

Shipping investment and business management

This special issue is gathered from selected papers of the 2016 Conference of the International Association of Maritime Economists, Hamburg, and independent papers submitted to the special issue. The theme of this special issue is Shipping Investment and Business Management, and it consists of topics in ship finance, economies of shipping and management studies in ports and liner shipping. It covers a broad fraction of the field from some firm-level problems to macro topics such as internationalization of liner shipping industry. We would like to thank all authors for contributing to this special issue.

Bankruptcy risk is one of the existing gaps in the ship investment literature. Only a few studies investigated the problem, while a huge number of ship owners enter and exit the market in relation to the state of shipping markets. A critical challenge behind this kind of research is the lack of firm level data including some financial indicators. In the past decade, there is a growing volume of public offerings; therefore, many shipping firms are much transparent and open for public investigation including researchers in the field. In a numerical study of Grace Wang, Zhisen Yang, Di Zhang, Anqiang Huang and Zaili Yang (Application of Bayesian networks in analyzing tanker shipping bankruptcy risks), Bayesian network analysis is used to develop a prognostic model of bankruptcy in tanker shipping, which may predict upcoming financial threats based on past experiences. Considering the volatility and uncertainty of the shipping markets, an early warning system is an essential need particularly in an era in which capacity of artificial intelligence is improved significantly.

Another interesting research question in this special issue is whether operating much bigger containerships really improves the economy of scale and reduces cumulative cost of liner shipping operations. Ulrich Malchow investigates the question and supports the argument that growing containership size does not eventually reduce the cost of shipping (Growth in containership sizes to be stopped?). In his provocative title, author even proposes to terminate such developments in coordination with ports and terminals. Based on some numerical evidences, this study indicates that no further improvement would be gained in this stream of upsizing containerships. This study particularly reflects potential outcome of operating containerships over 21,000 TEU capacity (also known as mega ship).

Accounting economics is definitely an established and distinct research field investigating interactions between accounting, economics and finance. Growing volume of publicly traded shipping firms has also increased particular interest on uses of accounting principles and comparability of firms among shipping firms, as well as other industries. Therefore, accounting economics of shipping industry is a very new and untouched study area promising significant research ideas. In their paper, Okan Duru, Joan P. Mileski and Ergun Gunes emphasize the new accounting regime and its impact on the accounting of publicly traded shipping firms (Performance obligations for “Revenue from Contracts with Customers” principle in



the shipping industry). The International Financial Reporting Standards (IFRS) and generally accepted accounting principles (GAAP) of the USA enforce a new structure for revenue recognition process for contracts with customers, hence including charter parties for shipping. In contrast to conventional practice in the shipping industry, the new approach requires a stepwise definition of shipping services (e.g. ballast voyage and cargo loaded) and recognition of revenues based on pre-defined steps of shipping service. Eventually, there are financial results because of faster revenue recognition, and the application of new structure may improve comparability of shipping firms with other industries.

An emerging topic in ship investment is the impact of the new fuel-efficient ships and their long-term return to ship investors. A critical question is whether fuel-efficient ships would be preferable enough to create some additional returns and competitive advantage in the shipping market. Jeroen F.J. Pruyn deals with this question from an opposite perspective by the question “Are the new fuel-efficient bulkers a threat to the old fleet?” So, rather than figuring out whether fuel-efficient ships are valuable enough to invest, his interest is on whether fuel-efficient ships steal a portion of market from old traditional ships. A significant amount of shipping fleet is still not fuel-efficient, and new ships may be a threat for conventional ships in terms of commercial superiority (higher freight rates and higher commercial use). Empirical results do not indicate an emerging threat at the current state of market, while a strong potential of phase-out may arise with the increasing volume of fuel-efficient fleet.

Wang Mariner investigates the economic impact of Panama Canal expansion to canal authority’s revenue as well as shipping cost (The role of Panama Canal in global shipping). A numerical study reflects fiscal benefits and costs of the expansion to canal operator and users. From users’ perspective, it is expected to be cost reducing as far as a reasonable canal fee regime is followed by the canal authority. Panama Canal expansion is also a mega project with a huge initial cost. According to the empirical results, the canal expansion is a win–win project, which improves revenues from canal operation and reduces costs for ship operators.

African ports have grown dramatically in the past decade, and some common problems of a developing shipping port are now in their emerging agenda. Increasing volume of cargo brings various port management challenges such as port expansion, capacity building, use, hinterland planning and so on. In “Evaluation of dry port implementation in Ghana”, Kwame Owusu Kwateng, Archibald Donkoh and Abdul Muntaka investigate dry port location problem from the point of transport geography and regionalization of national ports.

The term “global” is frequently used with the shipping industry, which is definitely an international business. However, the international aspect of the industry does not directly promote any shipping firm to be a global company. There is no precise definition of being global, but the service coverage and being in a region physically (e.g. local office) are some very direct indicators of “internationalization”. Connectivity or centrality is well studied in the context of liner shipping, but internationalism is another aspect, which reflects the presence of a liner-shiping firm at the hinterland of connected ports and regions. In “Internationalization within liner shipping: an examination of the sales network structures of shipping lines”, Kotzab Kotzab, Günter Prockl and Aseem Kinra have focused on the internationalization of the top 20 liner-shiping firms through the number of local offices and regional presence around the world. In this interesting study, authors emphasize that some firms are well established

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in terms of internationalization, while some of them are not really international comparing to other players in the market.

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