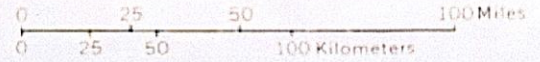


INDIA
approx 265 miles

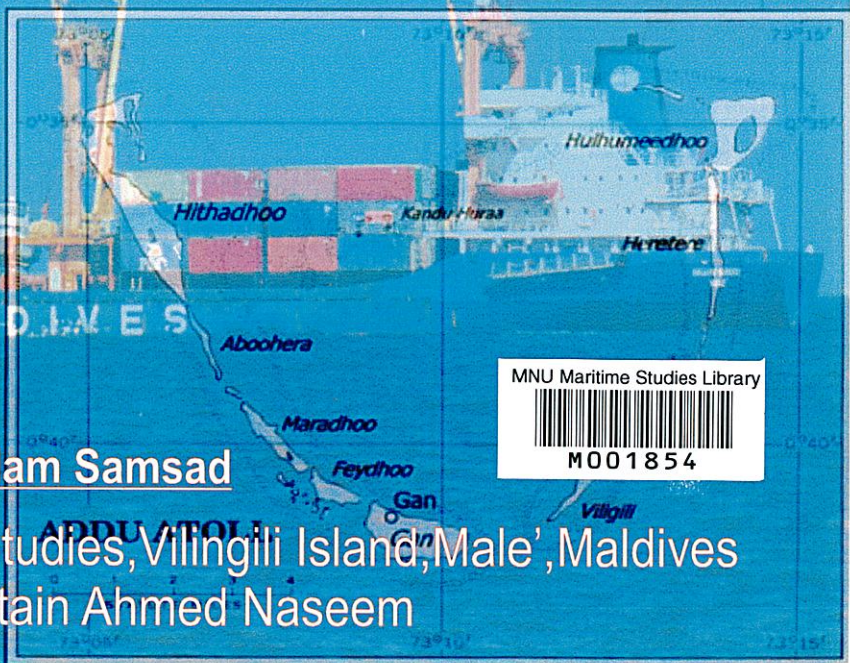
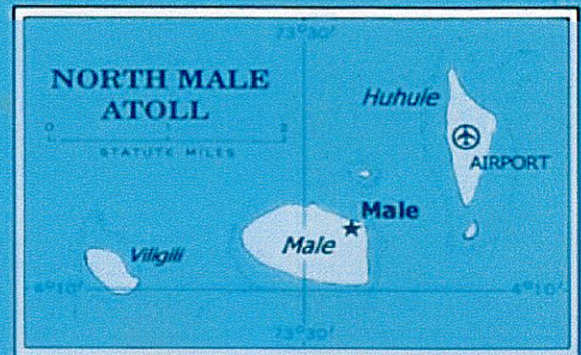
Maldives

★ National capital

The Maldives are divided into 20 administrative divisions . . . 19 atolls (atoholhu) and the city of Male. These divisions are not shown on the map.



THE RISE AND FALL OF A MALDIVES SHIPPING INDUSTRY



MNU Maritime Studies Library
M001854

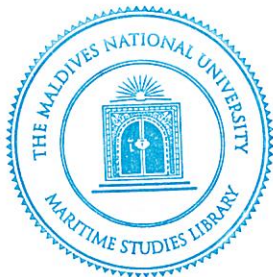
Adam Samsad


The Centre for Maritime Studies, Viligili Island, Male', Maldives
project supervisor : Captain Ahmed Naseem

M001854

387-
506
554
95

The Rise and Fall of Maldives Shipping Industry



| MARITIME STUDIES LIBRARY | |
|--|--|
|  THE MALDIVES NATIONAL UNIVERSITY | ACC DATE: 24/06/2019 ACC NO: M001854 CLASS NO: 387.55495 |

Adam Samsad

The Centre for Maritime Studies, Villingili Island, Male', Maldives

Project Supervisor: Captain Ahmed Naseem

*to be
catalogued
after mending*

CONTENTS

| | |
|---|-----------|
| Historical Background | 3 |
| Introduction..... | 4 |
| The First Step..... | 6 |
| The First Shipping Company..... | 7 |
| Enter MSL..... | 10 |
| Turning Point..... | 13 |
| The Maldives National Ship Management Limited..... | 15 |
| The Present..... | 16 |
| Conclusion..... | 17 |
| Chronology..... | 20 |
| Index..... | 21 |
| Reference / bibliography..... | 23 |

Historical Background

According to documented history, Maldivian sailors travelled as far as Africa and China in the 10th century carrying their produce. French traveller/historian Francois Payrard states that they traded in dried fish, cowries, copra, coconut rope, oyster shell and turtle shell. The merchandise was bartered for cotton, rice and iron.

Despite such links with these commercial and trade centres, the country's transportation system was not adequate for regular trips to these destinations. The vessels were powered by sails and journeys took an extremely long time. It is said that some of these journeys took nearly a year to complete.

Introduction

The Maldives, a country in a far flung corner of the world isolated partly due to very little communication with the outside world, managed to steer a shipping company from very humble beginnings to an internationally known shipping line with a huge fleet of more than 90 ships over a relatively short period of just over 15 years.

This does not mean the Maldives did not have successful trade links with other economic centres. The Maldives, in fact, has had excellent trade relations with its neighbours and other economic centres throughout its known history. However, despite this, the fundamental and core elements or pre-requisites for the development of an industry such as shipping to levels that enable them to compete with regional and international competitors, which would require various levels of skills and expertise, was simply non-existent.

It is important to note that despite being a seafaring community Maldivians used sailing vessels until the government bought a mechanised ship for transportation.

Shipping is a service industry and its tremendous development and dramatic growth contributed enormously to the development of all trade and businesses. It contributed to the GDP by offering employment to Maldivians, helping improve their quality of life and generally to the development of manpower to the maritime industry and other related industries such as engineering.

Its contribution to the economy in the 1960s and 1970s was

enormous. It was also one of the areas where the government received much-needed foreign exchange.

The Maldives shipping agency, which took various names throughout its history, also contributed to various areas of development such as education, fisheries, and several social services. Government projects which received its assistance included among others; a government-run juvenile reformatory in Maafushi Island, Male' Atoll, which continued to receive its support until 1981; schools, which received financial assistance for constructing new premises and hiring expatriate teachers.

Its contribution to the fisheries industry included the donation of a collector vessel and a boat to carry fuel to tanks installed at various locations across the country for the convenience of fishermen.

In addition to this, the company often was co-financiers for government-sponsored Haj pilgrims. Its contribution and assistance to the development of the airport was also significant. It paid US\$1,350,000 to the government in 1981.

This trend of expansion continued and brought enormous benefits to the economy until 1981 which could be considered a turning point when it began to decline for various reasons, to be discussed later, particularly its inability to keep pace for long and to adapt to the changing trends in the global shipping industry.

The First Step

It is said that sultan-elect Abdul Majeed Didi in 1940 appointed P.B Umbuchy as the Maldivian Government's trade agent in Colombo. Umbuchy was a business owned by a family in India. The company continued to serve the Maldives Government until the establishment of **Maldivian Trading Co**, a partnership company registered in Colombo in 1949. The company, however, was short lived. It is said that then Prime Minister Mohamed Amin Didi wanted a company in which the government was the majority shareholder. He believed that way the trade interest of the Government would be better looked after. This led to the formation of Maldives National Transport Company (MNTC).

The First Shipping Company

The beginning of the Maldives' shipping agency was a joint venture between *MNTC Ltd. (Ceylon)* and *MNTC, Male'*. MNTC, Ceylon was established in 1950 with 70% of it owned by MNTC, Male'. Later, 100% equity was secured by MNTC, Male', thus acquiring full control of the company.

Most of the trade was done with Sri Lanka with major export items being "Maldivian fish", bone dust, dried fish, coir yarn and copra. These were transported on small sail vessels which had capacities ranging from 40 to 150 tonnes.

The demand and volume of cargo supplied kept growing and by 1948 it was necessary for the government to use steam ships.

Maldives began chartering ships around 1956, on an ad hoc basis, mostly every 2-3 months, to transport basic food items such as rice, first from India and then from Burma, and wheat flour and sugar from Sri Lanka. The size of the vessels used was 600-1000 DWT.

The common names of some of these chartered steam ships were "**Effiginy**", and "**Mahamaya**", from an Indian shipping company, "**Margaret Rose**", and "**Sheila Margaret**" owned by **Gill Amin & Co. India**, whose partners were Mohamed Amin Didi and Commander S Gill and LT Commander Gurdhas Chadha of the Indian Navy. Other ships included "**Max Arlt**", "**Horst Arlt**", "**Elizabeth Boy**".

MNTC was apparently unaffected by the global trade depression of the 1950s though it was a difficult time for global shipping. Many shipping

companies in Europe were suffering as the depression continued. This opened up excellent opportunities for MNTC to buy vessels from Europe.

It also became increasingly difficult to charter vessels of adequate sizes to carry small consignments of cargo at infrequent intervals. This made it necessary for the Government to buy its own ships.

It is important to note at this point that the majority of Maldivians still travelled on sailing boats. Regular mechanized passenger transport to and from Maldives was virtually non-existent. And these were the very reasons **a shipping agency** had to be established - for the dual purposes of carrying cargo as well as providing transport services to and from Maldives when it was most needed.

The first ship acquired by MNTC Ceylon Ltd. was the "**Nordic Queen**" with a capacity of 1100 DWT. It was bought from Britain for £30,000 and later renamed "**Maldives Star**". It first arrived in Colombo on 23 December 1958 and arrived in Male' first on 3 February 1959. *Maldives Star* was sold in 1969. The next ship purchased was the "**Maldives Crescent**". It first arrived in Male' on the 1st of March 1961. It was a 207ft by 32ft wide vessel of 1045 DWT. The ship was grounded off Rangoon and was abandoned on 28 June 1967.

The company would buy old and poorly maintained ships mostly from India and dock them in Sri Lanka for repair and maintenance. It was hard work, taking up the days and nights of the crew. More ships were bought and all repaired in Lanka. Those ships owned by the Maldives would have Maldives as a prefix for their names, and those that were not had names such as Ocean Queen and Ocean Princess. With hard

working and dedicated crews the MNTC was able to maintain the fleet well.

These ships travelled to ports in the Gulf and the Pacific. Their crew were Maldivians, Pakistanis and Indians. Most of the senior staff were from Pakistan and India.

Enter MSL

Maldives Shipping Ltd. (MSL) was registered in the Maldives on 9 May 1967. The capital at the start of the company was approximately UD\$170,000. The first ship registered under MSL was **Maldives Carrier**. By 1968, MSL had 5 ships; *Maldives Star*, *Maldives Carrier*, *Mondara* (donated by Britain), *Mal-Express* and *Maldives Sailor*, and by 1970, the fleet had grown to 11 ships. The main ports vessels called were, in no particular order, Colombo, Singapore, Bangkok, Basra (Iraq), Khorranshair (Iran), Dubai, and Indian, Malaysian, Thai and other Middle Eastern ports. Types of items carried were general cargo – timber, logs, steel, rice, flour, sugar, etc. The ships were repaired in docks in Sri Lanka, India, and Singapore.

Later the office in Sri Lanka had to be moved to Bombay for various reasons and an agent was placed in Sri Lanka. The shares of Hashim and Nair, two private Indian shareholders, were bought by the company.

Records in 1979 showed that earnings from the industry had declined significantly over the previous 2 to 3 years as repair and maintenance expenses rose. This was because MSL had an ageing fleet. This led the company to sell off several small vessels which ran high maintenance costs and brought relatively little revenue. Bigger vessels were bought instead.

At the end of 1978 MSL had 46 ships and their ownership was as follows.

| Vessels | Government Share |
|----------------|-------------------------|
| 29 | 100% |
| 9 | 50% |
| 5 | 25% |
| 3 | 20% |

The government acquired 100% ownership of eight of the nine 50% owned ships. A total of thirteen ships were sold and they were 7 of the 100% owned, 5 of the 25% owned, and one of the 20% owned vessels. The company bought 3 ships of 15,000 DWT and one 14,000 DWT vessel. This brought to 34 the number of 100% government-owned vessels, and to 2 the number of 20% owned vessels by the end of 1979.

The total tonnage of government-owned ships increased by 53 percent to 154,817 by the end of 1978 compared to 100,956 the previous year.

The following year i.e. **1980**, the Maldives Shipping Limited, had 39 ships in its fleet. The figure rose to 40 by the end of 1981 after several smaller vessels were sold and larger ones bought. This raised the total tonnage of the fleet by 17 percent to 311,888 DWT.

By **1981** the company had agents in Sri Lanka, India, Pakistan, UAE, Thailand, Malaysia, UK, and Indonesia. Estimated staff were around 700 (600 on ships and 100 shore based).

The company, which developed from a very modest start, had grown into an international shipping line over a span of 15 years. The success in the industry coincided with the boom in the global shipping industry. The freight rates were going up and peaked in 1981.

By the end of 1981, the company had successfully widened its scale and scope of operation to become an international shipping line owning 40 ships with a network of offices in Sri Lanka, India, Pakistan, UK, Singapore and representatives or agency offices worldwide.

The company's vessels were general cargo ships and bulk carriers aged around 20 - 25 years.

Turning Point

The worldwide recession in 1981 and the subsequent stagnation of world cargo trade resulted in excess capacity in world shipping. As a result, many large and very well organized shipping companies like Hellenic Lines and many others went bankrupt. Several shipping lines around the world were liquidated including Hellenic Lines (Greece), Laura Lines (Italy), Aznay Lines (Spain), Global Bridge (HK), Cast Line (Canada), Sethia Lines (London) and Irish Shipping Lines, to name a few.

The UNCTAD Liner Code of Conduct or the 40-40-20 rule, that entered into force in 1983 aimed to ensure that developing countries were able to benefit by having more control over their shipping, by dividing the cargo transported according to the following rule: 40% for ships belonging to the exporting country, 40% for ships belonging to the importing country, and 20% for ships belonging to other countries. Maldivian ships lost considerably on account of this, because earlier MSL had been able to dominate shipping to and from Maldives. In terms of volume, MSL third country liftings from Sri Lanka declined from 97,000 F.tons in 1980 to 7500 F.Tons in 1983. The average freight rates also sharply declined in the international shipping routes.

However, the total number of government-owned ships dropped to 37 by the end of **1982**. Although this figure was lower than the previous year, the gross tonnage of the fleet increased. Total tonnage at the end of 1982 was 320,859.

Shipping was affected in **1982** by the adverse affects facing the global shipping industry. Unfavourable developments included, among other

things, the global economic downturn and the growing number of ship builders. The earnings for the global shipping industry declined and MSL was no exception: it was affected by the same woes. Despite this, the company paid US\$1,125,000 to the government.

The performance of the shipping industry continued to worsen. As in the previous year, **1983** was not favourable. The economic downturn in Europe coupled with growing competition with the ever-increasing number of ships, and declines in freight charges led to the poor performance and led the company to sell off some of its vessels. It had 25 ships at the end of 1983 with a total tonnage of 218,750.

Despite the difficulties this presented the company with, MSL continued to extend its assistance to various national developmental projects. Provision of rainwater tanks to households in Male' was among the projects it provided assistance to.

The Maldives National Ship Management Limited

The name of the Government shipping agency was changed for commercial reasons in 1984, following the bankruptcy of the insurance company Oceanas Mutual in London. It was a rare occurrence but even banks, for instance BCCI, and insurance companies go bankrupt leaving the customers exposed to heavy liabilities with all premiums paid.

1985 saw dramatic changes to the government shipping agency which was partly the result of adverse effects from the global economy. Despite poor managerial decisions and a host of other factors on the part of the company, unfavourable global trade was largely blamed for the poor performance of shipping in the Maldives particularly in the period 1982 to 1984.

In 1985 the Government revised the functions and role of its shipping agency to the managing of ships. Several government-owned ships were sold. A 100% Government owned company the **Maldives National Ship Management Limited** was established and the management of ships was handled by this company.

The Present

In general, the shipping industry is faring well, compared to the economic depression of the late 1980s when several shipping companies were liquidated.

The purpose, objectives and goals of MSL was to operate the business and offer shipping services. The advantage for the country is competitive rates. Without the presence of local shipping companies there would be less competition. Unless there is competition, the rates will not remain competitive. If the sector is left to foreign companies, they will be able to dictate freight rates at will. In this context the MSL helps foster competition.

The company had to compete with different competitors at different times. At the moment, there is competition from other shipping lines like P&O, Mersk etc. operating to Maldives. The competition from maritime operators is now challenged by the joint scheduling of vessels with Lily Shipping and by offering regular services to customers at market rates.

The company is now restructured and is making a modest profit. Those who had headed the company over the years include Ali Maniku, Ahmed Mujuthaba, Abdullah Kamaaludheen, Mohamed Hilmy, Abdullah Saeed, and Aimon Jameel.

Conclusion

The Maldives had an excellent opportunity. The time was right and many of the factors including political and economical considerations were in favour and with wise and able leaders at the helm, they were able to take the right decisions, giving them a head start. This coupled with a hard-working and dedicated crew and staff, the Maldives shipping agency was able to reach heights they probably never had imagined. Then complacency began to set in, challenges became formidable, competition became increasingly fierce, and extra effort was not only necessary but urgent.

Rapid technological developments were taking place in the global shipping industry. Introduction of specialized cargo vessels such as container ships was becoming increasingly common. These vessels had advantages over older vessels in almost every way and posed a formidable challenge to companies that had ageing and general cargo vessels.

International regulations governing shipping began to change and the global industry was undergoing tremendous change and taking a new shape and this coincided with a global recession. All in all, it was a turbulent period for shipping and this took its toll on the Maldivian shipping companies.

This presented the Maldives shipping company a sink or swim situation. The MSL fleet was either not able to keep with such a pace or were reluctant to take major changes. Its fleet was aging and becoming obsolete rapidly.

According to anecdotal accounts, if there was one single reason for the Maldives' shipping agency's downfall it would be its reluctance or inability to buy container ships. It was the major reason for losing customers and market which in turn led to the fall in revenues. This was coupled with insurance/cargo claims. But other reasons such as corruption and mismanagement have also been cited as principal reasons for the downfall of the industry. Moreover, management became unstable or unreliable. For instance, more often than not, office staff had great influence over ship masters in important and vital matters regarding ship-board matters. And such behaviour among top managers had often resulted in losses to the company.

Chronology

- 1026AD Persian Geographer Abu Al Hassan writes that Maldivian sailors carry cargo to ports in Africa China in the 10th century.
- 1940 sultan-elect Abdul Majeed Didi appoints P.B Umbuchy as the Maldivian Government's trade agent in Colombo.
- 1948 Growing demand of cargo volume forces the government to engage steamships between Male'/Colombo. Therefore the Maldives begins chartering ships on ad hoc basis
- 1949 The **Maldivian Trading Co.** registered in Colombo.
- 1950 The Maldives National Trading Co. (Ceylon) Ltd. established.
- 1956 It was not necessary to charter ships from companies better alternatives were available from Colombo.
- 1957 Growing demand for staple food items makes it possible to enter into direct purchase agreement of rice from Burma.
- 1958 MNTC orders its first ship NORDIC QUEEN (later **MALDIVES STAR**) from Britain.
- 1959 The Maldives Star arrives in Male'.

- 1961 Maldives Crescent, the 2nd Ship bought by MNTC arrives in Male'.
- 1967 The Maldives Star sold.
Maldives Crescent grounded off Rangoon and abandoned.
Maldives Shipping Ltd registered.
- 1968 MSL owns 5 ships.
- 1970 MSL fleet numbers 11.
- 1976 Starts to decline
- 1978 MSL owns 46 ships
- 1980 MSL owns 39 ships.
- 1981 MSL owns 40 ships.
Freight rates peak.
- 1982 MSL owns 37 ships.
- 1983 MSL owns 25 ships

Index

I

- 1948..... 7, 19, 23
1956..... 7, 19

A

- Abdul Majeed Didi..... 6, 19
Abdullah Kamaaludheen..... 16
Abdullah Saeed..... 16
Abu Al Hassan..... 19
Africa..... 3
Ahmed Mujuthaba..... 16
Aimon Jameel..... 16
airport..... 5
Ali Maniku..... 16

B

- bankruptcy..... 15
bartered..... 3
BCCI..... 15
bulk carriers..... 12
Burma..... 7, 19

C

- Cast Line..... 13
changing trends..... 5
chartering..... 7, 19, 23
China..... 3
coconut rope..... 3
collector vessel..... 5
Colombo..... 6, 8, 10, 19
Commander S Gill..... 7
compete..... 4, 16
Conclusion..... 17
container ships..... 17, 18
copra..... 3
corruption..... 18
cotton..... 3
cowries..... 3

D

- depression..... 7, 16
downfall..... 18
dried fish..... 3

E

- economic centres..... 4
economic downturn..... 13, 14
economy..... 4, 5, 15
education..... 5
Effiginy..... 7
Elizabeth Boy..... 7

- engineering..... 4
Enter MSL..... 10
Europe..... 8, 14
expatriate teachers..... 5

F

- fisheries..... 5
fishermen..... 5
fleet..... 4, 9, 10, 11, 13, 17, 20
foreign exchange..... 5
fuel..... 5

G

- GDP..... 4
Gill Amin & Co..... 7
Global Bridge..... 13
global shipping..... 5, 8, 11, 13, 17
global shipping industry..... 5, 11, 13, 17
global trade..... 7, 15

H

- Hellenic Lines..... 13
Historical Background..... 3
history..... 3
Horst Arlt..... 7

I

- India..... 6, 7, 8, 9, 10, 11, 12
Indian Navy..... 7
international competitors..... 4
international shipping routes..... 13
Introduction..... 4
iron..... 3

J

- joint venture..... 7
juvenile reformatory..... 5

L

- Laura Lines..... 13
Lily Shipping..... 16
losses..... 18
LT Commander Gurdhas Chadha..... 7

M

- Maafushi Island..... 5
Mahamaya..... 7
Maldivé fish..... 7
Maldives Carrier..... 10
Maldives Crescent..... 8, 20
Maldives National Ship Management
Limited..... 15

| | |
|--------------------------------|----------------------------|
| Maldives shipping agency | 5, 17 |
| Maldives Shipping Ltd | 10, 20 |
| Maldives Star | 8, 10, 19, 20 |
| Maldivian Trading Co | 6, 19 |
| Margaret Rose | 7 |
| maritime industry | 4 |
| Max Arlt | 7 |
| Mersk | 16 |
| mismanagement..... | 18 |
| MNTC | 6, 7, 8, 9, 19, 20, 23 |
| Mohamed Amin Didi..... | 6, 7 |
| Mohamed Hilmy | 16 |
| MSL..... | 10, 13, 14, 16, 17, 20, 23 |
| <i>N</i> | |
| Nordic Queen | 8 |
| <i>O</i> | |
| Oceanas Mutual | 15 |
| <i>P</i> | |
| P&O..... | 16 |
| P.B Umbuchy | 6, 19 |
| Pakistanis | 9 |
| passenger transport..... | 8 |
| Payrard..... | 3 |
| Prime Minister | 6 |
| <i>Q</i> | |
| quality of life..... | 4 |
| <i>R</i> | |
| Rangoon | 8, 20 |
| repair and maintenance | 8, 10 |
| revenues..... | 18 |

| | |
|---|----------------------|
| <i>S</i> | |
| sailing vessels..... | 4 |
| sailors | 3 |
| sails | 3 |
| seafaring..... | 4 |
| Sethia Lines..... | 13 |
| Sheila Margaret..... | 7 |
| ship builders..... | 13 |
| shipping company..... | 4, 7, 17 |
| shipping lines..... | 13, 16 |
| social services..... | 5 |
| specialized cargo vessels | 17 |
| Sri Lanka | 7, 8, 10, 11, 12, 13 |
| steam ships | 7 |
| <i>T</i> | |
| The First Shipping Company..... | 7 |
| The Maldives National Ship Management Limited..... | 15 |
| The Present | 16 |
| trade agent..... | 6, 19 |
| trade centres..... | 3 |
| trade links | 4 |
| trade relations | 4 |
| transportation..... | 3, 4 |
| transportation system..... | 3 |
| trend | 5 |
| Turning Point | 13 |
| <i>U</i> | |
| UNCTAD Resolution | 13 |
| <i>W</i> | |
| world cargo trade..... | 13 |

Reference / Bibliography

Explore Maldives Magazine, 2003.

Presidential Address, 1980, 1981, 1982, 1983, 1984 & 1985

Maldives National Shipping Limited, Male', Republic of Maldives.

Ahmed Musthafa, M. Coral Lodge, Male', Republic of Maldives.

Abdul Hakeem Hussain Manik, M. Everglory, Male', Republic of Maldives.

Adam Ali Manik, M. Janburoalugasdhoshuge, Male', Republic of Maldives.