



Inspiring Excellence

## **Internship Report**

### **Submitted By**

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### **Submitted To**

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**Your Inland & Coastal Shipping Partner in Bangladesh**

## **Internship Report**

**On**

**A study on the challenged encountered by the  
Shipbuilding Industry of Bangladesh**

# **Letter of Transmittal**

2<sup>nd</sup> August 2018

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**Subject: Submission of internship report**

Dear Sir,

As a requirement for the internship course with immense gratitude and pleasure I am submitting my internship report on the topic of “ **A study on recognizing the recent challenges and issues regarding the Shipbuilding Industry in Bangladesh**”. I would like to thank you for **all your help and guidance towards me for making this case study a presentable one.**

Doing this report helped me acknowledging the major differences between practical and theoretical knowledge. This is solely a newly articulated study, I ensure that it hasn't been submitted to anywhere else before.

Sincerely

Rubaiya Islam

ID – 14104059

## **ACKNOWLEDGMENT**

With help and enthusiasm from various influential person of both my academic and professional life, this report turned out to be a successful one. I humbly show my gratitude towards everyone who helped me to complete this report without any hassle. To the interviewees to my fellow colleagues and above all my internship advisor and faculty MR. M. N Baki Billah sir. It gives me immense please to my faculty N.M Baki Billah sir for helping me, his enthusiasm and all time optimistic mindset to make me finish the report on time. Also, my heartfelt gratitude towards Mr. Kazi Ahmed director of Operations & IT of RiverLine Logistics & Transport Limited who helped me organizing the interviews and necessary documents to prepare this report. Without his support and consideration this report wouldn't have been complete.

## Executive Summary:

Regardless of having a splendid background as a shipbuilding country since its inception the shipbuilding industry in Bangladesh got its necessary attention and focus only a few years back. By the belief and positivity among the native entrepreneurs is a major factor for all the accomplishment of this industry. They had the positive mindset of building ships and hand over ocean – going vessels to the external consumers. Since then the industry did not have to go back to its old form. Opportunities are knocking at the door. Although the industry has a lot to do in order to flourish like any other shipbuilding industries in the world. However, an overview of the industry in order to analyse and complement the issues and complexity is inevitable. This paper mainly focuses on the competitive factors and crucial issues that has not been immovable yet. With aspect to the existing situation of the industry few recommendations have been made as well.

## Organization Overview:

### Company Background:

RiverLine was established in 2015 with an objective of providing efficient logistic & transport resolutions to their customers who are presently involved with transit and inter country trade among the regions including Bangladesh India, Nepal, Bhutan and Myanmar, be it coastal, inland rivers or by multi-modal transportation service. The agreement signed between Bangladesh and India in 2015 regarding the protocol on Inland Waterways Trade & Transit has moulded the whole scenario of inter country trade by removing barriers and creating new opportunities.

All the while, with the foundation of inland stream holder terminal west of Dhaka called Pangaon ICT a third alternative has been opened for inland haulage of Bangladesh send out/import compartments in the Dhaka-Chittagong passageway against the hardware obliged railroads and congested street transport framework where the half backs frequently keeps running up to 30 km. The main entryway for expansive scale compartment development in Bangladesh is Chittagong Port which is taking care of more than 2 million holders now, with a normal development rate of 11 percent for each year. The new inland haulage chance of holders by conduits will diminish clog in Chittagong Port and additionally in the surface transport framework to some degree and will give a more secure, advantageous and condition neighbourly transport of compartments inland.

The main vision of RiverLine Logistics & Transport Limited is to create a network to provide solution to any thought-provoking logistics and transport problem of the customer and above-mentioned scenario along with to deliver Dhaka-Chittagong and Dhaka-Kolkata/ Haldia direct sea-river container feeder services with two brand new NKK Class 140 teu capacity vessels.

### Service Description:

The major logistics and transport support provided by RiverLine is the container feeder service, cargo handling service, multimodal transport service along with business advisory and LCL consolidation service.

### Introduction:

Being a maritime nation with 1,66,000 sq km area of sea and countless resources Bangladesh has always had the flourished opportunity of growth in the shipping industry. More than 200 rivers are covering almost 22,155 km which is 11% of the net area of the country. Rivers and water plays a major role in the aspect of our economy and commercial activities. About 85% of the total export -import of Bangladesh is covered by sea and coastal service. Currently, over 5000 inland ships are performing and delivering services all over the country which carries more than oil product, garments product, cargo etc. The employer number of this industry is approximately 4,00,000 and about 2,50,000 skilled and semi -skilled respectively. All the inland ships are built and refurbished in the local ship yards. Bangladesh is considered to be the second largest ship breaking industry in the world. For the renowned shipbuilding yards these shipbreaking industries is the key of resources which includes raw materials, engine, frame, longitudinal, pipe, generator etc. The shipbuilding industry is an emerging industry with significant potential in Bangladesh. The inception of this industry is evolving in the country since the ancient time. When the locally made ships started to be exported, the optimism about the industry growth tend to increase in the recent years. Despite having numerous opportunities this industry tends to face few challenges to flourish. In this report, an exertion has been made to assess the present shipbuilding businesses in Bangladesh. At initial, a general photo of this industry has been portrayed by recognizing the real shipbuilding practice in both open and private part. Important information has been investigated through broad survey of writing, communicating with shipyard and ship proprietors also data collected from journals and articles that has been published regarding this topic. The possibility, ability also, issues of the shipbuilding division of Bangladesh have been distinguished and a few suggestions have been made in accordance with this report.

## Literature review:

Abundant amount of research has been done regarding the shipbuilding industry and its prospect in Bangladesh. A lot of the researcher tried to focus on both challenges and solution at the same time. As a result, to find all the major issues within a single paper is a rigid problem. However, in the past the shipbuilding industry of Bangladesh neglected to keep pace with consistency because of the absence of appropriate government and private activities and hostile to industry outlook of the country. This has at last caused non-entrance in global business as a shipbuilding country. In future, a few issues like wellbeing, productivity and natural concerns will transform this segment into a more inventive one, which may empower the new age to confront the difficulties to determine the issues emerging out of it. Nations with huge populace like Bangladesh may feel urged to approach in labour serious shipbuilding area due to their inexhaustible labour. If we breakdown the problems in different aspect then the major factors would be financial, environmental, regulatory, marketing, etc. There are many shipyards and workshops in Bangladesh of which 124 have been accounted for to be enlisted with the Department of Shipping (1). Out of these shipyards, roughly 70% are situated in and around Dhaka and Narayangong at the edge of the stream bank of Buriganga, Shitalakha and Meghna. Around 20% shipyards of Chittagong division are situated at the edge of Karnapuli stream and 6% are situated along the bank of Poshur waterway of Khulna division and remaining 4% are situated in Barishal division (2). The greater part of the waterfront crossing ships are fabricated and repaired locally in these local shipyards of Bangladesh. Confined homegrown Bangladeshi shipyards are essentially creating steel transports that are fitting for inland and coastline water. There are 69 disconnected shipbuilding and repairing yards at various territories of Bangladesh that are manufacturing and repairing all the inland and shoreline front water transports. The current circumstance of the business faces a great deal of difficulties. Bangladesh's family unit steel creation is deficient to deal with national request, which is evaluated at 5 million tons for each year. The country has around 250 to 300 moving plants at exhibit in movement. Their creation—fundamentally Bangladesh's private steel yield—is evaluated at around 2.2 million tons for each year, with bargains regarded at \$1.2 billion. Current improvement uses of bars likewise, bars is 2 million to 2.5 million tons for consistently. The SBRI yield in Bangladesh, either plate or be condensing scrap, for the most part energizes the humbler chairmen who make perhaps 70 percent of re-moving manufacturing plant yield as lower-quality 40-audit post. These more diminutive processing plants are predominantly arranged in Chittagong and Dhaka. Using late yearly ordinary of 1– 1.25 million tons of scrap yield from Chittagong's ship



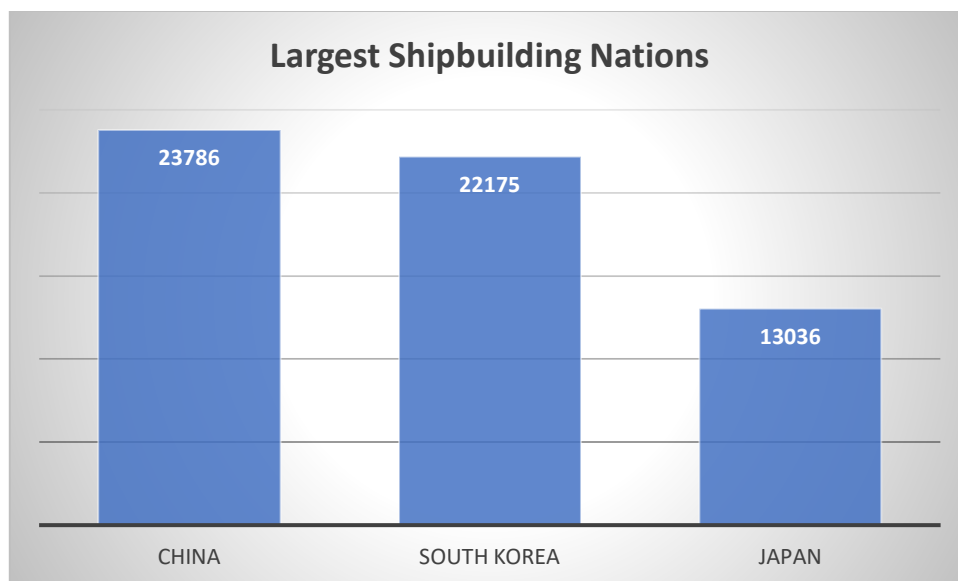
breaking yards, it evaluated that Bangladesh's SBRI contributes basically to the country's steel creation – possibly up to 50 percent, this downstream enthusiasm for steel scrap has been a significant primary driving force in the improvement of the SBRI in Bangladesh.

The blueprint of the Bangladesh`s shipbuilding industry initially:

Number of Companies	130
Active player	18
Active Yards	61
Number of Yards	79
Under Construction	08
Closed	09
Proposed	01

Source: Chittagong Environment Department, 2010

On the other hand, comparing the situation of Bangladesh globally would provide a different scenario. South Korea, China and Japan have been driving the world shipbuilding for as far back as couple of decades. Here`s the largest shipbuilding nations in 2017, based on completions in gross tonnage (in 1,000s) according to the statistics portal:



Recently couple of Bangladeshi shipyards have acknowledged orders from abroad. Now if we compare the global and Bangladesh`s order regarding shipbuilding the statistics would be more

legit. As indicated by (3) these are the numerical distinction between shipbuilding contracts gotten by real shipbuilding countries and Bangladesh.

<b>Year</b>	<b>World Total (Vessel number</b>	<b>China (%)</b>	<b>Japan (%)</b>	<b>Korea (%)</b>	<b>Bangladesh (%)</b>
2001	2500	16.00	20.80	9.20	0.08
2002	2250	11.11	22.22	10.00	0.00
2003	3100	16.29	22.58	16.45	0.10
2004	3900	20.26	21.79	13.08	0.10
2005	3850	20.78	13.25	12.73	0.03
2006	5050	29.70	14.85	14.85	0.08
2007	6600	33.33	11.21	19.70	0.35
2008	3000	30.00	16.50	13.33	0.57

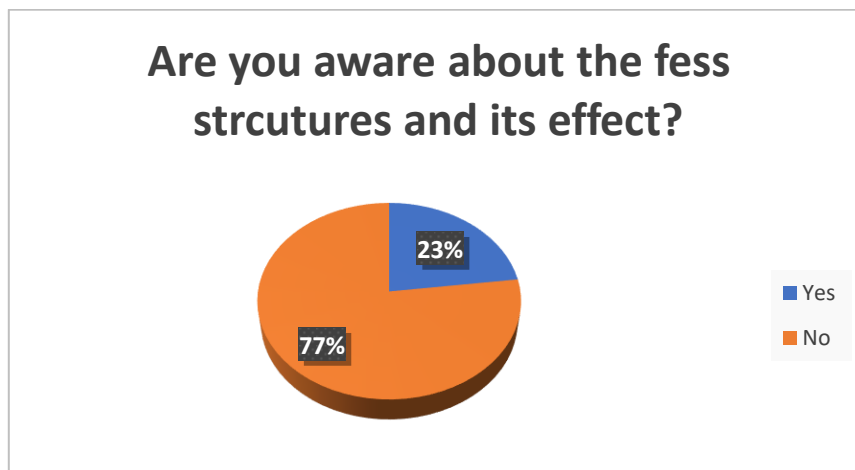
Here the measurements most likely amplify that Bangladesh has been behind the opposition of shipbuilding from the earliest starting point. As per (K. Iqbal, N.M. Zakaria, Kh. Akter), there are 69 private shipbuilding and repairing yards at different areas of Bangladesh that are fabricating and repairing all the inland and seaside water transports. (5) The pioneers of world shipbuilding industry are not charmed to gather little ships of under 25,000 DWT and that market is accessible to the next shipbuilding nations. The present normal expanding rate of boats in tonnage is around 21 million GT every year. Considering US\$ 7,620 development cost for every GT, add up to worldwide market estimate is US\$ 1,600 billion. On the off chance that Bangladesh can snatch 1% of the worldwide request of little ships advertise just (which is about US\$ 400 billion), the sum will be worth US\$ 4 billion. (6)

## Methodology of the Study

To classify the issues and difficulties regarding the shipbuilding in Bangladesh, a short – term review has been done as the time and calendar were restricted it wasn't conceivable to go on field to have discussion with the centre individuals. Although, help from various research, paper, diary has been taken as a wellspring of optional research. Diverse insights and paper with respect to the current and forthcoming shipyard has been contemplated keeping in mind the end goal to have an inside and out information about the business. Shipbuilding process, which incorporates dispatch configuration, steel treatment, plating and area arrangements, creating and so on has been watched. Valid insights given by the Chittagong port has been utilized keeping in mind the end goal to quantify the significance. Albeit couple of nonexclusive open-finished inquiries have been asked to the general population on Khulna shipyard on a one-day see visit the example number of the general population is 5. Basic and discretionary data about work, work hour and work cost were assembled to survey the standard of neighborhood shipyards and to differentiate them and other shipbuilding nations. Capable help was coordinated through overview and gatherings. The legitimate set up, working condition, organization practices, execution and future vision of neighborhood shipyards were also differentiated and other shipbuilding nations.

## Analysis and Interpretation of the Data

By the questionnaire and on spot interview the core goal was to recognize the major challenges and assessing the knowledge of the workforce regarding the constant changes within the shipbuilding industry throughout the world.



Upon asking the question of financial feasibility we asked the labor force that if they are aware about the structure of the fees 77% of them are not aware about the structure fee in the industry. Due to the strict regulations of the authority asking the in-depth question wasn't possible. Hence, there might be different scenario as well regarding the acknowledgment among the workforce. Shipbuilding is capital and work escalated industry. The neighborhood business banks are most certainly not independently equipped for making required venture in this industry. In addition, consortium financing is tedious and a mind-boggling process, which isn't so positive for making interest in this part. There is no standard system for framing consortium and thus when a shipbuilding contract is acquired, the time slack of anchoring account by shaping consortium murders the agreement. There is deficiency of capital and venture particularly when the size of speculation is to the tune of 100 to 1000 crore or more due to the hazard is thought about as well high for both the business people and investors. As a comes about, efficiency development and fare advancement are being obstructed. High rate of intrigue is connected on mechanical and working capital advance. Existing rate of intrigue, going from 12% to 16% for mechanical and working capital advances, isn't appropriate for the improvement of this segment. Though 7% rate of enthusiasm on send out credit is winning for other fare segments like prepared made piece of clothing segment.

On the other hand, while talking to one of the key manager on the shipyard he referred the fact that the current shipbuilding industry throughout the world are bringing major changes whereas here bringing technical cost a lot more than the expected revenue. Also, economic recession is a major reason as well. Economic subsidence has caused a drop popular for vast vessels. Worldwide monster shipbuilders can't benefit from this new market request, as their ventures will turn out to be unfeasible because of the high overhead costs they effectively hairy. Besides, orders for little ships have gone up because of the worldwide money related emergency. Again, shipbuilding history has seen that, in the retreat, South Korea extended its ability as opposed to diminishing business scales like Japan. Another issue is the management and organization co-ordination challenge. The greater part of the nearby shipyards doesn't take after corporate administration culture. Relatives and companions possess the critical administrative arrangement like chief, official board of trustee's part and so on of the neighborhood shipyards. Such family and companion administration culture are one of the preventions to the improvement of the business and furthermore won't proportionate with global field.

## Findings of Study

The major identified challenges in the shipbuilding industry currently facing is in the technological, environmental and financial second.

Firstly, there is deficiency in the quantity of auxiliary ventures to help the shipbuilding business as in reverse linkage by giving administration and providing boats' segments. The neighborhood shipyards are having absence of innovative work (R&D), which at last neglect to achieve any advancement and innovative improvement for value intensity in global ship markets. At exhibit Bangladesh isn't working in the field of ship plan, however gifted labor is accessible. Thus, absence of sufficient and master configuration firms and mastery in configuration are an obstacle for high esteem included item. More finished, a large portion of the nearby shipyards have lacking in terms of current shipbuilding apparatuses, hardware also, innovation. In the meantime, absence of master machine administrators is found in the most nearby shipyards. Neighborhood shipyards proprietor think about each human asset improvement program as cash deplete, not pick up. That is the reason they are looking after poor preparing offices of the specialized work force. Despite, the long legacy, Bangladesh has neglected to keep pace with consistency with the consistent mechanical advancement of worldwide shipbuilding industry.

From a practical angle the GDP of Bangladesh would be very impacted by the advancement of Shipbuilding industry in Bangladesh. Passage salary from the country's shipbuilding part has flooded starting late in view of giving over of a couple of high-regard pontoons to remote associations after a tired advancement saw during the latest couple of years, insiders have said. They are getting the opportunity to be bright of the part to contribute more to the country's charge pay soon, if there is enabling plan support exceptionally negligible exertion subsidize. As demonstrated by the Export Promotion Bureau (EPB), the country earned \$30.45 million in the underlying five months (July-November) of the current financial year (FY) 2017-18, a generous improvement of 460.77 for every penny diverging from the relating time allotment in past FY. In July-November time of FY 2016-17, the country exchanged boats and other drifting structures worth \$5.43 million. The total passage figure for whole FY 2016-17 was \$65.61 million, an improvement of 230 for every penny from \$19.89 million in FY 2015-16. Passage benefit from the division were \$0.44 million and \$5.73 million in FY 2013-14 and FY 2012-13 independently. Regardless, in 2011-12 FY, it was \$45.95 million, the official data revealed. As demonstrated by estimation by Business wire, an overall money related data examination office, around \$650.83 billion will be spent for the procurement of new ships in

the year 2026 over the globe. Sources said the country may tap the multi-billion-dollar opportunity riding on its bent and long tradition in shipbuilding. The overall market is driven by China, Korea and Japan. At whatever point achieved, President of Association of Export Oriented Shipbuilding Industries of Bangladesh (AEOSIB) Dr Abdullahel Bari said the country has gigantic prospect to obtain from the overall shipbuilding market. "The overall shipbuilding industry is creating at an important rate starting late," he said including: "The division will see an energetic advancement from quite a while from now as shipyards are getting extended solicitations." Mr Bari, official of Ananda Group, a pioneer in vessel convey similarly said nearby market has ended up being essential for the shipbuilders. "It will be our first work to develop our water crafts free from any other individual, not by remote shipyards at higher cost," he said. Valuing the capacity of Bangladeshi ship makers, the veteran creator expressed: "Our specialists are particularly intense to place trade out the portion who are giving the country an identity of a ship exchanging nation." Be that as it might, higher cost of wander is the basic test for the fragment, he said. The shipbuilding business is crucial one considering its quick association with indicate convey import and stock dealing with to and from the country. Bangladeshi Shipyards need to pay a twofold digit (12%) advance expense for sponsoring from the banks. "India and Vietnam governments are giving without intrigue credit to a period of up to 20 years," he said. Sources said around 300 shipyards are working in the country with work of more than 0.3 million people. They incorporated that not in the slightest degree like diverse endeavors including garments, shipyards require extended period from hypothesis to profit ensuring. This is the reason various banks are reluctant to place assets into the part. Also, improvement of a ship generally requires more than two years. In addition, shipyard proprietors need to pay import commitment on rough materials went for dispatch advancement in the country, which is contrary to the mechanical methodology. The masters concerned failed address the issue, paying little mind to impact from shipbuilders. Among such challenges, the ship engineers are doing outstandingly, said the AEOSIB president. "In next five years we will be outstandingly powerful in shipbuilding," he said including that: "Bangladeshi producers can create convey with capacity to 15,000-20,000 Dead Weight Ton (DWT)." Ananda Shipyard and Slipways is as of now more revolved around neighborhood promote starting late, he included. According to the sources, for the latest couple of years, simply Western Marine Shipyard (WMS) Limited has been conveying vessels. While achieved, the WMS Company Secretary, Shahadat Hosen said the WMS has quite recently conveyed 15 vessels including pontoon, burst and ships in date-book year 2017. Of those, selective three water crafts brought \$30 million generally. The association earned \$2.6 million from exchange the year 2016.

"Starting late we have sold an Offshore Patrol Vessel (OPV) to the lawmaking body of Kenya through a Danish buyer at a cost of \$18 million," said Mr Shahadat. He in like manner said two unique vessels have also been sold at nearly \$10 million each starting late. These earnings have been reflected in around five times advancement heading diverged from initial half of a years back. The WMS is making different water crafts for both worldwide and neighborhood buyers. Sources said the country conveys vessels to countries including the UAE, Denmark, Germany, Norway and India. Buyers pick Bangladesh for negligible exertion and openness of unassuming work. The part's marvelous achievement is in reducing the import dependence, said Tariqul Islam, official head of Ananda Group and a sea artist. "We are meeting whole of the area asks for starting late", he said including that close-by transport structures yearly market regard is about \$1 billion. His association has been making vessels for government and non-government affiliations like Bangladesh Inland Water Transport Authority (BIWTA), Bangladesh Inland Water Transport Corporation (BIWTC) Bangladesh Navy, Chittagong port, Mongla port and others through overall fragile. With the country's creating economy of late, shipbuilding zone will in like manner prosper to deal with the extended interest for items and diverse stock, he said. "The council should get a renegotiate plot for supporting the region," he said. In addition, Banks should extend the term for progress against trust receipt (LTR) to over multiyear for the shipyards as it expects speculation to make advantage from building a ship, he included. Then again, Bangladesh does not make inert gases. Subsequently creation with aluminum and other relative works persevere. Importation of sit without moving gases is inadequate, and schedule of import is decided for forcing plan of action profiting. Non-availability of latent gases in neighborhood exhibit put obstructions for these assignments. Other required gases are moreover not easily open. In a ship, there are around 4000 uncommon parts, which are to be presented inside a to a great degree confined space of the ship. Unlike arrive foundation, electrical fitting and foundation are extraordinarily delicate in boats and needs more precision. There is a nonattendance of gifted work in Bangladesh in such showed field and particularly in electrical foundation and fitting. Nonappearance of model testing and diverse workplaces in Bangladesh moreover matter. The age of the Department of Naval Architecture and Marine Engineering in Bangladesh University of Engineering and Innovation is 35 years. Towing tank was typical by the Department since its establishment. Be that as it may, the trust has never watched the light. NDT and Design Lab workplaces are moreover poor in every association and shipyards around Bangladesh. Likewise, other than government asserted dry-dock, none of the shipyards have the dry-docking workplaces. A substantial segment of the shipyards are arranged in and around Dhaka, a long way from the sea. This is certainly not a respectable

method to manage make shipyards for building sea vessels. The conduits and channels are a great part of the time silted. It is to a great degree difficult to keep up channel for needed level of security for ships move. The constrained draft (Maximum 4.0 to 4.5 Meters) is the restriction to the range of a ship that can be understood these shipyards. Platforms and overhead connections may induce new containment to the ship gauge that may be worked in a few shipyards arranged in the hinterland. There is no adequate support industry to convey required standard of MS plate prerequisite for dispatch advancement. What's more, the poor correspondence amongst upward and plunging system in the regulatory chain exists. Focus organization neither acknowledges any budgetary master nor essential authority process (with little exclusion in couple of shipyards). In this way, poor gather and control and immaterial duty of the laborers toward the affiliation viewed.

### Recommendations:

Focusing on the quality of the shipyards and its resources should be one of the main goal of the local shipyards in Bangladesh currently. Quality is the prime necessity of shipbuilding industry. A ship, which handles on the ocean far away from the shore for a significant number day at a pressure, must be perfect. Quality in a shipyard generally keep up by quality control gathering of shipyard itself, by the order society and by the proprietors' agent. This is extremely requesting that everybody in the framework must be mindful, committed and in addition arranged to experience strenuous exercises. A chain of such experts is vital. Be that as it may, it is missing in nearby shipyards. It needs time to grow such quality affirmation exercises in neighborhood shipyards. Also emphasizing on the financial and quality resource control should be done too. As well as the chain of hierarchy and decentralization should be maintained to achieve overall organizational success. Bangladesh is inadequate in the security culture. Security is a long-haul speculation. Although the underlying cost for security confirmation might be high, the pickup in the long run is aggregate and it adds to the quality. Bangladesh must be focused with the other shipyards around the globe. Government may support benchmarking exercises.



## Conclusions:

Bangladesh is a developing nation. Each and each subject of this nation expects the improvement of the nation. Be that as it may, in most of the cases it isn't emerged in all actuality. Before, we fizzled a few times to take the focal points and lucrative chances of present day exchange and trade due to the deferral in our reaction. Thus, our by and large financial advancement has without a doubt been intruded on over and over. So, the concerned experts must be vigilant and cautious to take the chance to drive the shipbuilding division ahead as a push division through settling the recognized issues leaving no deferral.

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