CHAPTER 8: REVITALIZING NATIONAL SHIPPING LINES – PUBLIC SECTOR AND PRIVATE SECTOR PARTICIPATION IN SHIPPING

Access to cargo, ship registration and fiscal support measures can be effective strategies only in the event that the national shipping companies have a sound financial base, an efficient management and a motivated work force.

As public sector participation in shipping business gives way to the private sector, governments in the ESCAP region need to examine the most appropriate forms of such participation and ways in which national shipping companies could be revitalized.

A rationale for public sector participation

The popular philosophy in developed countries, which is reflected in public sector downsizing and the privatization of government business enterprises, is that where possible public services should be outsourced and the government should not be in direct competition with the private sector in commercial activities. It is viewed that such services, including the provision of infrastructure, can most efficiently be provided by the private sector subject to the competitive pressures of the market place. The governments primary role is seen as being limited to the promotion of fair and effective competition.

This philosophy is, however, not necessarily readily applicable in the case of developing countries where often the private sector does not have the expertise, management and technical skills, trained resources, or access to funding to undertake infrastructure activities. Under these conditions direct participation by government, at least initially, may be the only way the infrastructure development necessary to achieve increased productivity and economic growth will occur.

Ultimately the national economy will reach a state of development where the private sector will have the capacity to undertake the provision of infrastructure services initially provided by the government. When this occurs the government may wish to review its continued participation in the direct provision of infrastructure services. Any such review should be undertaken with a clear appreciation of the range of divestment options available and the macroeconomic and microeconomic outcomes associated with those options. A range of possible objectives is discussed further below in the section on privatization. The approach to privatization is likely to vary from country to

country, and from infrastructure to infrastructure, depending upon the objectives of the governments and the economic and political factors prevailing at the time.

It should not be assumed that privatization will necessarily result in increased efficiency, although this can often be the case. A major argument in favor of privatization, that the public sector is inherently inefficient, is ironically often made by those who have actually had the job of running the government enterprises as efficiently as they can. Sometimes greater efficiency and lower costs are simply a result of more competent administration or because the enterprises were used as defacto taxing agencies with excessive fees and charges.

Rationales for government participation in shipping services

This section is restricted to examining situations where a national government has a controlling or equity interest in a shipping enterprise or accepts liabilities associated with a specific shipping enterprise. Public participation is not regarded for this purpose as including involvement through assistance or other measures which have industry wide application such as direct subsidies, beneficial fiscal regimes, or ship building or purchase assistance measures. Such industry measures are considered in Chapter 9.

A range of scenarios, not necessarily mutually exclusive, are examined below which envisage circumstances under which Government participation in the provision of shipping services might be contemplated. It would be expected that these scenarios would fall within the range of national fleet issues discussed in the broader context of overall shipping policy objectives in Chapter 4 above. The difference here is that the objectives are being considered in the context of government participation being necessary to achieve the objectives. It will be seen that most of the scenarios fall into two categories, social equity or market failure.

Ensuring the availability of sea transport services

If the private sector is either unable or unwilling to provide sea transport services which are regarded by the national government as an essential part of the national transport system, consideration may need to be given to the government assisting with the provision of those services.

These circumstances might arise if, for example, the private sector was unable to raise the necessary capital, either locally or abroad, to finance ship purchases. One policy option would be for the government to provide the services until the private sector was capable of entering the market in its own right. A government may either have the necessary funds or, with its sovereign

guarantee, be able to access funds when the private sector cannot. The government may also be able to assist a private company to raise capital through an implicit government guarantee.

Another scenario is that the capacity of potential users to pay for required shipping services might be so limited that the services are not commercially viable for the private sector. This is a situation which occurs, even in developed countries, when the cost of providing basic services such as telephone, roads and other infrastructure, especially to regional areas, is of a level that cost recovery from users is not feasible. The need to provide basic services under these circumstances is often described as a "community service obligation" (CSO). One option for meeting the CSO is for government to provide or fund the services directly. Approaches for reducing the cost to government of providing such services are discussed below.

India's objectives for public participation in shipping

The Indian Government originally took the initiative in developing a national fleet because the national fleet was inadequate to meet the nations trade requirements and the private sector did not have the resources to acquire a large number of vessels.

The carriage of crude oil is seen as being in the country's national interest and primary responsibility for its carriage is entrusted to the Indian national line, the Shipping Corporation of India Ltd.

The types of shipping services which might be regarded as falling into the essential category are as follows:

inter-island or interregional domestic shipping where the shipping services constitute essential social, communications and supply links to the outside world;

general user cargo services providing essential feeder linkages to transport hubs and mainstream international shipping routes; and

specialized shipping to meet essential import or export resource transport needs.

Introducing competition

In markets where there is a lack of effective competition a government shipping enterprise may be contemplated as a means of introducing competition. This situation is more likely to happen in domestic markets subject to the entry barrier of cabotage than in international trades. If a government shipping enterprise is introduced it is important that it should not have any unfair market advantage over its private sector competitors in the form of the subsidies.

Obtaining balance of payments benefits

In the absence of a national fleet of substance, a government shipping enterprise may be contemplated as a means of reducing the perceived impact of the reliance of foreign shipping on a country's national accounts.

Research has shown that national shipping can make a positive contribution to the balance of payments provided that it is profitable. *Reference: Australian Shipping and the Balance of Payments*, Occasional Paper 99, Bureau of Transport and Communications Economics. In these days of strong competition in international trades, when many nationally owned shipping lines are struggling, a government shipping enterprise needs to be competitive and efficient if it is to be viable.

The international account objective has already been discussed earlier in Chapter 4. The issues raised there in respect of national flag shipping, e.g. the relative efficiency of foreign exchange earners, apply equally to a government shipping enterprise established for this purpose.

Developing a national industry and/or human resource base

For a country with only a limited shipping heritage and with only an embryonic shipping industry, deficiencies in trained human resources and shipping operational and management expertise can be a substantial impediment to the development of its fleet.

Under these circumstances the early involvement of the government in shipping, such as through a government owned shipping corporation, could provide a nursery for developing the human resource skills necessary to support a national fleet. At the same time this initiative could result in the development of the shipping market to an extent that it will encourage later private participation either trying to emulate its success or as suitors to a privatization process.

Facilitate national resource or project development

Where national resource projects are involved, such as the exploitation of mineral or petroleum resources, there may be opportunities for government involvement in the provision of necessary transport infrastructure, including shipping. Depending on investor perceptions of project risk and rates of return, government involvement may even be a factor in the viability of individual projects.

Forms of involvement in shipping

There are a range of participation options which policy makers may consider depending on the state of development of their economy, their capital markets, and their transport markets and systems.

Malaysian national line objectives

The Malaysian International Shipping Corp., (MISC), Malaysia's first national line, was incorporated as a public company in 1968. The Governments objective in setting up MISC was to reduce the nations dependence on foreign shipping, minimize balance of payments outflows for shipping services and inhibit conferences ability to impose freight rate increases detrimental to Malaysia's exporters.

Malaysia established a second national line, Perbadanan Nasional Shipping Lines (PNSL) in 1982 to assist in developing a balanced and diversified fleet, to increase the presence of the national flag in order to achieve greater control of exports and imports, to diversify into marine related industries such as of shore support services, and to develop in-depth knowledge and expertise among Malaysians in shipping and related activities.

Providing shipping services from general revenue

The most simple form of public participation is through the direct payment for shipping services from the public purse on an ongoing basis. This could occur through giving a government department the responsibility for providing shipping services from its budgeted funds. The department would have the option of providing the services itself or contracting the work out to the private sector.

A government shipping enterprise

Another option is to create a government trading enterprise to provide the shipping services. Such an enterprise would require appropriate levels of start up capital to assist in meeting set up costs and the acquisition of vessels, and to meet initial operating expenditure until such time as the organization was self sufficient.

Consideration would also need to be given to the structure of the enterprise and possibility of incorporation. If it is intended that the enterprise should operate commercially and on an independent basis the incorporation option will expose the business to corporate business disciplines, and corporate law and reporting obligations.

If the government wishes to have more say in the day to day operations of the business it may consider establishing the business as a statutory authority with direct responsibility to a government Minister.

Public/private sector partnerships

If there is pressure on funding or a shortage of expertise, another approach is to consider private sector participation in the financing, management and operation of the shipping services from the start.

A partnership between the private and public sector to provide shipping services could take various forms, depending on the mix of private sector funding, skills and management capability required:

leasing/management contracts where the public sector provides the ships and the lessee operates and maintains them for the duration of the lease in exchange for a revenue stream;

build-operate-transfer (BOT) where the private sector was given the right to establish and operate a shipping service for a specific period with ownership reverting to the government at the end of the contract; and

joint ventures where the government and private sector variously contribute assets, resources, technology, management and operational expertise to the shipping project, with equity contributions and profit sharing in proportions agreed by the venture partners.

Policy makers interested in further information on public-private sector partnerships for infrastructure development are referred to the ESCAP paper. *Major Issues in Infrastructure Development: Public-Private Sector Partnerships.*[1]

Achieving efficiency in publicly owned or controlled shipping

When decisions are made about whether public participation will occur in an activity such as shipping, too often the focus is on the need for the participation and not how to ensure that efficiency of operation and the return on public investment is maximized. This oversight is especially important in situations not subject to competitive market pressures.

In its 1997 report to the Australian Government *Reference: Pathway to public sector best practice*, the Australian Financial Review, 13 September 1997, the National Commission of Audit noted that there were three principles which should be addressed in relation to public participation.

Assess whether or not there is a role for government:

> Where there is, decide which level of government and assess whether or not government objectives are clearly specified and effectively promoted; and
>
> Assess whether or not effective activities are being conducted on a best practice basis.

Observance of these principles by policy officers implies ongoing attention to ensure that the policy rationale and objectives behind public sector participation in activities such as shipping need to be revisited regularly to assess continuing relevance and the meeting of objectives. At the same time the manner of public sector participation needs to be monitored to ensure efficiency.

Evaluating policy

One approach to assessing the success of policy is to undertake, as a matter of course, policy evaluation programs. Typically in such programs there is a comprehensive examination of policy outcomes relative to the stated objectives. Where policies involve recurrent budget expenditure there are opportunities for this process to occur as part of the annual budget process where competing priorities for funds force central funding agencies to attach priorities to expenditure for government consideration.

E/ESCAP/SGO/MCI/4 of 13 August 1996.

The budget approach in terms of public participation in shipping would only effectively work where shipping services are provided directly from the budget through, say, the provision of inter island ferry services on a community service basis.

The substantial sums of capital associated with ship acquisition results in public participation in the provision of shipping services commonly being provided through public authorities or companies operating on commercial lines. For such an organization the budget approach will not normally suffice and a more substantial review is required. A review like this also needs to examine not just whether policy objectives have been realized, but also the efficiency of the organization in pursuing the objectives.

A model for oversighting government business enterprises

In 1997 the Australian Government introduced the Commonwealth Authorities and Companies Act and Governance Arrangements for Commonwealth Government Business Enterprises. Together these regulations provide a framework for performance for public trading enterprises which leave them in no doubt as to government expectations in relation to efficiency and performance and at the same time provide, through reporting arrangements , mechanisms for government to monitor their performance and behavior.

It has been suggested that these regulations exceed the requirements applying to businesses under corporate law. However given that the primary reasons for government involvement in activities such as shipping are social equity and market failure it is perhaps not be unexpected that normal private sector commercial disciplines will not suffice.

Regulation parameters

Important features of the new Australian regulations are that they clearly define the relationship between the government and the enterprise, and the roles and responsibilities of the relevant minister (representing the public as shareholders) and officers of the enterprise.

The regulations also specify reporting requirements including an annual report with relevant financial statements, a corporate plan, and a statement of corporate intent agreed by the enterprise and Minister.

A measure of the comprehensiveness of the new regulations is provided by the corporate plan which must cover three years, be submitted annually and include:

the objectives of the enterprise;

assumptions about the business environment in which the enterprise operates:

the business strategies for the enterprise;
the investment and financing programs of the enterprise, including strategies for managing financial risk;
financial targets and projections for the enterprise;
the dividend policy of the enterprise;
non-financial performance measures for the enterprise;
community service obligations for the enterprise and the strategies and policies the enterprise is to follow to carry out those obligations;
review of performance against previous corporate plans and targets;
analysis of factors likely to affect achievement of targets or create significant financial risk for the enterprise or the Commonwealth;
price control and quality control strategies for goods or services supplied by the enterprise under a monopoly; and
human resource strategies and industrial relations strategies.

Assessment of public enterprise performance in India

In India there is a Memorandum of Understanding (MOU) between public sector enterprises and the Administrative Ministry. Under the MOU system targets for performance are fixed for the ensuing year against which performance is evaluated.

Public enterprises are also subject to examination by a Parliamentary Committee on Public Undertakings which examines their functioning and can recommend measures for performance improvement.

The Government of India has also introduced measures to free public enterprises from excessive and counter productive rules and regulations. Selected high performing enterprises can be granted a special status (Mini-Ratna) which confers greater autonomy. As a Mini-Ratna the Shipping Company of India would have more powers in decision making with regard to capital investment, forming joint ventures, setting up offices abroad, etc..

The integrity factor

Shipping as an international trading activity is particularly vulnerable to corrupt practices. Public participation in the provision of shipping services can only be efficient and cost effective if it is free of such practices.

The Chairman of Transparency International UK, an affiliate of Transparency International, a non-profit making organization set up in 1993 to counter corruption has noted that:

> There has been a huge deterioration in the last ten years, with grand corruption becoming the general rule rather than the exception in major government influenced contracts.
> Contracts to sell aircraft, ships and military supplies including telecommunications have always had the strongest potential for large scale corruption. *Reference: Kicking the kickbacks*, the Australian, 13 June 1997.

The new Commonwealth Authorities and Companies Act in Australia requires an officer of a public enterprise to act honestly at all times in the exercise of his powers and duties and provides for civil penalty provisions including up to 5 years jail.

Privatization of public shipping enterprises

The topic of privatization is one that has attracted considerable discussion, research and public comment over the past decade, first as a rationale was sought for the rush to deregulation by the governments of the developed world in the mid 1980s and more recently as part of a more tempered re-evaluation of the objectives of the process building on earlier experiences.

It is not the task of this section to undertake a detailed examination of the privatization concept. Rather an attempt is made to convey an awareness of the central issues and themes which should be examined by policy makers in the context of formulating national shipping policy.

The objectives of privatization

The privatization of public shipping services will normally only become a policy option once the private sector has developed the capability of providing those services.

The motivation for examining the privatization option for any government business enterprise will come from a range of possible macroeconomic outcomes. These outcomes include:

Impact on the budget

If a government business enterprise is relatively inefficient it may need to call upon the state to underwrite its operating losses or provide capital injections to support its equity base and facilitate expansion or asset replacement. In the absence of an adequate equity base the government business enterprise may also have a gearing level (debt to equity ratio) which leaves it at an operating disadvantage (in terms of debt servicing) compared to its private sector counterparts.

The state therefore finds itself in a dilemma. If financial support is not provided to the business, effectively as an equity injection, it will probably need to borrow funds thereby exacerbating its gearing difficulties and losing value at the same time. Utilization of public funds for this purpose, however, may run counter to government priorities for using scant budget revenue.

A privatization process which effectively absolves the government of any further financial responsibility for the government business enterprise can provide the answer to this dilemma.

Windfall sale proceeds

Privatization in the form of a sale may provide the government with one off sale proceeds which can be used for a range of purposes, including the reduction of public sector debt. Policy makers should be careful that the incorporation of privatization proceeds in budgets does not mask the need for attention to recurrent fiscal deficiencies.

The removal of market distortions

It may be that the government business enterprise has an unfair advantage over its private sector counterparts and is distorting development of the shipping market. Advantages can arise from access to cheaper funds (a product of an implicit government guarantee), from the lack of a dividend obligation to shareholders or the need to provide a return on equity, or from exclusive access to government cargoes.

Privatization would remove this distortion and provide for fairer competition in the market to the benefit of all users.

Wealth redistribution

Another policy outcome that may be sought from privatization where a government business enterprise is performing well and generating a budget revenue stream is the redistribution of wealth through equity issues. Such outcomes can allow broad public participation in the industry (and the sharing of wealth) while at the same time introducing corporate and/or free market culture pressures to bear on the operation of the enterprise.

In a developing country where the distribution of wealth is heavily skewed this approach arguably may not lead to wealth redistribution but to concentration. In this case a more equitable distribution may be obtained by leaving the enterprise in public hands so that any revenue or dividends are returned to the government and all the people.

Microeconomic benefits

Apart from the macroeconomic objectives there can also be microeconomic objectives. It may be recognized that the private sector is simply able to provide shipping services more efficiently and/or at lower cost than an existing government business enterprise. Under these circumstances privatization may be a policy option which has both macroeconomic and microeconomic benefits.

Regardless of the benefits identified with a potential privatization caution still needs to be exercised before proceeding. In thin markets where there are few shipping operators, privatization by a sale may leave shippers in the hands of an operator in a position to abuse market power. Other privatization approaches, discussed below, can however, avoid this situation.

Another potentially negative outcome is that, once privatized, the philosophy of the enterprise will almost certainly focus on the pursuit of profits and maximizing of favourable commercial outcomes. This environment is unlikely to be sympathetic to the cross subsidization of users or perseverance with uneconomic services regardless of their strategic or social values.

Approaches to privatization

While there are many ways of privatizing a government business enterprise they can probably be categorized under three broad headings.

Complete transfer of ownership and control

A complete transfer of ownership and control can be achieved in a number of different ways, depending on the characteristics of the entity being sold and its marketability.

A "trade sale", using auction or tender processes, is often used when the expected sale price of the enterprise being sold would only see a limited number of potential buyers and the possible absence of bidding pressures to maximize the price received.

A trade sale will normally involve an extensive process, entitled due diligence, whereby the seller undertakes a comprehensive review of the business for the benefit of potential buyers covering matters such as the financial history of the business, the nature and condition of its physical assets, its financial condition (including details of debt and liabilities), the markets being served by the business and its prospects. An essential element of the sale process, if the results are not to be challenged, is total transparency. A lack of transparency, if foreign investors are involved, could impact on the country's reputation for foreign direct investment purposes.

It is valid as part of a trade sale, especially when critical infrastructure is involved, to seek to ensure that potential buyers have the necessary expertise and management skills to operate the business.

If the government has concerns at the impact of a trade sale on the provision of essential services to uneconomic sectors it can include community service obligation clauses in the sale conditions. These clauses could prescribe routes to be served and include price control mechanisms. Care needs to be taken that the inclusion of such clauses does not disadvantage the privatized enterprise relative to its competitors or result in extensive or unfair cross subsidization. A more transparent approach may be for the government to meet the cost gap associated with the provision of such services.

A "public equity issue" is another sale approach to transferring ownership and control of a public enterprise. The equity issue approach is commonly used with very large enterprises (such as telecommunications businesses) where it is unlikely that a single purchaser could raise the necessary capital.

Public equity issues are normally preceded by a valuation of the enterprise and the subsequent issue of a prospectus to the public which shows the same type of information revealed in the due diligence process. The main difference is that in a trade sale potential buyers engage merchant bank experts to assess the information. The prospectus distills and presents the same information in a way that is more easily digested by the large population of potential small investors, looking at issues such as net asset backing and earnings ratios for expected share prices.

An "equity issue" is a task of substance requiring experts to package, market and underwrite the issue. Indeed, whichever of the above sale approaches are adopted the government would be wise to engage legal and financial experts to ensure a smooth sale process.

Partial transfer of ownership and control

It is also possible for a partial sale to be undertaken of, say, 30% of equity in an enterprise. Using this approach the government can retain control of the business while reaping the benefits of sale proceeds. A partial sale can, however, give rise to conflict as the government tries to satisfy the commercial expectations of shareholders while at the same time honouring its own infrastructure policy commitments to the general public.

An example of the above is provided by the French Governments partial privatization of Air France announced in early 1998. The partial privatization will see 40% of the company sold off, with 17% going to the public and 3% to employees. In an innovative move a further 10% will be offered to pilots and managers in exchange for wage concessions as part of a move to lower costs.

One of the objectives of the sale is to make it easier for Air France to enter alliances with other international carriers[2].

The franchise/tender approach

A privatization approach which can have useful application, particularly in thin trades where a sale could give rise to a monopoly, is to franchise or tender out the management and operation of the enterprise for a fixed period, with the government retaining ownership of the business. This approach relies on generating competitive pressure through the tender process. The approach can even work on inherently loss making routes where community service obligations are involved by minimizing the government contribution to the revenue/cost gap arising from providing the services.

Foreign ownership and/or control

An important issue which needs to be considered as part of any privatization process is the extent to which foreign ownership and/or control will be contemplated. If, for example, for strategic reasons the government decides to limit the extent of foreign ownership and/or control there would be a direct impact on the sale process.

In the case of a trade sale foreign participation limitations may restrict the number of potential buyers. Under these circumstances the success of the sale will depend on how many domestic private businesses there are with the financial and operational capability to acquire and run the privatized enterprise.

In the case of an equity issue a major concern may be the extent of development of the local capital market and its ability and willingness to invest in the privatized business.

It should be noted that a sale to a foreign purchaser may bring benefits in the form of business experience, skills and resources. Before discarding foreign participation the loss of ownership/control may need to be weighed against the benefits to the nation of increased efficiency in the business.

As noted above the privatization of the state owned Thai Maritime Navigation Co (TMN) could see the Chinese company COSCO become a significant equity holder in TMN. With the Thai government looking to an expansion of TMN and its merchant fleet generally, an alliance with a major shipping line can provide many benefits, including access to the partners

Reference: One fifth of Air France up for sale. the Australian, 25 February 1998.

international shipping and agency network and management and technical expertise. In these days of intense international shipping competition a small line often just does not have the critical mass to survive, let alone expand.

The regions experience in public sector participation in shipping

The region provides an interesting cross section of examples of public sector participation. The developed countries, with an inherent disadvantage in competitiveness are either not involved in public shipping services or are withdrawing from them. Some developing countries (e.g. the Philippines and Thailand) are withdrawing from public shipping in order to promote private sector participation and/or improve efficiency. In some countries the rate of economic and private sector development is such that the public sector must be involved to ensure the provision of essential services (Bangladesh, India and Pakistan). In some countries the publicly owned shipping enterprises are an integral part of the nations macro-economic strategy (China, Indonesia, and Malaysia).

Australia

The Australian Government announced in 1993 an intention to sell its 100% government owned shipping corporation, the Australian National Line, which participates in international liner trades and coastal bulk trades. The sale process has been delayed pending a restructuring of the company to improve its financial position and saleability. The Australian Government has recently announced an allocation of budget funds to reduce the lines debt to assist in the sale process.

Bangladesh

Bangladesh has a 100% government owned shipping corporation, the Bangladesh Shipping Corporation. There appear to be no intentions at this stage to privatize this corporation. The Government is considering measures to increase private sector participation in shipping.

China

China has a number of state owned shipping enterprises which operate in international and domestic markets. These companies are subject to Chinese maritime law and regulation just like private shipping companies and are expected to compete in shipping markets on their own merits without assistance or preference from the Government of China. COSCO, a wholly owned

subsidiary of the Ministry of Communications, is one of worlds largest shipping companies with over 600 vessels.

India

The Government of India is extensively involved in shipping through its 80% ownership of the Shipping Corporation of India Ltd. (SCI).

SCI is the largest shipping company in India and, with 117 vessels aggregating about 3 million gross registered tonnes, accounts for over 45% of total Indian tonnage.

SCI will benefit from recent liberalization initiatives directed towards Indian Public Sector Industries which will allow SCI more powers in decision making in respect of capital investment, forming joint ventures and setting up offices abroad.

Indonesia

The Government of Indonesia has a 100% government owned shipping corporation. The Government has exempted the corporation from some taxes in order to assist its competitiveness.

Islamic Republic of Iran

There are a number of government owned shipping companies in Iran, e.g. I.R.I Shipping Line, Boscow Shipping Co. and Iran-O Hind Shipping Co. The Iranian Government is looking to increase the involvement of the private sector in the provision of shipping services given a perceived reduction in the need for a government presence.

Japan

The Japanese Government is not involved in the provision of shipping services.

Republic of Korea

The Government of the Republic of Korea is not involved in the provision of shipping services.

Malaysia

Malaysia has two national lines Malaysian International Shipping Corporation (MISC) and Perbadanan Nasional Shipping Lines (PNSL).

MISC was listed on the Kuala Lumpur Stock Exchange in March 1997. The Malaysian Government is effectively the majority shareholder in MISC holding 58% of the equity - 29% being owned by Petronas (Malaysias national oil company), 9% by the Employees Provident fund, and the remaining 20% by the state government and government agencies.

PNSL is majority private sector owned. Konsortium Perkapalan acquired a 100% of PNSL in 1995 following an equity purchase from Pernas, a government trading corporation. Konsortium Perkapalan is 88% private sector owned.

Myanmar

The Myanmar government is directly involved in the provision of shipping services through its 100% owned Myanmar Five Star Line (MFSL). MFSL operates international shipping (both conventional and container) and coastal shipping.

New Zealand

Effective government involvement in shipping as an economic and trade policy adjunct ceased with the sale of the loss making New Zealand Shipping corporation in 1990. Current involvement is restricted to a 24% equity holding in a shipping company owned by South Pacific governments.

Pakistan

In 1974 all private shipping companies in Pakistan were nationalized as a matter of government policy. In 1993 the Pakistan Government took moves to encourage the private sector to acquire ships and compete in the open market with the national line, the Pakistan National Shipping Corporation, on the basis that full public participation was no longer required.

Philippines

The Government of the Philippines until recently owned two shipping companies, one providing liner services to the United States and the other

providing coastal oil tanker services. These companies are either in the process of being, or have been, privatized.

Sri Lanka

Sri Lanka has a fully owned shipping corporation entitled the Ceylon Shipping Corporation (CSC) which was established during the 1970s. As a relatively small corporation CSC experienced difficulty competing in the strong markets of the late 1980s and later years and its financial position eroded significantly. The aims of the Sri Lankan shipping policy covers measures to develop its national fleet, including revitalizing CSC. Policies relating to CSC are being reviewed by the government in light of its current trading position.

Thailand

The Thailand Government participates in shipping through the Thai Maritime Navigation Co. (TMN), a wholly owned non-vessel owning common carrier which benefits from access to government cargoes. TMN is to be privatized with minority equity to be held by the state.