipping in a very narrow context.

- According to ADB's report on Maldives, the economic performance will remain reliant on tourism, and the uptrend in tourist arrivals is expected to continue. In this regard, efforts are under way to attract more tourists from markets outside Europe (currently accounting for about 70% of arrivals). **The Government's Hulhumalé project and regional development programs are expected to continue to spur domestic demand for local construction and transport.** With tourism now recovered from its slump, GDP is projected to grow more moderately, by **5.5% in 2004**, and is likely to come close to that rate the following year. **Therefore it is quite evident for the high demand for raw materials for the construction industry which the private shipping industry is reliant on for their major cargo.**
- As per the same ADB report it is said that , quote" it is important that the Government keep gradually moving from substantial direct participation in the economy by privatization, enhancing private sector participation, and broadening the production base. As part of the process of economic diversification, the Government has formed several working committees to develop plans on how to diversify the industrial base as well as export products and markets." unquote. Therefore it is also going to be a favorable factor to the private shipping industry if it gets its share in the development of the country without any interference from national shipping line or government controlled shipping companies.
- Due to the closing of some factories established in Addu Atoll namely (Jewel Tex. And Aden Fashion) .Will have some negative effects on the shipping business . And also another two factories in the Atoll (Leeziya Clothing and Slim Line). Closing down of factories are very critical news for shipping business, so Private Shipping Industry can pressure government for creating a favorable environment for reinstating factories in the Atolls. But this is also not possible for the time being because there is no formally recognized body to represent the Private Shipping Industry.
- The industry can also challenge the wooden ships touching Male bringing Perishables from Indian Ports. The establishment of this wooden boat trades between India and Male is due to lack of co operation between ship owners stubbornness that lead traders went for help from foreign agents. Now foreign agents are having a upper hand in the business because of lack of lack of shipping experts specially to handle cargo. Therefore rather than asking help from government to interfere the matter they can cooperate with traders in Male and make freight adjustments. That will be more profitable in the future, if you can have a full control over the freight forwarding and cargo handling process. Opened Offices in ports do reservation of cargo by direct rather than wait for indirect approach.

- The same ADB report also said that I quote" To improve conditions on the outer islands, atoll development plans are being formulated with the participation of island communities in selected atolls to guide atoll- or region-based economic and social development. In tandem with these moves, the Government will plan cost-effective infrastructure spending to spur regional economic growth by investing in the areas of regional airport upgrading, resort development, and harbor and marina construction." unquote. This is also a news for the private shipping industry, because this will create more harbors in the remote islands which were unreachable before. There fore there is a good chance for more involvement of foreign going ships touching down these remote ports for direct discharge of cargo. For the time being the harbor in the Fuamulaku Atoll is completed and similar harbors are on the way in the near future. These harbors guarantee more involvement of private shipping industry if the private sector deals with the government fairly without taking any advantage of the opportunity.
- The trends of globalization, dilution of trade and financial barriers are irreversible and will only accelerate in future. Much of the manufacturing that used to take place in US, Europe and Japan has moved to countries in North Asia. They are now in the process of moving from North Asia to South-east Asia and South Asia. Africa remains a continent of great promise that could emerge as the next manufacturing and consuming base in the next 20 years. All this will have an impact on logistics and transportation.
- In the last 20 years, the transportation industry has made enormous progress in increasing efficiency and reducing costs. However, the industry remains asset-based, relatively labor-intensive and requiring costly inputs like fuel. As the supply chain of a company becomes increasingly global, the transportation component is required to move material over longer distances between countries with varying standards of infrastructure efficiency. Time and volume will drive down costs in the long run.
- The transportation industry will continue to evolve in the next two decades as it has over the last two. It will continue to increase efficiencies and reduce costs, but will not transform the essential nature of the transportation industry, which will continue to gather, consolidate, handle, move and distribute goods over longer and longer distances. The bricks and mortar part of an automated SCM will continue to form 8.5 to 10% of a business process cost.

- According to some of the private shipping companies what they need to sustain the industry is awareness, more ships with more speed, complete stop of government owned ships interference, not to depend on shippers too much.

THE END