

PAYAM DARYA

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MARITIME EVENTS

IRISL with Half A Century Experience; In Service of the Country's Marine Transportation

National Fleet; A Companion to the Country Against Sanctions

Our Perspective; Being Pioneered in Marine Transportation

National Fleet; A Companion to the Country Against Sanctions

Your Global Partner

Your Global Partner



National Fleet; A Companion to the Country Against Sanctions

National Fleet; Concordant to National Economy's Growth

IRISL; Your Global Partner

National Fleet; A Companion to the Country Against Sanctions

National Fleet; Concordant to National Economy's Growth

IRISL; Your Global Partner

Your Global Partner

Half A Century in the Arena of International Waters

IRISL; A Valid & Known Brand In the Extensive Global Marine Transportation Network

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IRISL; Our Advocate, Capable & Expert Human Capital

Narrator of Iran's Modern Economy

National Fleet; A Companion to the Country Against Sanctions

National Fleet; A Companion to the Country Against Sanctions

IRISL with Half A Century Experience; In Service of the Country's Marine Transportation

IRISL; A Valid & Known Brand In the Extensive Global Marine Transportation Network

Our Perspective; Being Pioneered in Marine Transportation

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Our Strategy; "Small Core, Large Network; Speed in Operation and Quality in Providing Services"

IRISL; A Valid & Known Brand In the Extensive Global Marine Transportation Network

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National Fleet; Concordant to National Economy's Growth

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An Invisible Hand!

By: *Amir Fallah*
Editor in Chief

When the 21st century began as the new era, the countries of the world stepped toward accompaniment based on an unwritten law and they became united to resolve the ominous shadow of War in the past century which was spread over the countries.

This event which was interpreted as globalization encountered a new crisis i.e. terrorism during the first years of the started century and the campaign of the United States to the Middle East once again led the minds toward the 20th century. However, the mentioned unwritten law which was considered as a refuge for the people and protect them by its shadow encouraged the knowledgeable groups to cooperate more than ever.

This encourage in a digest utterance was economy and the nationalities of the world noticed what destroyed the previous century were a contrast in interests and negative competition. Therefore, having a point of view toward economy and profit for all the people led the world to move toward peace. Although contradictory views haven't brought peace perfectly and comprehensively, the 17 years past from the century demonstrates that a definite regulation which is economy could gather the people around a table and divide the interests in dollars instead of war front.

Despite the last century that contradictions existed in war front and cold war based on different ways of thinking and made the countries to muse between the conflict of socialism and liberalism, the current century has a joint view toward economy and that was free market economy. Meanwhile, establishing organizations such as World Trade ensured the view that the base of wealth and profit's distribution is rooted in competition and noninterference of governments. Because the experience of the 20th century showed the governments' interference permanently led the contradictions in interests and when China as one of the pillars of the East achieved its recordable growth by focusing on free market and the views of its leaders, people noticed the thing that could set the relations to gather them around a table to have sufficient and justly share is called "An Invisible Hand" which was referred to by Adam Smith over the past centuries in "An Inquiry into the Nature and Causes of the Wealth of Nations" book.

Although this phrase were defined based on a mystical-religious literature, the accuracy of that is clear because a hope in the results is possible when governments allow economy and market to repair their relations and improve the difficulties by their own and the role of

governments only is defined as a policymaker.

One of the advantages of this cooperation between the nations was creating trade platforms because the prepared products of human with this idea has no loner belonged to the manufacturing country and they have to be used in West and vice versa.

Accordingly, the more valid thing of this idea relates to infrastructures particularly the ones in transportation and when it comes to trade and transportation, shipping lines will stand in the special position with their high shares in the industry.

Growing increase in economies especially in China, South Korea and Japan as well as the regulations' consistency in Europe focusing on a single economic regulation (The United Nation) led to the trade growth and best performance of shipping lines and consequently encourages every non-specialized individual to buy ships in order to enjoy the efficiency of prosperous shipping up to the point that all the shipping yards faced with the cumulative orders.

What has been proven according to the mathematical rule and of course the human experience demonstrate that when a cancerous growth occurs and the fountain rises to a height a fall will be happen soon and this took

place in the first decade of the current century and caused the unlimited difficulties of 2008.

Evacuation of mortgages' bubbles in America and the end of speculation in this significant global economy were sufficient to face the world which gathered together through the economy and the so-called Persian poem by Sa'adi "No ease for other members then remains" happened.

If the idea of the 21st century had been provided the required thing of people's interest, the catastrophes would be the same and then the effect of America's economy collapse would move the world to one of the unprecedented records of human history at least after the gold crisis.

If we believe that growth and trade move the same direction toward transportation and at the meantime consider the transportation in global trade as shippers, the first loss was experienced by them because by the fall in trade and production worldwide, shipping and marine transportation companies encountered the decline trend of cargos. Considering the rapid economic growth in the world, the capacities increased and the two factors led the indexes to show the difficulty of this crisis more than ever.

Decrease in demand and increase in supply led to a phenomena for shippers of the world than has been never recorded in the history and then it was possible to be witness of a tragic image in ports where ships were abandoned without owners and shipbuilding yards faced a terrible recession. Decline in freight rates and cargos

caused the shipping companies to face the crisis of equity one after the other and because shipping industry innately is a costly activity it has been affected more by the global circumstances.

Meanwhile, successive manpower adjustment and a move toward mergers were an unsuitable action and this continued up to the point where the economic structures and reproduction trade have to be rebuilt. When finally this crisis reached china as a main motor of global trade, shipping companied understood that they fell and talked about the collapse of the industry.

However, the Yellow Dragon finally revived in 2014 and moved toward a more optimal economy by focusing on an efficient program. Meanwhile, the West could find a way for its cumulative debts and the slept giant of the market could once again show the growing indexes and the invisible hand has done whatever it had to be done.

After passing 2 years from 2014, the global economy was assured that it exited from crisis. When we refer to a classic economy, the mentioned topic is enough to assure that if for two consecutive years the economy enjoy growth, it is definitely has been exited form the recession.

Although the world experienced the risk in 2016 again with the Britain exit from the United Nation and the presidency of Trump which were both the product of populism and reminded the terrible war of the previous century, the global resilient could once again continue the way with a little doubt and monitor these two ominous phenomenons

consciously.

The result of economic growth in 2014 finally has been shown when reports of international organizations announced a growth of 3.7% for the world and prosperous indexes in trade i.e. shipping companies have been appeared.

An increase in BDI Index accompanying with increase in china's steel production are defined as reproduction based on globalization. Meanwhile, increase in Howe Robinson Container Index during the first quarter of the current year has completed the positive news in this field.

Trade growth in the East and increasing productions in countries such as Germany and widening of Panama Canal compensate the bitter of bankruptcies of Hanjin shipping company and create a conservative hope for the future. But this time behaviors were assigned different from the previous ideas and if shippers were competing negatively in the previous centuries, now move toward cooperation and creating alliances by having a dice of global economy and exploit the excellent result of the mergers.

Today, the significant increase and reasonable trend in shipbuilding orders as well as the growth of the global economy and the productivity of shipping companies demonstrate that these enterprises although have little fear of recession, could revive the industry once again by seeding hope in the life of that and remaking the conditions assure that the invisible hand in the market is doing its best.



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A man in a blue suit and white shirt is sitting in a light-colored chair, looking towards the left. Behind him is a large Iranian flag with the national emblem and the Shahada. The background also shows a window with blinds and some greenery outside.

IRISL

IRISL CEO:

Iran Ready to Absorb Foreign Investment

Dr. Mohammad Saeedi Says in Iran-Italy Economic Summit:

Iran is the Best Country for Foreign Investment in the Region

Dr. Mohammad Saeedi, CEO and head of the board at Islamic Republic of Iran Shipping Lines (IRISL) stated that today, Iran is the best country for absorbing investment of foreign corporations in various fields in the region.

In Iran-Italy Economic Summit which was held with the presence of members of Iran chamber of Commerce, Industries, Mines & Agriculture, Ambassadors of Iran and Italy, members of parliament and economic activist of both countries, Dr. Mohammad Saeedi remarked: following the implementation of JCPOA, a positive ground has been created for foreign investment in Iran's strategic

plans, the statistics has it that the direct investment of European countries in Iran experienced an upward trend, which has also brought about tangible and constructive results.

Referring to the significance of Iran -Italy relationships, he reminded that Italy has always been the best strategic partner of Iran, moreover, there is a huge potential for increasing the capacities of cooperation

between these two countries in various aspects and fields.

Dr. Saeedi further stated: a key issue is that we are facing some obstacles in banking systems relationships between Iran and Europe. Some believe that the problem exists in Iranian banking system, but the fact is that currently and in the light of new measures, Iranian banking system has considerably improved and



measured up to the international standards, it is also hoped, he continued, we will witness further facilitation of banking relationships between Iranian and top European banks in the near future.

This official figure also proposed that Islamic Republic of Iran Shipping Lines plays a critical and key role in maritime transportation between Iran and Europe.

**“
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AND EUROPE.**

CEO and head of the board at IRISL emphasized that Iran as a countries of Silk Road, holds a very significant and strategic role in connecting Commonwealth of Independent States (CIS) and European countries through maritime, road and railways routes.

Dr. Saeedi asserted: IRISL as Iran’s national shipping lines invites investors to investment in Iran ‘s maritime transportation industry.

Pointing out that Iran has the second largest economy in the Middle East, Saeedi stated that in the last year, the gross domestic product (GDP) of Iran was reached 412 Billion Dollars. Additionally, Iran enjoys rich and diverse sources of gas, oil, mines, minerals and other industries.

With regards to trade in the oil and gas sectors, Dr. Mohammad Saeedi remarked that Iran oil and gas reserves occupy the fourth and first rank in the world, respectively.

He added: Iran is now exporting 2.9 million barrels per day to global markets, which is one of the most significant impacts of JCPOA execution.

In the end, Dr. Mohammad Saeedi referred to the positive performance of Iran in exporting non-petroleum products, and remarked that this country also enjoys rich sources of zine, copper, Chromium and Iron Ore. It is worth noting that Iran is considered as one of the significant supplier of petrochemical products and Iron Ore in the world.

Deputy Director for technical and commercial affairs at IRISL;

IRISL Reveals Major Plan to Expand Shipping Fleet



In order to expansion and Rejuvenation of fleet, Deputy Director for technical and commercial affairs at Islamic Republic of Iran Shipping Line IRISL announced that 49 ships will be replaced by 2022.

Referring to intricate situation of maritime transportation, Capt. Amir Saman Torabizadeh in an interview with MANA International Group said: during the first half of the current year, signs of recovery in the most important poles of global economy have been appeared due to an acceptable growth in GDP and trade development. Meanwhile, maritime transportation has experienced a better condition and the reflection of these signs has been clearly seen in indexes.

Considering IRISL performance in 2016, he added that a comparison among other activists of this field makes us declare that IRISL recorded a significant achievement in its performance.

Following the loss in most container shipping companies last year, He further added that IRISL could record an acceptable profit during the same period particularly in bulk and general cargo transportation section. Meanwhile, it should be noted that a comparison between IRISL and international circumstances reveals that IRISL prevented loss and at the same time it gained a worthy profit.

Referring to no intervene in appointing rates in international markets by IRISL and competitive circumstances, Deputy Director for technical and commercial affairs said: to achieve profit and prevent loss, we have had an optimum management in costs. In this regard and with the purpose of decreasing costs more than ever and optimum management of transportation, we are installing innovative smart technologies onboard.

Iran's crisis exist of maritime transportation was another positive points in IRISL's work process. In this line, Capt. Torabizadeh further added said: thanks to the achievements of JCPOA, IRISL entered international markets and could travel to locations which were inhibited during the sanctions era. This fact was very impressive in gaining profit.

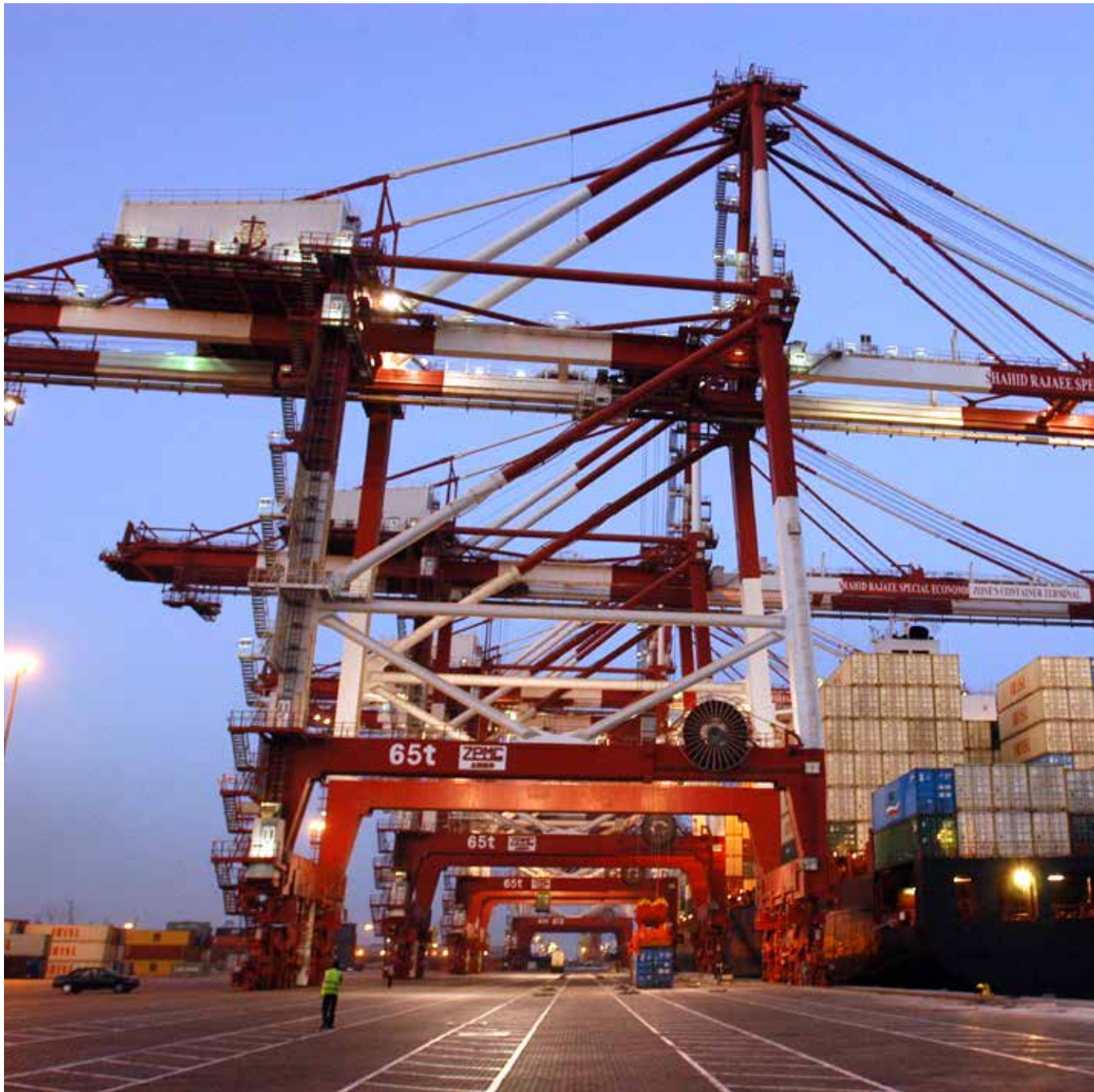
During the sanctions era IRISL made use of its owned ships as

an important specialty of the company. Meanwhile, IRISL hadn't have any charter ships and this paved the way for the company not to encounter with the difficulties that other shipping companies could face in the same situation. In addition, extension of international cooperation and establishing regional companies in different locations could assist IRISL to achieve desirable conditions.

Referring to the entrance of 17 international lines in Iran's water and ports and requisition of more than half of the container market after the implementation of JCPOA, he added that before JCPOA, IRISL transported approximately 85% of the countries cargos. Meanwhile, there are many competitors today in the market and to fill this gap IRISL has to increase ton mile particularly in bulk division and international market.

Capt. Torabizadeh announced that IRISL is the same as other competitors in the country's ports and added that the company does not have any special facilities, such as subsidized fuel or discounted ports, and in this regard it should be acknowledge that IRISL in its territorial waters like other companies are competing, but with all these conditions, a satisfactory growth has been seen in the bulk and general cargo sectors in 2016.

He pointed out the arrival of new ships in IRISL's fleet in the first quarter of 2018 and said: Considering the new technologies used in these ships, especially in the fuel sector, there will be good conditions regarding the capacity of these ships.



He continued: At the present time and with the current conditions, we are rapidly recapturing our international market, and by creating various lines, we were able to close ourselves to the conditions governed before the sanctions. Considering the development-oriented projects of IRISL, he

continued: in the near future Asia-Europe and Europe-Asia Container Line will be launched. The Deputy Director for technical and commercial affairs at IRISL pointed to a five-year plan of developing the fleet including the mobilizing of the fleet and said: 49 ships will be replaced in response to

fleet development exploiting the capacity of domestic and foreign shipbuilders by 2022. At the same time and with getting permission from the board of directors as well as the approval of the General Meeting of Shareholders, credit lines have been opened in countries such as China and South Korea which



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**TO ACHIEVE
PROFIT AND
PREVENT LOSS,
WE HAVE HAD
AN OPTIMUM
MANAGEMENT
IN COSTS.**

would assist us to utilize the created capacities.

According to him, a part of activities' expansion in the development plan of the company focused on the development of the offshore section. For the implementation of these programs, we need to increase the capital, which must

be approved by General Meeting of Shareholders.

Capt. Torabizadeh referred to the construction of 200 wagons and said that the arrival of these wagons in the multimodal transportation sector will also create a significant development. Pointing out to the necessity for synergy and organizational agility, Torabizadeh put special emphasis on the significance of digitalization and data review process.

Referring to holding of the ceremony of 50th anniversary of IRISL establishment on the 10th of December and the presence of top and high- ranking maritime industry activists, he hoped that in the light of half of a century of glorious experience, IRISL could present brilliant performance and make noticeable progress.

In the course of the 8 years of sacred defense, the relentless endeavors of IRISL staff and seafarers, with national determination and drive, guaranteed the fluent export and import of goods, which brought about the title “Second Defense Line” for this line. IRISL truly deserved this epithet since it did not allow even the smallest hesitations in the country's trade. In spite of all these economic sanctions and confinements, IRISL managed to pursue its operations and its goals, he added.

At the end, the Deputy Director for technical and commercial affairs at IRISL referred to an optimistic future in maritime transportation and said: “In the logistics services sector, we will have 100% increases in activities.”



The IRISL's Deputy Chief Financial Officer Announced:

The Arrival of Korean Ships to Increases National Fleet Capacity

The IRISL's Deputy Chief Financial Officer said: "following the arrival of 10 ships built in the Korean shipyards, the capacity of national fleet will increase by 50 percent."

Referring to IRISL's situation in three time periods before, during the sanctions and post-sanctions era, Ahmad Shahbaz Beigi- IRISL's Deputy Chief Financial Officer- in an interview with MANA International Group said: Islamic Republic of Iran Shipping Lines is one of the unique Iranian companies because it is one of the numerable economic enterprises which its financial and commercial deals are international; and is directly affected by the global economy's condition.

Considering IRISL's normal situation accompanied by international competition before the sanctions, he added that: IRISL as a national fleet have experienced good financial state during the sanctions and in a situation that foreign companies were banned from entrance to the country's ports due to the cruel imposed sanctions.

According to him, IRISL could recapture its position in the international era by sanctions' removal and enter the competitive atmosphere with other shipping lines.

Referring to an appropriate profit margin during the crisis in maritime transportation as one of the positive effective factors of the national fleet, he further continued: if we have a comparative look at international companies, we would reach the conclusion that IRISL has encountered the difficulties in an excellent manner while other big shipping companies faced challenges and recorded heavy losses.

He further pointed out that IRISL had a desirable performance in 2015 and 2016 while a heavy shadow of competitive condition and slump in transportation market ruled the industry. In line with this, he said that during the first half of the current year and by considering the information which hasn't been audited due to the performance of Group's companies, IRISL enjoyed a 30 to 45 percent

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IRISL HAD A DESIRABLE PERFORMANCE IN 2015 AND 2016 WHILE A HEAVY SHADOW OF COMPETITIVE CONDITION AND SLUMP IN TRANSPORTATION MARKET RULED THE INDUSTRY.

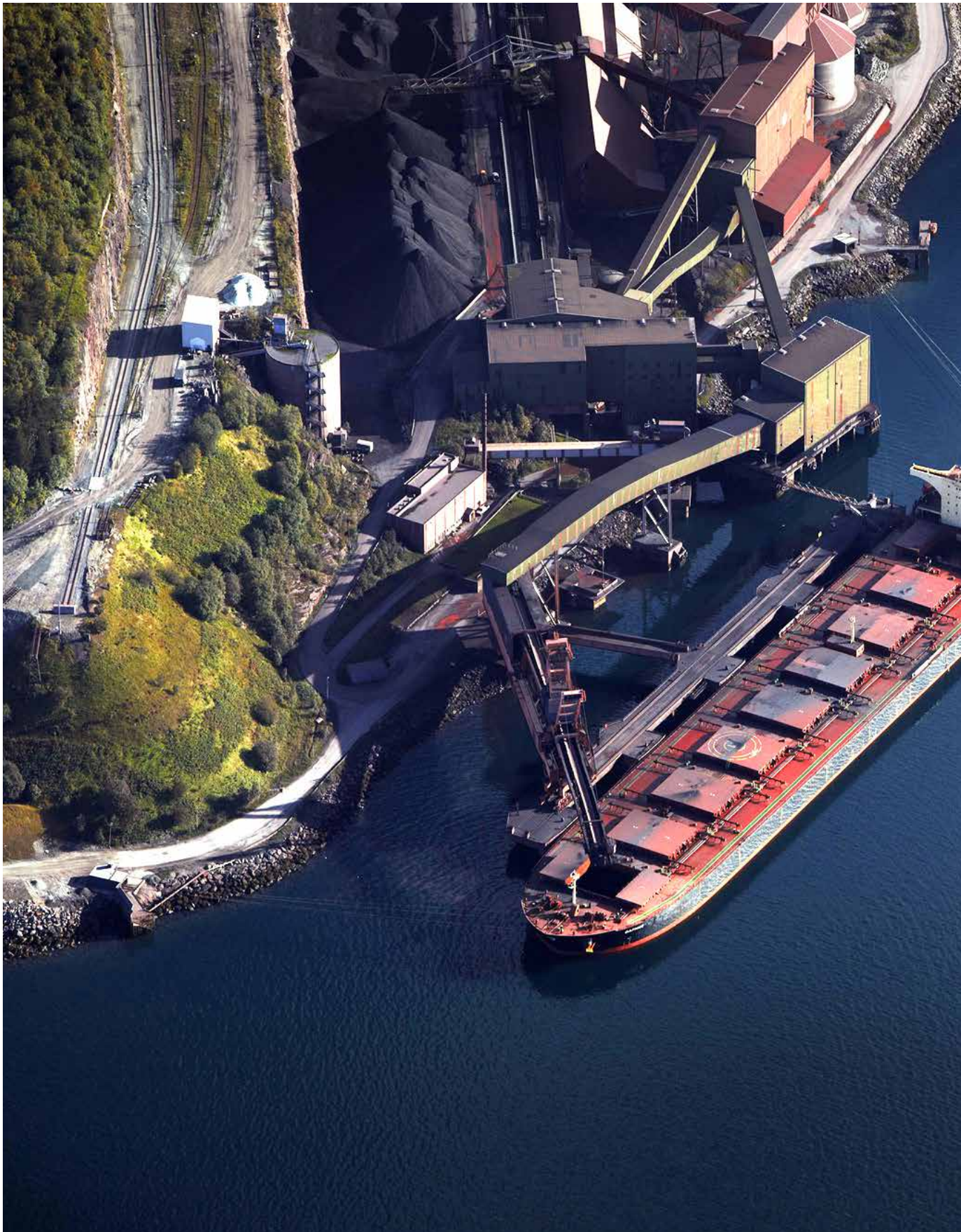
growth in its achievement which demonstrates a sign of gaining profit in the current fiscal year.

He called the post-sanctions era an appropriate opportunity for IRISL to implement developmental programs and continued: during the sanctions era and due to the limitations, the national fleet couldn't be renovated parallel to the international companies. But now, IRISL focuses on it to become reality.

Shahbaz Beigi referred to the 10 ships ordered to be build by Hyundai and added that arrival of these ships will increase the capacity of the fleet by 50 percent.

He emphasized: IRISL's stock price flow in the stock market and during the two past years shows that it doesn't follow the fluctuations in the capital market with the purpose of recording a stable flow and we hope applying developmental programs to provide the profits of stockholders more than before and IRISL's stock to remain a valuable and attractive choice in securities exchange.

Given the financial supports of Korean and Chinese banks in applying developmental programs, IRISL's Deputy Chief Financial Officer continued: considering the credit line worth Eight billion Euros created by Central Bank of the Islamic Republic of Iran in South Korea and another one in China, it announced its readiness to support the developmental programs.



The Managing Director of Bulk Carrier Division of IRISL:

Future of Bulk Market Is Promising

Players of shipping industry are aware that rates' return to the peak period is somewhat out of reach and shipping industry inevitably has to survive by executing new norms. Given various countries and indexes of bulk cargo in origins and destinations, china is the best and the most important player in shipping industry. Meanwhile, indicative indexes of revenue in the industry shows a low level and there is not any satisfactory perspective but the only approach which remains is costs reduction. Costs reduction actually is the most important strategy of leading shipping companies in recent years which have been seen in broad sense in different sections and by various manners which could present a promising future for the bulk market. In line with this, PD has conducted an interview with managing director of IRISL Bulk Carrier Division to elaborate the dominant situation in the market. The transcription of this interview is given in the following section.

How do you evaluate the situation of shipping industry market particularly bulk sector?

Reports and analysis from reliable international institutions declared that shipping industry particularly bulk sector has not been still survived from the financial-economic crisis of 2007/8. Bulk sector suffered from the situation in a way that although a relative recovery had been seen in container shipping market, bulk sector passed 2016 as the worst year and BDI reached lower than 300 points which was unheard. While, the minimum level for dry bulk index in BDI to be normal is 1300 points. At the beginning of 2017, the index increased then fell again and finally after reaching almost 700 points during summer showed ascending trend and now it's approximately around 1400 points. It should be noted that a vast majority of the mentioned growth in BDI index was rooted in large bulk carriers rather small ones. The general situation of bulk companies during second quarter of the current year demonstrates that these companies could only decrease the amount of loss and they rarely could overcome the resulted costs. However, players of shipping industry know that rates' return to the peak period in a decade ago is impossible and shipping industry inevitably has to survive by implementing new norms.

If possible, please explain the nature of bulk shipping and clarify the differences with other types of carrying commodities in the industry.

Basically, shipping industry is



a so-called economy of scale and bulk sector is the most economical one among various marine commodity carryings. It is crystal clear that fundamental differences exist when it comes to container shipping. One of the sensible properties of bulk shipping is the sailing schedules in a way that ships' activities are defined by tramp and routes are not determined beforehand. So, all the costs are unique in every sailing. In other words, each sailing is similar to launching a new line and in order to be profitable, it is usually necessary to provide multi sailings while in container shipping sailing routes are definite from the beginning. Lack of balance in sailing on the backhaul and headhaul is another characteristic of this type of shipping. It is rarely seen that the port of export import the same goods. Therefore, ships have

to return with no commodity at the end of sailing to a desired region while a relative balance is observed in container shipping. Moreover considering the container shipping, freight rates are determined and periodic while they aren't clear in bulk shipping and are established by the commodity's properties and market outlook adjacent to the destination. As a result, a challenging accounting process and discussion is seen in every sailing. In contrast to container shipping in which competitors are known and activities are clear in different routes, all the bulk companies in a global scale are competing with one another and it is impossible to predict the competitors' reactions. The third distinction between these two types of shipping is customers. Customers of bulk sector are the owners of massive goods and they

are limited in a way that having access to them has its particular difficulties and sometimes they have to move through brokers. Last but not the least relates to the role of intermediates. They generally have little responsibilities regarding the carrying contracts unless a strong and direct relation exists between them and the goods owners. The recent trend is that charterers have direct communications with carrying companies. In other words, giving the responsibilities to others outside the industry is impossible due to unclear rates and the industry needs the intermediated to be given up. As opposed to container shipping, the rates are determined beforehand in different routes and sale of the services is possible through extensive networks.



IN CONTRAST TO CONTAINER SHIPPING IN WHICH COMPETITORS ARE KNOWN AND ACTIVITIES ARE CLEAR IN DIFFERENT ROUTES, ALL THE BULK COMPANIES IN A GLOBAL SCALE ARE COMPETING WITH ONE ANOTHER AND IT IS IMPOSSIBLE TO PREDICT THE COMPETITORS' REACTIONS.

By implementation of JCPOA and the entrance of foreign companies to domestic ports, how do you evaluate the activity of bulk sector in IRISL?

During the sanctions era which the entrance of foreign ships were forbidden to domestic ports, demands by domestic companies to carry goods were more than ever and bulk sector of IRISL gained more shares by carrying inner commodities. But then, transit of national ships had been banned in international waters and great traders faced lots of challenges particularly in carrying foodstuffs and using national fleet's ships. By implementation of JCPOA which was a great event in marine transportation industry of Iran, foreign companies could have access to domestic market thoroughly and domestic companies could get in contact with international markets. Meanwhile, foreign famous charterers which has a long history of cooperation with IRISL's bulk sector and had to give up the ties unintentionally, resumed their partnership with a more interest and desire. As a whole and during post-JCPOA, facility of customer relationship, having a better technical and commercial operation as well as providing time and financial savings have been achieved.

How do you assess trend of changes in trade of the country's different sections?

Considering the statistics released by PMO, marine trade of Iran during the first half of the year has had an ascending trend with

75 million ton and when it is compared to 72 million ton of marine trade during the same period last year it shows a 4.2 per cent growth. However, the amount of commodities' growth in H1 is differ from other sectors comparing to the corresponding period in 2015 and container shipping enjoyed a high growth of 33.3 percent while dry bulk commodities recorded only a growth of 3.2 percent. In addition, general cargo's growth showed a stable trend and oil product growth decreased by 82 percent. Meanwhile, liquid bulk cargos showed a 66.7 percent growth.

Considering the entrance of chemical tanker carries, how do you evaluate the outlook of bulk sector?

Bulk division is now active in three major sectors of dry bulk including industrial bulk, food bulk and chemical bulk and liquid bulk and general cargo. The fleet consists of supramax and panamax ships which are responsive to the most needs of the market and their performance has been satisfactory. In this regard, we need to upgrade the current fleet and improve its capacity to get the most share of the market. General cargo sector has been recovered by using heavy lift vessels and it is expected to be witness of launching new lines with the purpose of carrying projected cargoes by a recovery in domestic market and an increase in demands to achieve profitability. In contrast, the fleet of liquid bulk is not accompanied by the needs of domestic market and this gap could be easily sensed during the

sanctions. Therefore considering the appropriate perspective of the market for MR tankers, it is expected that the entrance of these ships would transform the tankers in liquid bulk sector and improve the capabilities and diversities of the national fleet to make this part one of the most significant the important arms of the company.

How do you describe the fundamental factors in international bulk market?

Although bulk cargos include diverse commodities, coal and iron ore are the most important ones. Considering different countries and indexes of origin and destination of bulk cargo, china is the best and the most important player in shipping industry particularly bulk carrier industry in a way that predictions regarding the economic growth of the country directly affect the international indexes of bulk sector. Given the growth in demand for bulk cargos in the current year from the perspective of cargo types and import countries which was extensive, china is still the major importer. It should be noted that the country is changing and understanding it by relying on dry bulk market is difficult. But different indexes of major economy of china demonstrate that these changes would result in a decrease in investment especially in machinery, infrastructures and building projects which are the main incentive of dry bulk imports. Statistics and data present the successive decrease of investment in both state and private sectors. However, the positive point about

china is the initiative step of the country in the infrastructure project called OROB which is expected to affect the investing trends in different countries and various regions. Another significant issue regarding the fact is the cancellation of international contracts by the side of American presidency such as Paris Agreement and NAFTA. In line with this, cancellation of Paris Agreement is now profitable for the bulk carrier market and it has been facilitated the coal production of America and different cargoes have been

exported from this country. It is expected that the cancellation or revision of NAFTA would lead to new demands due to alternative trades particularly in the field of grain imports by Mexico.

Providing a short elaboration on the fleet operation in bulk carrier and general cargo, Mr. Ghonji please take a look on the performance of bulk division of IRISL and explain what the main change is during the first half of the current year in comparison with the same period last year?



Bulk carrier and general cargo division handled the operation of an average of 53 ships including 15 Panamaxs, 17 Supramaxes, 7 general cargo ships, 8 heavy-lift ships, 2 Suemax tankers, one bitumen carrying ship, one MR tanker and two Handysize tankers with a total capacity of 2.5 million DWT. In the corresponding period last year the company recorded the capacity of 2.83 million DWT in a way that a decrease of 12.4 percent could be seen in the active capacity of the fleet. During the H1, 2017 the commercial performance

of different sectors consisting of dry bulk, liquid bulk and general cargo has been recovered although a decrease in active capacity had been recorded. In this regard, the number of sailings decreased by 10 percent and fall of 18 percent in carrying cargo led to an increase of 34 percent of ton mile which demonstrate a performative increase of more than 50 percent. If we would evaluate the activity of bulk sector in different sub sectors we could understand that in dry bulk sector positive events have been occurred. While some regional

events have been recorded and many carrying capacities have been lost in short routes, implementation of JCPOA led the dry bulk carriers to be applied in long distances. In addition, new and large charterers have been added to the customers. Origin imported markets and exported destinations in the field of carrying chemical and industrial products as well as freed tonnages in international markets are exploited. Development in carrying exported coal and sulfur to China, carrying exported wheat from Iran to Oman, and



improvement in carrying imported grain from South America are all a significant act done in dry bulk carrying. Considering the severe fall in liquid bulk operation during the end of the last year and the beginning of the current year, this market fortunately has been able to revive the previous markets and improve the level of activities in international market. In line with this, it is expected that with more thoughts and a recovery in the situation of the existed ships the market will enjoy more growth. General cargo section hadn't have a regular line in the first half of 2016 but now it has launched two regular lines to Asia and Europe and the dominant approach in this sector has been changed from carrying low level bulk cargo to more specialized general cargos with a more value added. Therefore, these facts would justify the outlook of utilizing the fruits of JCPOA and the launch of new projects in the country which has led the increase in projected cargoes and the presence of a stable line.

As you know, shipping companies have changed their main strategy from revenue to costs. What is the reason behind the strategy of costs reduction?

As indicative indexes of revenue in the industry shows a low level and there is not any satisfactory perspective and a jump in recovery of the revenues in the shipping industry, the only approach remain is costs reduction. Costs reduction actually is the most important strategy of leading shipping companies in recent years which have been seen in

broad sense in different sections and by various manners. Certainly, costs topic in shipping industry is of high importance from another point of view and that's cost centers in shipping industry in a way that source of revenue is approximately the same and that's the received freight from customers. Customers gained more power in discounting due to the excess of supply over demand in recent years and many of whom established the basis of their business on costs reduction even during the long era of recession in the industry. Ship-owners and marine transportation companies concentrate on meeting their previous commitments in the peak time even with low revenues and overcome the current costs. As referred earlier, the current costs include different sections in which technical management costs, fuel and consumables, repair and maintenance, supplies, insurance and other related office and administrative expenses are the most important ones. The latest reports demonstrates a drop in shipping costs for the fifth consecutive year, adding to the importance of a cost-saving strategy to maintain competitiveness. Another cost-related issue that is usually not taken into consideration is the costs imposed by the structure and organization of businesses in the shipping industry. As has already been said, cost centers are numerous in the shipping industry, and this increases costs. Perhaps this has caused the leading company in shipping industry- Maersk- to face the following of other companies. In this regard and after



FOREIGN COMPANIES COULD HAVE ACCESS TO DOMESTIC MARKET THOROUGHLY AND DOMESTIC COMPANIES COULD GET IN CONTACT WITH INTERNATIONAL MARKETS. MEANWHILE, FOREIGN FAMOUS CHARTERERS WHICH HAS A LONG HISTORY OF COOPERATION WITH IRISL'S BULK SECTOR AND HAD TO GIVE UP THE TIES



**DURING THE
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implementing the costs reduction strategy for a consecutive period, Maersk had to give an end to its operations in the energy sector from its business portfolio and receive a part of the stock from one of the top energy companies, Total. Then, acknowledgment of the much higher professionalism and superior capabilities of Total, Mersak could outline a better prospect in the energy sector and maintain the interests of the Group. Moreover, reorganization and integration of transport and logistics sectors led to the more reduction in costs by removing cash costs and other related ones which are dominant among different departments of business formed transport and logistics sectors.

These days, there are no seminars and conferences related to shipping in international arena, in which the terms “smart shipping” and “autonomous ships” and “digitization in shipping” to be exploited repeatedly. In your opinion, are these issues just word processing, or a compiled and executable roadmap? What would be your company’s reaction?

Perhaps, just a few years ago, if anyone talked about autonomous shipping, nobody would consider the discussion serious; while we are even witnessing the autonomous ships’ testing in a smaller scale and in this regard the International Maritime Organization is seeking to draft relevant laws and regulations. All of these indicate that these issues, which are considered as a part of smart shipping, will

be implemented on a larger and more practical scale. Smart shipping is a concept that players in the shipping industry have long been looking for in order to reduce costs; it’s also a fact that the shipping industry has always taken technological advances over time with some time lag, and this is a matter of smart shipping. While various industries have long enjoyed the full potential of technological advancements, the shipping industry has not yet moved parallel as it should be. The response to technological advances in the shipping industry is debatable from two aspects of hardware, namely, ships and equipment, and software, structure and organization. In hardware aspect, ships of the fleet should be upgraded to meet the required need and the orders of new-building should be accompanied by considering the last technological advances. In the software dimension, training of human resources is one of the most important issues for the staff to have access to the most up-to-date training methods. It should be noted that, due to the multiplicity of customers and the need for accountability in the predicament situation, the digitization of processes especially in the container transport section plays a key role in customer satisfaction as well as marketing. Of course, big charterers such as BHP Billiton have recently unveiled an online rental platform for direct communication with shipowners, or one of the big active charterers in the bulk carrier has ordered the construction of unmanned ships, which is very interesting.

Managing Director of IRISL Container Transportation Co.:

New Lines from Europe to India, North Africa and South America to Be Launched



IRISL Container Shipping Co. aims at being prepared for a growth of 60% in capacity with the entrance of new vessels. Managing Director of Container Shipping Co., Cap. Hamzeh Keshavarz, in an interview with PD referred to an increase of 28% in performance and 53% in revenue during the seven month of the current year and explained the activities of the company.

When does the history of Container Shipping Co. come back to and what services does it provide now?

Providing container services started since 1991 in Islamic Republic of Iran Shipping Lines and prior to that, IRISL carried the main cargos of the country. By the end of War and the emergency situation of the country, the grounds of IRISL's entrance and providing container services had been supplied to create a new vision to the market, private sector and the market's needs. In fact, container shipping was the most fundamental step which should be taken by IRISL. Although IRISL started its activity in this field with small multipurpose ships carrying 700 and 1000 containers, it grew with an acceptable speed in a way that now container shipping is one of the basic pillars of IRISL. Moreover in special and critical situations, the company carried more than of 80% of the country's cargos so that there wasn't any disruption during the sanctions era for the entrance of market's cargos, raw materials of the factories and county's exports and petrochemicals. During this period, people didn't notice the disconnection of foreign container lines carrying container cargos and this issue was one of the tools that provided the possibility for the government to start the negotiations in a better circumstances. At the same time as the centrifuges were moving in depth of the ground, the propellers of our ships continued to spin against the eyes of the hostile nations.

Fortunately, after the finalization of JCPOA the process changed and despite the concerns that resuming activities of the foreign lines would decrease the share market of IRISL Container Shipping Co. and severe competitions, the company could gain acceptable growth in the post-JCPOA era.

Please explain the performance of IRISL Container Shipping Co. during the first seven months of current year.

When it is compared with the corresponding period last year Container Shipping Co. during the first seven months of 2017 experience an increase of 28 and 53 in its performance and revenues, respectively. In addition, the company recorded a 48% increase in حق توقف كانتینری. Whereas the complied budget of the company was the ambitious one. In fact, revenue's doubled growth to performance was projected to rise during 2016/17. This led to more than double profit for the company. This increase recorded while fuel price enhanced last year and the average fuel price during the first six months of 2017 reached \$308 per ton from \$230 in the corresponding period in 2016. In line with this, 34% of higher fuel prices were posted globally. So, growth has come about in a situation where we have faced increasing fuel prices that were beyond our control. In addition, the bulk carrier shipments increased from 939 thousand miles to one million and 138 thousand miles which show a growth of 21%. This indicates the attraction of supplies and better operation of

the ships. This demonstrates the better attraction of cargos and the most usability of ships.

During the first seven month of 2017, Container Shipping Co. enjoyed a growth of 144% and 234% in its international performance and its revenues, respectively. This leads to exploit more routes and most of our available capacities.

By good fortune and during the post-JCPOA era, the cooperation with leading shipping lines has been resumed in a way that carrying goods has been conducted directly from Asia to Europe. Meanwhile, a close relation between some lines and routes to establish joint services has been formed.

How do you evaluate the reasons behind increase in profit?

One of the characteristics of container shipping is that the ships should transit cargos in the defined lines and in the case of not having cargos they would lose their customers. Therefore, container ships try to have a regular sailing schedule to attract customers trust.

Ships have fix costs such as fuel, port, personnel and technical expenses. So, as ships carry more cargos fixed costs would be divided and the income would be increased. However, some costs vary for instance carrying cost of a container and 1000 containers depending on the workload differ from one another.

Considering fixed costs, efficiency of the ships lead to more profit. In this regard, new routes of Asia-Europe and

transit lines to Iraq have been established according to which we expect to be witness of this positive continuing trend.

On the other side of the coin, PMO reduced discounts and this act imposed costs on the national fleet because almost all of these discounts have been eliminated this year. At the same time, PMO calculated all their unloading and loading costs in dollars. Due to the imbalance exists in the import and export of the country; most of the containers are carried empty and without goods which lead to sever costs for IRISL and consequently our cost of transshipment increased.

Recently, the company carried cargos from India to Afghanistan through Chabahr port. Could you please elaborate this issue?

The government considers Chabahr as a strategic port and the country's only oceanic port and in line with this it has conducted weekly investment there. This view relates to the east transit corridor in which the government, PMO and major marine policies of the country aiming at improving marine transportation are taken into account. Considering the preeminent role of IRISL in issues such as being present during the Imposed War and launching of Khoramshahr, Bushehr, Imam Khomeini and Asaluyeh ports, the company is now following the ways to pave the way for the success of the national fleet in the near future. Recently, PMO in an attempt to develop Shahid Beshti in Chahbahr Port has invested extensively. The Container

Shipping Co. imported about 14,000 containers of rice through Chabahr port last year which were unloaded in Shahid Kalantari Port and Chabahr Free Zone.

Indians also considered Chabahr Port a central region to export their cargos to Afghanistan. India is supposed to transfer one million ton of wheat to Afghanistan and through the port freely. To carry the first part of this cargo which is approximately 130,000 ton, the Container Shipping Co. could provide the way in a very competitive circumstance to conduct the contract. Up to now, three ships have carried part of the product to Chabahr and then to Afghanistan. It is expected that with PMO's support in developing the port, the national fleet would manage appropriately to activate the port.

Considering the entrance of new ships to the national fleet, what plans has been programmed for them?

With the entrance of new ships, the capacity of the fleet would increase by 60%. The first one will be delivered by the end of March, 2018 and then with an interval of a month the others will be added to the fleet.

Following the sanctions against IRISL, purchasing of these ships was a positive step because developing the fleet was suspended during the mentioned period. Adding new ships will give a new life to the fleet. It should be noted that the fuel consumption cost of these ships despite having the capacity of 14,500 TEU equals to 6500

TEU container ships. In other words, the capacity is doubled but the fuel consumption costs which include 35% of the ships' cost remain the same and the renovating of the fleet is being provided.

In line with this, Container Shipping Co. prepares the grounds to increase the cargos volume by 60% through enhancing marketing. At the meantime, it has started cooperation with leading international lines and the programs to charter the ships in the determined time have been taken into account.

To supply the required container for the new ships, Holding has posted excellent procedures and in the meantime the Container Shipping co. helps IRISL to buy them in an appropriate cost.

What measures have been taken by the company to provide the necessities of having access to online systems?

The purpose of the company is being equipped with the new systems, providing new remote services and digital and online selling. At the same time, sell of international cargos has been started online in some foreign sites and good measures have been taken in providing proper services to the customers. Most of the customers have access to a virtual profile according to which they can monitor all the financial procedures of their current and previous cargos. In addition, notices are received online or through SMS. While the customers could pay online, they can be a member of telegram channel to be aware of

the ongoing issues.

We are trying to attract more cargos by providing the customers' satisfaction and the required circumstances. In fact, container division of IRISL has the capability of being the first symbol of every shipping company by the side of customers. Therefore, more concentration is paid on digitalization as one of the most important goals of the company.

Considering the current situation of container shipping, how do you evaluate the future of this industry?

Container shipping moves to monopoly globally. In fact, the numbers of container shipping companies are decreasing in different ports of the world and this is a warning that the UNCTAD has noted. Currently, despite the relative increase in cargos, the number of companies has declined, and the ports of the world are regularly covered by the lower number of container lines year by year.

Of course, more than 80 percent of the world's cargos are handled by a few families owned by private companies. This issue has negative and positive points, and it is especially interesting for our country, but the number of lines has decreased, with most of the remaining one working together as a consortium. Therefore, the national fleet should maintain and develop its condition by carefully examining the difficult situation and economic competitiveness at the international level.

It is expected that the container freight rate to be increased from 2019. However, the market



CONTAINER SHIPPING CO. DURING THE FIRST SEVEN MONTHS OF 2017 EXPERIENCE AN INCREASE OF 28 AND 53 IN ITS PERFORMANCE AND REVENUES, RESPECTIVELY.

has become more stable when compared to prior times and there will be better management in the container shipping process worldwide.

Do you intend to launch a new line?

Many routes are being investigated and Africa route is being improved. At the same time, east of Africa has a more stable situation and we intend to develop this route to south and west of the country. In this regard and in an attempt to reduce costs, international cooperation should be conducted. With the entrance of new ships, Europe line will be connected to India soon and the focus on attraction of international cargos will be increased.

North Africa's market has been

permanently a strong one for us. However, if political instabilities decline, we will activate our line in this market again. Activation of South America's market is under investigation as well.

Considering the 50th anniversary of IRISL and its entrance to 51st of activity, what's your message to the employees?

I would like to congratulate the 50th anniversary of IRISL to stakeholders, senior managers and all the employees. I sincerely appreciate the efforts of our loved ones, and especially our colleagues in the Container Transportation Division and hope them all their success.

Considering my entrance to IRISL since 1980 co-occurred with the Cultural Revolution, I believe from the point of view of not a member of staff that the company is the economic supporter of the country because it supplies the main cargos and then it is a special one. In the same way, the importance of IRISL has been taken into account even in the constitution of the country. So I think having honest cooperation with the company is a national duty.

It is crystal clear that the country should have a stable supporter in all sections particularly in transportation. Fortunately, over the past years, IRISL has had an excellent performance. Considering the crisis periods and the imposed War, IRISL had been called the second defense line of the country and it played its crucial role as the first defense line during the sanctions era. Therefore, serving in this Group is an honor for everyone.

CEO of South Shipping Lines-Iran Line Announced;

Developing the Activities in Chabahar, Shahid Rajaei and Imam Airport Logistics City

South Shipping Lines-Iran Line Company, which currently is operator of Khorramshahr and Imam Khomeini ports, intends to increase its activities at Shahid Rajaei and Chabahar ports and Imam Airport Logistics City. The company with 700 line employees and 24 staff employees is one of the successful companies of the IRISL group.

In an interview with Payam Darya, CEO of SSLIL, Captain Farshad Shahbaz has explained the activities of this company.



What are the main activities of the South Shipping Lines-Iran Line Company?

The history of SSLIL dates back to 1967. In fact, the company started its operations as the first shipping company in Iran.

Initially, it worked as port operator, agency, and did multimodal transportation. All port services were provided by contractors until 2003, but after that, the company did this business cycle. Currently, SSLIL has become a leading

logistics company, as one of the big and standard companies; it is approved by the Ports and Maritime Organization.

It is carrying out all of the operations including loading and unloading vessels, loading and unloading containers for importers and exporters, performing clearance, including assessment, issuance of bills and provision of facilities to the owners of goods. In this regard, the reputation is one of the main characteristics of the SSLIL.

In which ports and by how many employees does the company currently operate?

The company has been active as operator in the two ports of Imam Khomeini and Khorramshahr for more than 14 years, and in these ports it carries out all activities related to entering commodity, unloading and loading goods, filling and emptying the container.

In fact, the port of Imam Khomeini has become a port for exporting of goods, and the

owners of the goods receive services related to the unloading and loading of their goods in this port from SSLIL. The main activity of this company in Khorramshahr port is to provide services for importers of goods.

What activities does the company do in the port of Khorramshahr?

For many years, SSLIL has been the container operator of the Khorramshahr port. Under a BOT contract, for 15 years, a land with an area of 15 hectares has been delivered to SSLIL to equip it for two years and operate it over 13 years.

This contract is in the field of warehousing and Terminal Handling Charges (THC), and it can be considered as one of the successes of SSLIL.

Have the operations of the project been started?

The project is under schedule. We hope that even before the two-year deadline this national project will be equipped. As indicated in this contract, some equipment which worth seven million euros should be purchased for this project.

What are the activities of SSLIL in Imam Khomeini port?

In this port, the service is provided to all domestic and foreign lines. Unfortunately, in the past, the Ports and Maritime Organization did not have a positive view of the activities of IRISL as well as the activities of SSLIL in Imam Khomeini port; but fortunately, this point of view has changed with the new management of this organization. In the near



SSLIL HAS BECOME A LEADING LOGISTICS COMPANY, AS ONE OF THE BIG AND STANDARD COMPANIES; IT IS APPROVED BY THE PORTS AND MARITIME ORGANIZATION.

future, a BOT contract will be auctioned. In this contract, the operator must have a foreign partner who has the ability to attract customers. Fortunately, SSLIL has regional knowledge and equipment as well as cooperation with a French partner, “Bollere Logistics”.

When will the company start operating in Shahid Rajaei port?

Activities in Shahid Rajaei port have been done since 1993. At first, the company, as an agent of IRISL on the northwest side of the port, was dumping empty containers. But now it has 10 hectares of land in this port where full containers are kept.

SSLIL expects the Ports and Maritime Organization to have the same view about this company as other container operators operating in this area. In this case, some negotiations with the Ports and Maritime Organization have begun.

In addition, SSLIL has an empty terminal in the area, which has been used for the repairing, equipping and maintaining of empty containers in the past. Also, there are 27 hectares of logistics facilities in Shahid Rejaei port for the purpose of carrying out export and import services, which was started by the Minister of Transport and CEO of IRISL in the last year.

Of course, one of the challenges is marketing. Due to the fact that SSLIL has provided excellent facilities in this area, it has 33 thousand square meters of enclosed cellar. Our request from the petrochemical companies of Social Security Investment Company is to

deliver its exporting goods to this company. Unfortunately, it is not easy to attract such commodities right now.

The company also has an eight hectare washing and repair site with a class of Iranian Classification Institute. Washing and repairing of all IRISL's containers are carried out at this location. In the future, we are planning to do repair services of the containers of foreign lines entering Iranian ports.

What happen to the issue of operatory in Shahid Rajae port?

For 12 years, we have been the leading company in the maritime industry and we are seeking to enter the Shahid Rajae Port as operator. SSLIL is an independent company which serves to all lines, and thankfully all lines are satisfied of our services.

Another important issue is the construction of third phase of Shahid Rajae port. According to experts of Ports and Maritime Organization, the project will cost over \$300 million. SSLIL has announced its intention in buying equipment and operatory in this phase.

With taking the operatory of Shahid Rajae Port, the company will earn THC revenue. One of the strong advantages of the company is having 442 devices for loading and unloading such as traps, RTG, etc., which is a special privilege.

What was the performance of company in the first half of this year?

In the first half of this year, SSLIL has had a positive performance



THERE ARE 27 HECTARES OF LOGISTICS FACILITIES IN SHAHID REJAE PORT FOR THE PURPOSE OF CARRYING OUT EXPORT AND IMPORT SERVICES

in two ports of Khorramshahr and Imam Khomeini. Container discharged in these ports increased by 26%, transshipping by 12%, unloading of empty containers by 46%, loading of full export containers by 23%, and loading empty container by 60%.

In addition, delivery of full container to the owner of the goods increased by 38%, filling the container by 66%, and emptying the container by 23%. In addition, we observed the growth of 40% in container repairs and 104% in container washing.

Do you have any plan for activity in other countries?

One of the most important plans of the SSLIL is to take over the operatory of Chabahar port. As you know, the partner of the Aria Banader Iranian has borrowed \$403 million to develop and equip Chabahar, and its Indian partner has brought \$85 million. SSLIL has announced its preparation and started some negotiation for getting the operatory of this port.

In recent years, IRISL has signed a contract to Assaluyeh Port for loading and unloading of petrochemical commodity. But at the sanction period, this contract had some problems, so eventually it was terminated. While some equipment belonging to SSLIL has remained in that area, unfortunately, this issue has not been resolved so far, and we hope that we could solve this problem with negotiation.

It seems that SSLIL wants to invest in Imam Khomeini airport city, do not it?

The airport city of Imam Khomeini Airport has an area of 14,000 hectares. Participation in the project of Logistics City of Imam Khomeini Airport is one of the future plans of SSLIL. In this case, the initial agreement was signed with the relevant authorities.

The government seeks to establish a law so that all goods destined for Tehran cannot get clearance in Bandar Abbas; instead, this will be done in the Logistics City of Imam Khomeini Airport. As the current accumulation of loads in the ports of the country is non-strategic, SSLIL is willing to invest in this logistic city.



Managing Director of Valfajr Shipping Co. Announced:

Transfer of 150,000 Passengers during H1, 2017



IN LINE WITH THIS AND IN THE RECENT MONTHS, THE COMPANY PARTICIPATED IN TENDERS OF NATIONAL IRANIAN OIL COMPANY AND ITS SUBSIDIARIES AND SUCCEEDED IN CONDUCTING THREE CONTRACTS,

Valfajr Shipping Co. is one of the main subsidiaries of Islamic Republic of Iran Shipping Lines (IRISL) which established in 1986. Considering the presence of specialized and expert manpower and an equipped fleet, the company has provided incredible role in the country's marine industry particularly in transfer of passenger and offshore services by its presence in the Persian Gulf. Referring to the most important activities of the company during H1, 2017, Capt. Majid Sojdeh, Managing Director of the company conducted an interview with PD according to which the transcriptions is given in the following section.

Given the performance of the company in the current year, please give a brief description of the company's achievements.

Considering the environmental changes in shipping industry and market such as competition in providing electronic services, cyber attacks, sudden change in freight rates, market demands and political evolutions in international and regional level which go rapidly, a special attention should be paid to foreign effective factors and optimal exploit of the future opportunities and defiance against threats by focusing of domestic effective factors through improving strengths and weaknesses. Therefore, a necessity of having a complied planning in an attempt to achieving the goals of IRISL is high on the agenda.

Valfajr Shipping Co. aiming at extending its activities in offshore section and creating new income markets as well as resisting against the approximate recession of the cargo and passenger carrying

in Persian Gulf and Oman Sea which has affected the amount of incomes due to political circumstances and international limitations, has put developing of its offshore fleet top of the agenda based on planned and rational program and will increase the ships from 2 in 2013 to 9 in the current year.

At the same time, all the tenders by the side of downstream and upstream companies in oil and gas industry are monitored exactly to enhance the activities of offshore section according to which readiness of the companies are announced by considering the capacity and throughput of them. In line with this and in the recent months, the company participated in tenders of National Iranian Oil Company and its subsidiaries and succeeded in conducting three contracts for one offshore supply vessel and two tows and then the proper growth in income of this sector is predicated.

Valfajr Shipping Co. as a specialized company with more than three decades of activity in the field of passenger transfer

carrying cargos in the Persian Gulf and Oman Sea provides regular and international sailings. Considering the main purpose of the company, forming an appropriate platform to facilitate passenger transfer is of high importance. This company could record a glorious performance of its own during the sanctions era and overcame the difficulties and limitations. During the first six months of the current year, more than 150, 000 passengers have been transferred in different domestic and foreign routes. The performance of this sector in comparison to the same period last year experienced an acceptable growth in operational income and the number of passengers.

Considering the schemes and cooperation of all the personals, a good record of servicing 160,000 tourists was reported in Norouz 96 for the first time. Definitely, consistent increase in quality of services would lead to a better and significant growth in the region's economy.

What are the achievements of the company's entrance to offshore section?

Based on the views of the Supreme Leader on "resilience, production and employment," the company implemented these strategic policies by identifying and focusing on beneficial economic activities, financial resources management and employment in offshore section has been top of the agenda.

Considering the capacities and potentials of the company in offshore section, Valfajr

Shipping Co. has the ability in providing supply vessels aiming at developing oil and gas industry of the country which already had been done by foreign companies. The implications of Valfajr Shipping Co. in offshore section include the growth and development of the country's offshore industry, sustainable employment, foreign exchange, the presence of specialized manpower instead of foreign workforce, safety and security enhancement in the country's oil industry.

Fortunately by relying on the company's operation and activities in the recent years in offshore section, the satisfaction of utilized companies has been gained and this company has been known as one of the powerful ones among others in oil and gas fields. We hope to be witness of spread improvement and development of activities of the company in this utmost important and strategic field with the help of employees in different section. Meanwhile, we will achieve the variant services in marine division and sustainable growth in the coming years.

Considering the cancellation of Bushehr-kharg shipping line, do you intend to launch other lines to the islands?

The Bushehr-Kharq route has become operational since 1986 as one of Valfajr's oldest shipping services. In general, the volume of operations on this route in recent years has been more than 350 round trips per year, with an average transfer of more than 120 thousand



passengers a year. Valfajr Shipping Co. used Catamaran to enhance the speed in passenger transfer since 2004.

We are honor of providing passenger services during the last 30 years in an attempt to consider the interests of the nation and move forward without taking into account the economic interests. In order to increase the services set by the Co. all the organizations should cooperate with one another.

How many ships are owned by the Co. and to which domestic



and foreign ports do they travel?

At the moment, the Co. owns 20 ships including four catamarans, two Ro-RosT five container ships and nine offshore ones to operate in carrying cargos and passenger transfer from south ports of Iran to islands and the Persian Gulf countries to pave the way for the excellence goals of marine industry of Iran. The company also operates in supports of oil and gas rigs established in the region. The main active foreign lines in carrying cargo and

passengers are Bandar Abbars, Sharjah, Lengeh seaport, Dubia, Khoramshahr, Kuwait and domestic ones are Lengeh seaport, Abu Musa and Lengeh seaport/ Kish (during Norouz). Container ships of the company are now at the charter of container shipping Co. of IRISL.

What are your planned programs for the second half of 2017?

In recent years and in order to achieve the strategic plans and policies of IRISL due to

the orders and guidelines of the CEO and in accordance to the country's interests during the sanctions era, entering the market to provide offshore vessels has created a new season of marine services in the Persian Gulf for IRISL which is to be taken by Valfajr Shipping Co. Considering the main policy of IRISL, it is necessary to establish an appropriate approach in the field of investment and supplying financial resources. Therefore, the approaches should be followed in the cost reduction direction. In line with this, the fuel cost which is the main cost in a ship's sailing providing the subsidy for passenger trips could be effective.

Has been Passenger Agency of Valfajr launched?

Following the emphasizes of IRISL's CEO to focus on increase in efficiency, activities' development and job creation, Valfajr Shipping Co. has taken the measures to establish passenger Agency Services and gained the required licenses to increase variability in the income basket and the entrance to a new market. The Agency is called "Rahpooyan Rah Shiri" and its services include passenger, tourism and pilgrimage services. It is worth noting that the most important target market in the first phase is proving services to families of IRISL with the capacity of about 35,000. In the next phases organizations, state-owned institutions and private sectors will enjoy the services.

Managing Director of IRISL Integrated Transportation Company:

Integrated Transportation Performance Increased 30% during H1, 2017



IRISL Integrated Transportation Co. will commence new activities by the end of this year in three areas of rail transportation and the establishment of a center in the Special Economic Zone of Sarakhs, wagon repair and activation of the Robat Karim Depot of Tehran. In line with this, Capt. Ali Hossein Farrokhi, Managing Director of IRISL Integrated Transportation Co. in an interview with PD stated the main goal of the company to establish a logistics company in the region.

At first, explain the performance of the company during the first half of the current year.

IRISL Integrated Transportation Co. moved 24,000 containers by road transportation during the first half the year which shows a 30% increase in comparison with the corresponding period last year. In addition, carrying low-sided wagon experienced a growth of 20% during the mentioned period. Meanwhile, good collaboration has been made with Qeshm Marine Services and Engineering Company in the field of carrying mazut and the carrying capacity reached 15,000 tons of mazut during H1, 2017.

IRISL Integrated Transportation Co. has created revolution in type and manner of the activity while it increased the performance in road transportation and domestic

transit during a year and a half past. In this regard, the required trust has been formed among the customers in a way that those who imported their cargoes through foreign shipping lines now exploit IRISL Integrated Transportation Co. to transit the imported commodities.

During the past years, the wagons of the company had been idled about three months but fortunately the company reached the point where it permanently has cargoes to carry and sometimes it faces with the lack of wagons. For instance, the number of wagons has been increased by 20% to carry container goods and general cargos in comparison with 2016.

What purposes are included in IRISL Integrated Transportation Co.'s future plans?

One of the purposes of the

company had been focused on directing road transportation of domestic transit toward rail transportation which has been conducted successively by receiving a request from one of our customers to carry 600 containers by rail monthly. Unfortunately, customer satisfaction was difficult due to the lack of sufficient wagon to carry containers which has been solved by transferring new wagons. Pursuant to this and by considering the conducted plans, 200 wagons for carrying container would be added soon to the company.

Wagon repair workhouse of IRISL Integrated Transportation Co. has been launched in Haji Abad, Bandar Abbas which repaired 12/13 wagons last year and now it can handle the repair of 22 wagons in a month. Considering the plans and

investments in this field, in the next two months the mentioned number would increase to 40 wagons. This company has a warehouse in Robat Karim, Tehran which demonstrates an increase of 60% in the number of entry and exit of containers. Recently, an attempt has been made to complete providing service packaging to the exported customers. Considering the importance of flexi tank as one of the needs of exporting companies, importing of this product has been started. Therefore, customers can receive a thorough service package in Robat Karim. This led to the attraction of customers who preferred foreign shipping lines to export basic oils.

Has it been planned to develop the activities of the company?

A five-year plan with the presence of counselors has been codified according to which being a logistics company in the region is one of the most significant goals of the IRISL Integrated Transportation co. Given the conducted plans and supports of other sections, the company will reach its defined goal.

What measures should be taken into account to being a logistics company?

Transportation is not the main issue stated in logistics and a series of services that have to be provided for customers is of utmost importance. In this regard, different centers have to be formed in various locations and the focus of



THE REQUIRED TRUST HAS BEEN FORMED AMONG THE CUSTOMERS IN A WAY THAT THOSE WHO IMPORTED THEIR CARGOES THROUGH FOREIGN SHIPPING LINES NOW EXPLOIT IRISL INTEGRATED TRANSPORTATION CO. TO TRANSIT THE IMPORTED COMMODITIES.

services on Tehran and Bandar Abbas should be disregarded. Recently, container depot has been launched in Isfahan and a complete service package presented to the customers. Meanwhile, a memorandum of understanding (MoU) signed with Special Economic Zone of Sarakhs. In addition, negotiations with different forwarders of CIS countries which import cargos to Iran have been conducted. So, a joint activity will be soon started in Sarakhs Region with the cooperation of the mentioned forwarders.

With the purpose of directing 70% of domestic transit toward wagons, a more value-added will enter to the Islamic Republic of Iran Shipping Lines and to pave the way wagon purchasing has been top of the agenda.

Facilities, services and appropriate price all can encourage customers to make use of rail services of IRISL Integrated Transportation Co. In agreement with this, the price of rail carrying have to be lower than rail transportation because the customer is not satisfied for his cargos to be carried in a long time and with a high price. To reach the goal, it is necessary for the country's railways to provide us with better services so that we could determine and support more desired services to our customers.

Considering the interaction with Islamic Republic of Iran Railways, an increase in the monthly travels from Bandar Abbas to Bam has been recorded due to the abdicated facilities by the country's railways.

Fortunately it should be noted that the interaction between Iran's Railways and IRISL has entered a new phase.

When it comes to logistics, facilities need to be provided by other organizations definitely. By good fortune and in the presence of the current government of Iran, a positive approach is existed regarding integrated transportation and logistics.

During the first years of establishment of IRISL Integrated Transportation Co. the most activities were rooted in bulk and general cargo transportation but gradually it moved toward container transportation. At the meantime, companies are stepping toward being logistic companies and shipping companies provide service to them. Therefore, IRISL Group has to have access to a strong integrated transportation company to remain in the competitive market and change to a logistic company in an attempt for transportation companies to provide services for it. IRISL could move toward the mentioned direction unconsciously but in the case of support and powerful thinking it will approach the destination earlier than the time scheduled. Certainly in the near future IRISL Integrated Transportation Co. would be a main company of IRISL Group. However, achieving this goal require the support of group companies and organizations such as Islamic Republic of Iran Customs Administration, Iran Road Maintenance & Transportation Organization, special economic zones and general warehouses and finally



WITH THE PURPOSE OF DIRECTING 70% OF DOMESTIC TRANSIT TOWARD WAGONS, A MORE VALUE-ADDED WILL ENTER TO THE ISLAMIC REPUBLIC OF IRAN SHIPPING LINES

the needed investments.

Is the country's logistics infrastructure appropriate?

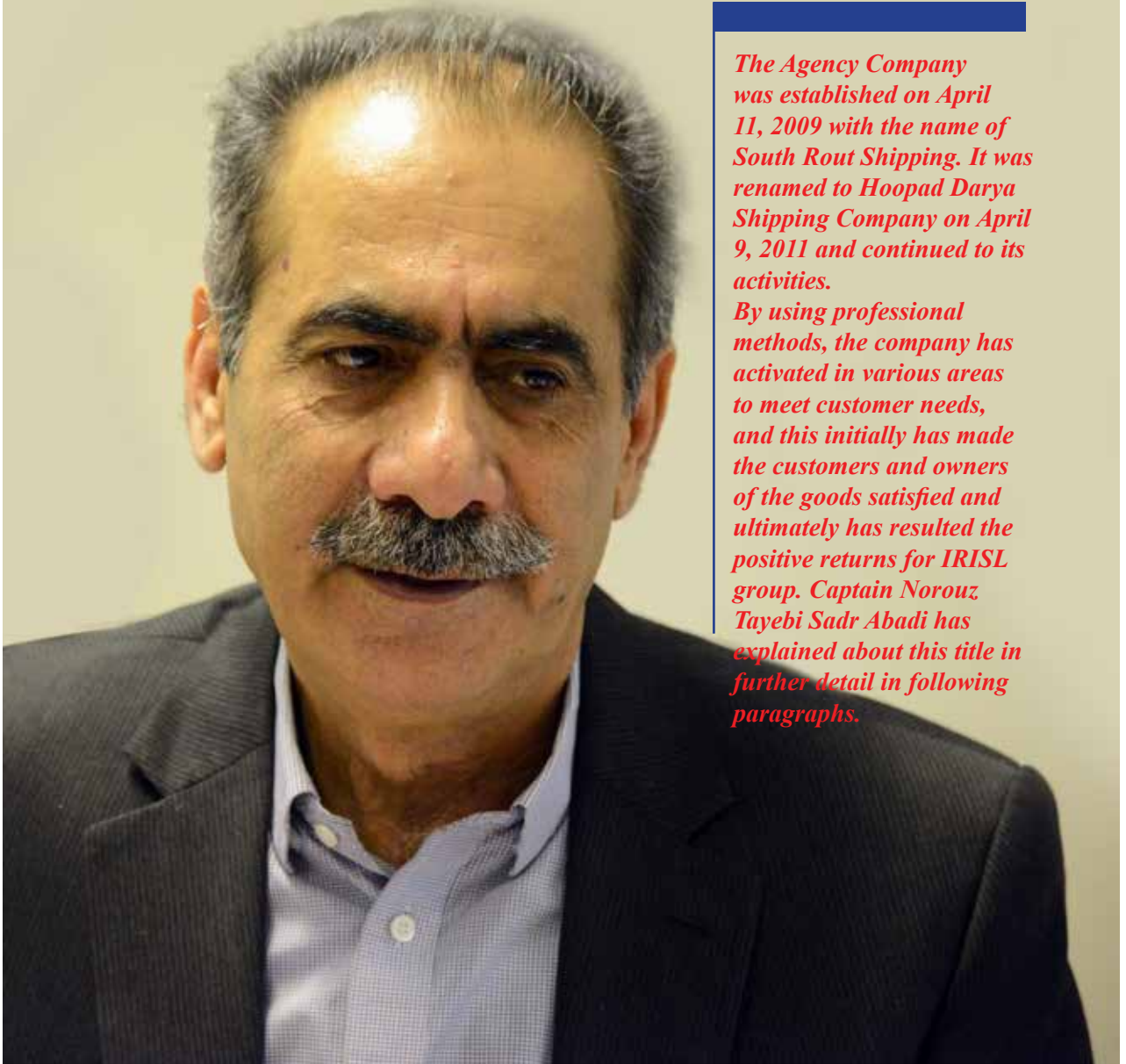
Logistics infrastructure is not defiantly appropriate. When it comes to North and South Corridor the main weakness is the lack of a railway between Rasht and Astarra but it is possible to use alternative routes. Conducted studies in this regard demonstrate that the final price of carrying cargos from Bandar Abbas to Aktau in Kazakhstan by sea and road in comparison with other routes were more appropriate. However, investment and proper advertising should be taken into consideration to assure the customers to exploit the mentioned routes.

When does the history of IRISL Integrated Transportation Co. come back to?

IRISL Integrated Transportation Co. established in 2004 with the investment of IRISL (51%) and Islamic Republic of Iran Railways (49%) in an attempt to complete the supply chain and multimodal transportation's development without owning wagons. Then gradually Islamic Republic of Iran Railways bided its wagons and IRISL Integrated Transportation Co. purchased about 1200 wagons. Considering the government's circular regarding privatization, Islamic Republic of Iran Railways had to abdicate its share to private sector and Tosse'e Tarabar Iranian Investment Group and Social Security Investment Co. bought its share.

Managing Director of Hoopad Darya Shipping Agency Company Announced:

Launching the Comprehensive Trading System



The Agency Company was established on April 11, 2009 with the name of South Rout Shipping. It was renamed to Hoopad Darya Shipping Company on April 9, 2011 and continued to its activities.

By using professional methods, the company has activated in various areas to meet customer needs, and this initially has made the customers and owners of the goods satisfied and ultimately has resulted the positive returns for IRISL group. Captain Norouz Tayebi Sadr Abadi has explained about this title in further detail in following paragraphs.

HOOPAD DARYA SHIPPING AGENCY COMPANY HAS BEEN CURRENTLY PROVIDING SERVICES TO FOREIGN COMPANIES CASE BY CASE AND WE ARE LOOKING TO PROVIDE AGENCY SERVICES FOR COMPANIES THAT TRAVEL TO THE SOUTHERN PORTS OF THE COUNTRY.

Please tell us about the activities of the HDS Co. since its establishment?

The scope of its activity is very wide and includes all southern ports of the country and is associated with all the companies of the group, on the other word, somehow it is a harbinger of the national fleet of Iran. The company actually completes the services that other companies in the group provide. The need for precision and experience in operational tasks is the necessity of the activities of this company. Hoopad Darya Shipping Agency Company has eight branches in Tehran, Bandar Abbas, Bandar Imam Khomeini, Bushehr, Khorramshahr, Asaluyeh, Chabahar and Kharg; the largest branch is located in Bandar Abbas. In 2014, HDS's office was established in Mashhad for the satisfaction of customers. Currently, all customers in Khorasan province come to Mashhad office and all activities are carried out in the same office. Due to the current conditions that foreign lines are entering Iran's ports, the goal of the company is to provide the services properly for the customers who carry

their goods by Hafez Darya Arya Shipping Line and provide the services during the time of their arrival to the ports of Iran in such a way that the customer with full satisfaction and confidence will deliver his goods to the national fleet for shipping. Achieving to customer satisfaction is the most important goal of HDS in post sanction era.

In the post sanction era and in the new conditions of IRISL group, by considering the global and specific perspective of the senior manager of group as well as the launch of new lines, we should increase the agility and operational capabilities of the company.

HDS currently provides services to foreign companies case by case and we are looking to provide agency for the companies which come to southern ports of the country. In the first half of this year (from March 21, 2017 to September 22, 2017) the growth of attracting ships from outside the group has increased significantly in comparison the same period of 2016. We should develop our activities in the ports of Iran to meet new customers in the future.

Please describe the performance of the company in the last year (from March 21, 2016 to March 20, 2017) and the first half of this year (from March 21, 2017 to September 22, 2017)?

The performance of the company can be summarized as: providing agency services to HDASCO shipping company, Safiran Payam Darya shipping company, Valfajr shipping company and other companies of IRISL group, monitoring of cargo loading and unloading operations at ports, clearance and checkout of goods at ports, coordinating with customs and the Ports and Maritime Organization, container export operations and other operations which are indicated in the table below.

What is the condition of company in post-sanctions period?

By lifting the sanctions and the implementation of JCPOA, IRISL was able to promote its global rank in the short time by expanding its activities. This success occurred when many large companies in the world were bankrupt or losing due to

unfavorable conditions in global shipping industry.

The use of domestic, regional and international capacities is a necessity, and now with activation of the north-east corridor, the CIS market for the transit of goods can be an opportunity for us.

Another important event was the revival of reinsurance cover for ships, and IRISL was able to provide insurance coverage for its fleets. As a result, our ships are going to all the ports of the world without any problem. At the time of sanctions, our only active shipping line was the eastern Asian line, but in the post sanctions era almost all of the agencies have been reactivated and new agencies have been established in various international ports.

IRISL has developed joint ventures for international services in the ports of Italy, Hamburg in Germany, Singapore and China. IRISL's restrictions in the European ports have been completely eliminated after lifting the sanctions. Due to these changes, the shipping lines should be restored, so new shipping line to the European ports has been fully renovated. According to these explanations, the workload and the operational sensitivity of the HDS are also increased.

In this era, an important point in the maritime industry is the presence of many competitors and high capacity of global fleet. The company should continue to survive with minimal costs, as there is low freight rate. So only by good and professional management and reducing costs we can survive in this industry.

How much progress has the project of digitalization in HDS had?

Web-based electronic service system for customers is created. It has the capability of Internet payment and all THS costs, loss insurance as well as required information for customers with the aim of increasing the satisfaction of the owners of goods and enhancing the ability of the shipping group to provide customer service, and it is in operation and available for customers. Meanwhile, in the system, all related costs are payable online and financial clearance operations are carried out on system basis. In order to customers' access to new system, for whom has had a history in the company's database (about 2,000 customers) has created a username and password and they have been notified in diverse ways. Also, to ensure that customers are successful in executing online payment operations, the tracking code is created systemically and at the end of the work by this code the client can be notified of their latest payment status. Until recently, payments of up to 500 million rials could not be made, with the help of the IT team, this problem was also solved.

At Tehran office, we have established a trial electronic payment kiosk (using barcode reader). After its trial period, it will be launched in other agencies of the company.

Through the web site of company, we provide a variety of services and notifications, such as announcing the approximate arrival of ships,

informing about the return of the empty container, calculating of allowed lay time cost, and enough explanation. By this way, in addition to increase the satisfaction of customers, it has reduced the customers' need to call.

In sum, according to the circumstances of the day, the general policy of the company is the optimum and maximum use of IT capacity and software applications.

What plans and projects are you studying or implementing?

The main activity of HDS is to provide customers with services that require up-to-date software and systems to enable us to provide customer satisfaction.

Therefore, attracting customers and maintaining their loyalty is so important for the company. So the launch of this system for the customers was carried out in order to provide services to them more easily. The plan of CRM has been implementing since some month ago to improve customer satisfaction, and the process of completing information and appropriate communication with customers are under study. Furthermore, the company's expansion plan for marketing and recruiting customers from outside of the group has been doing seriously and has had relatively good results.

The plan of an integrated system or "comprehensive trading system" in collaboration with Marine Information Technology Development Company (MITD Co.) is in the initial research and design stages, and it will help to resolve many of the current

system restrictions.

The construction of the second phase of the uncompleted administrative, residential and commercial project in our office based on Asaluyeh, is also under construction in the 1000 meter long land in Chabahar free zone.

By considering that you have been worked in the national fleet for many years, how do you assess the role of the IRISL in the country's economy?

By lifting of the sanctions, a significant development occurred in the shipping industry and the International trade of IRISL because one of

the main foreign trade lines was the Europe Line, which was reactivated after lifting of sanctions.

Before the sanctions, there was a huge amount of shipping traffic through the Europe line. In the past IRISL had interacted with the Germany, but in the sanctions period, Eastern countries, such as China and India, were the most important parties to deal with Iran.

By lifting the sanctions, the amount of foreign trade has increased, and by the activation of European line in the field of maritime shipping, we hope we can maximize the benefits on

this line.

The role of IRISL in the economy of the country is very important and vital. We all know that the importance of the existence and authority of the IRISL was determined during the severe period of the imposed war and during the sanctions when foreign companies were not willing to travel to Iranian ports. Perhaps if the fleet of IRISL had not been existed, the country's economy and security would have faced with serious danger.

In my opinion, the strength and huge capacity of IRISL should be preserved more than ever.

The performance of Hoopad Darya Shipping Agency Company

In the first half of last year (from March 21, 2016 to September 22, 2016) and the first half of this year (from March 21, 2017 to September 22, 2017)

Comparison to the first half of last year	the first half of this year	Last year	Subject	No
20%	487	916	The number of ships traveled to the southern ports for unloading	1
14%	489	957	The number of ships traveled to the southern ports for loading	2
24%	5,756,814 tons	9,148,063 tons	The volume of bulk and container export	3
95%	7,494,462 tons	9,272,378 tons	The volume of bulk and container import	4
31%	230,020 TEU	380,389 TEU	Full imported Container	5
-0.3%	62,588 TEU	138,095 TEU	Full exported Container	6
1%	49,233 TEU	92,590 TEU	Internal transit rate	7
5%	35,026 TEU	69,604 TEU	The number of issued clearance in the agencies	8
More 25 numbers	28	12	The number of attracted ships from outside of the group	9
-27%	27367	56897	The number of passengers transferred in Bushehr, Khoramshahr and Bandar Abbas ports	10
-22%	2600	7893	The number of seafarers added to the ships	11
-14%	2737	7942	The number of seafarers excluded from the ships	12



CEO of Khazar Sea Shipping Lines Co. said:

25 % Increase in Fleet Nominal Capacity during Each 4-year period

The Caspian Sea is considered as the largest enclosed lake in the world with numerous opportunities in the field of transportation across the region and the world, so its neighbor countries always try to take a larger share of its maritime business. A competition that given the economic condition of these days, has its own hardship. Khazar Sea Shipping Lines Co. is one of the privately owned companies active in this zone which has managed to maintain its profitability in this difficult situation. Although sometimes the company could not have done as well as possible because of the heavy competition in the region, and it suffered a loss of profit, but according to the managers, the company was able to move more powerful and balance its financial statements.

What was the reason for the drop in maritime trade in the Caspian Sea?

Except for the Russians, another serious competitor for us is Azeri, and they are trying to make a bigger contribution to the region's trade. From the beginning of the year to mid-June, the region's trade fell to its lowest level due to political developments. Currency fluctuations and Western sanctions against Russia had a direct impact on the maritime trade. In two steps, the currency of Kazakhstan declined to less than 15% of the value of this country's currency, which increased the risk of investment and the cost of investing in CIS region, especially Kazakhstan and Russia declined and investors' willingness to invest in the region was in recession. The next issue was the presidential election in Iran. At that time, Iranian merchants were cautious. On the other hand, there were breaks and tariff reductions that the Russian and Kazakh governments began to take on vessels. This has led to a dramatic drop in freight rates, and the balance of supply and demand goes away. In this situation, we faced with excess capacity in the region. The Russians used persuasive offers to reduce this pressure. One of their offers was bunker cost. In Iran, the cost of fuel is between \$420 and \$500 in the Persian Gulf, and this figure for the Russians is at least \$100 less, helping the Russian fleet to compete more. These were the challenges that took place in the first two months of this year. Since last March, We predicted

that the market would move that way.

The other challenge we faced was the issue of iron entry fees. The government raised entry fees to support domestic production. At first, it was 4% and then 11%, and finally the tariff was 20%. In addition, the domestic production dropped and the variety of iron production companies increased in Iran. This led to the reduction of one of the major commodities in the Caspian Sea.

What have you done to deal with the problem of reduction in demand in this region?

In the first two months of the year, we attempted to make regional rivals not be able to take our share of the past year and, in addition, we could increase our share. According to the total number of operations, we were able to increase our share of Caspian Sea transportation by 4%, and after establishing this joint venture as a company that was the main player to provide the freight rate, we started the second phase. Fortunately, in the second quarter, the growing trend in both income and tonnage shows that our chosen policies are correct and that we are finally reaching out and achieving our goals.

In September, we were able to carry 210,000 tons of cargo, which is unprecedented in recession, as well as we could increase prices by 40%, which helped us cover the first two months of the year, and get close to the predicted budget. This is in a situation where tariffs, salaries and wages grew and inflation was declining, and these factors

were all against us, but we were able to profit marginally over the next three months, and for the second quarter, this would certainly be solvable. So far, we have been able to focus on shipping operations and carry out more than 90% of repairs in Iran and reduce foreign exchange dependency in parts supply to below 10%.

The main shipping vessels of the Caspian Sea are bulk cargo. Do you have any plans to enter the energy and tanker transportation sections? and what plans do you have for fleet development?

We own 33 multipurpose ships carrying dry cargos and at the meantime, we have plans to renovate the fleet.

Considering the regional circumstances of the Caspian Sea, marine trade is of utmost importance. We as one of the economical arms of Iran are trying to increase marine trade. At the same time, we are negotiating with domestic and foreign yards and following inexpensive resources to record new orders.

Most of the countries adjacent to the Caspian Sea are producers of Energy but their resources are limited. For instance, Kazakhstan intends to export energy but it could not be successful and prefer tanker transportation.

We gained initial design of the considered ship to carry fuel and now we are negotiating with different shipbuilders. Regarding the financiers, the process is completed and we would enter to energy swab. In the first phase, we start

with a tanker and then we will concentrate on energy swab in a different section.

The program to purchase new ships is high on the agenda and as we finalize the orders, it will take one year for the vessels to join the fleet. We paid attention to resale market as well. This market is specialized for the ships that demand or their owner refuses the carrying of cargos. Meanwhile, we are negotiating with domestic and foreign yards to transfer the technology to Iran to build ships.

Our negotiating parties are domestic and subsidiary companies from Russia and China. We should see which of these models are the best and join the fleet in the shortest possible time.

Khazar Sea Shipping Lines Co. has a major role in the recent agreement signed between Kazakhstan and Iran. Please explain the details and objectives of this contract in the region.

The signing ceremony of the final document of joint venture of the Kazakhstan Railways (KTZ EXPRESS) and IRISL was held in Tehran on January 2017, with the presence of the President of the State Transportation Company of Kazakhstan, ambassador of this country in Tehran, and the CEO of IRISL. This important economic event was based on studies and reviews carried out by the expert of IRISL group, strategic decisions of the managing director and the former manager of Khazar Sea Shipping Lines Co., and this



WE WERE ABLE TO CARRY 210,000 TONS OF CARGO, WHICH IS UNPRECEDENTED IN RECESSION

year the initial agreement was made at the trip of president of Iran to Kazakhstan.

The main goals of this joint venture can be: facilitating trade with the CIS countries, providing access to these countries through free ports through Iranian ports, developing transit through the territory of Iran and the Caspian Sea, and finally the development and enlargement of the dimensions and volume of the Caspian Sea market.

By constructing joint terminals in China, as well as the railway connection between Kazakhstan and China, KTZ EXPRESS can create a new gateway for the exchange of goods through Kazakhstan between Iran and China, also sending goods for some parts of Iran from the Caspian Sea route can be replaced the Incheh Borun railway, which will make a competitive decline in time and prices. The operation of this joint venture company will result in a significant increase in the level of market penetration as the market size and volume of the transportation market increase in the Caspian Sea.

By entering the management and operation of the terminal

in the ports of two sides as well as revival and reinforce of multimodal transportation between the ports of the CIS, China and the northern and southern ports of Iran, and also investment and improvement of equipment and services in Iran and Kazakhstan, can facilitate the import, transit and export by decreasing the costs of transportation in the Caspian Sea and other demanded routes

What plans do you have for fleet renovation?

At the present, by having 23 ships with the flag of the Islamic Republic of Iran and the capacity of 95,000 tons, Khazar Sea Shipping Lines Co. has the largest fleet in the north of the country, and the development of its fleet as one of the companies of IRISL group is one of the strategic goals of the company in order to increase the share, develop the influence factor in the Caspian Sea transportation sector and improve of the freight rate in this region. Therefore, fortunately, the feasibility studies of the purchase and construction of several ships have been completed and we are financing the necessary funds for the implementation of the fleet development project. According to the planning based on the company's vision and mission, we have considered to increase the nominal capacity of the fleet by 25% during each 4-year period up to 100% of the current capacity and update and reduce the age of the fleet to less than half its present age. By delivering the new buildings, this goal will be possible.

Marine



**Has Maritime Transportation
Come out of Recession?**

Smile of 2017 !

Maritime Transportation Market Analysis in 2017:

Will Seas' Economy Peak Again?

By: Narges Ehsandar

The year 2017, when the majority of the world nations experienced political stability, witnessed significant events in the field of trade. A growth in the international maritime trade could be interpreted as a signal that the market is peaking again. The world was faced with some sort of instability in 2016 in the light of Brexit, triple elections in Europe and US presidential elections, which resulted in cautious behaviors and decision. Admittedly, shipping industry was not an exception to this. Nonetheless, a brisk glance at the global economic trends in 2017 highlights that a new equilibrium is coming to existence under the influence of latent demand detection technologies, a reduction in supply at the international fleet level, and consolidation of some shipping lines. In fact, these matters have retrieved the opportunity of becoming profitable again for an industry which is practically in its mature years age-wise.

While from 2005 to 2010, the market witnessed a 5.5-percent growth; this figure, however, underwent a nose-dive fall to approximately 3.1 % between 2010 and 2015. Between 2015 and 2018, the tide began to come up, and the demand has been proportionally rising compared to 2010-2015, but this cannot be deemed a rise compared to 2005-2010. When being asked about the reasons of an increase in demands between 2015 to 2017,

experts assert that shipping lines are moving forward in their supply trends at a slow pace. The 5-year recession in the field has practically disrupted the fleet supply, causing the lines to merge, and reduce their orders for purchasing vessels. In addition, the 2008 economic recession reached a manageable point. European countries such as Greece, Portugal, Spain and Iceland, who had almost reached the boundaries of bankruptcy

managed to rebuild their economies.

Even the European Union injected an extra 5 billion Euros to the market for managing its negative inflation, keeping this rate between 0 to 2 percent. On the other hand, the impacts of the US sanctions gradually faded away. Indeed, the condition of consumption was mended in comparison with 2008 to 2010, when the crisis broke out. However, the mending trend



has been delicate. There was a recession between 2005 and 2010; the ship owners had ordered a large number of ships, and the prices hence had become increasingly competitive. A rise in the number of vessels as well as new technologies had given rise to an increase in the investment. Given that the new vessels were not able to venture to just any port, they needed to make turns and dock at alternative ports. Therefore,

various factors shadowed the international maritime transportation and caused a drop in the indices. Yet, now, this economy is gradually peaking. Nevertheless, it is difficult to speculate the conditions after 2018 because events that had created the economic crisis could have been solved by financial regulation. The ex-president of the US, Barrack Obama, had commenced taking measures for such regulations, but Donald

Trump, from his early days in the oval office, terminated the financial regulations supervising financial derivatives. This termination makes it difficult to make long-term prognostication, but what could be foreseen for certain is that the market will have a slow rise up to the end of 2018.

It is noteworthy that the type of possession as well as the registration of the ships are two critical issues. Japan and Greece hold the first and second positions in this regard, and China, Germany, the United States and South Korea stand in the next ranks. The access of these countries to well-equipped fleet and container ships could be translated as the actual demand and supply in their own economic capacities. Each of these countries are key players in the global economic games, production, and export and import of raw materials. The year 2017 is the year of economic stability for Japan, China, Germany, the United States and South Korea, who have all moved on from the economic problems of the previous years.

Collaborations of Transportation Companies in 2017

The year 2017 witnessed an increase in technological stimuli. These stimuli have a massive impact on consumerism seeing that they discover the blind spots of demands in markets. Here, technology does not mean building equipment; it rather represents the true understanding of consumer behavior relying

on information technology. In other words, more accurate and meticulous technologies analyze consumers' behavior, and detect the untouched demands or form a coalition with their allies.

A senior expert in transportation, Majid Tehrani, counts the type of deals, types of agreement and diversifications in trade models as the affective factors in this regard, and asserted that these coalitions have been formed by companies who are concerned about their final price and geographical classifications. They also use more advanced technologies. As a case in point, DHL or Kuehne & Nagel, as logistic activists, enjoy extremely complicated technologies, and have managed to conduct the necessary restorations.

According to a member of the board at Shipping and Subsidiary Services Association, Mehrshad Moeinm, the global demands in the shipping market in the past years drove many shipping lines to place orders to purchase ship to be able to cater to the demands they predicted would emerge; nevertheless, the worldwide recession did not allow the transportation of goods reach the predicted levels. Upon this, the companies that had miscalculated their predictions ran into problems. Meanwhile, the more powerful companies merged with each other in order to reduce their losses to a minimum.

Speculating that shipping activities will be positive and promising in 2018 and 2019, Moein continued that political issues, production, social issues and many other

signs are highlighting that the world has reached a point where countries prefer to have further collaborations with each other. These interactions are more vividly observed in the economic arenas. Our age is the age of interactions and dialog among countries; the age of win-win economic affairs.

Another transportation expert, Mahmoud Rostam Afshar, is of the opinion that world shipping lines are placing orders for building larger ships, and small lines are merging.

Referring to the excellent moves of IRISL in international scale, Rostam Afshar added that global economy is growing out of the recession, yet the growth rate will bit be impressive. Hence, he speculated that in 2018, shipping lines will witness a maximum positive trend of 5 %.

An Increase in Container Trade

Prior to 2017, the capacity of container trade was debatable. However, this figure increased dramatically afterwards. From 1980 to 2015, a large capacity entered the container shipping market and the supply expanded. This trend reached stability in 2016, which could bear benefits for the restoration of maritime transportation industry, increasing profitability, and promoting growth rate. In 2017, the available fleet and the ordered fleet with different capacities between 13 to 18 thousand TEU and between 18 and 20 thousand containers enjoy a specific pattern. In fact, orders for the fleet of smaller than 10,000 tons have

substantially declined.

In the container transportation sector, large lines have staged their interest lie in having massive fleet. This strategy which is called *the Blue Ocean* was pioneered by Maersk Shipping line. In fact, the competitive elements of the industry had all been similar, and the dire need to a factor that triggers new rivalry was strongly felt. Even though the vision of the decision makers at the time was to increase the capacity of the vessels, other parties decided that they could benefit from this policy as well. In the light of the easy access two low-interest



financial resources in Europe, all ship owners found a chance to participate in this game, and the market was hence saturated.

Slow Growth of Forwarders and Operators

In the supply chain, each and every ring has to be optimized, and the optimization of one ring without the proportional development and modification of other rings is ineffective. Hence, the role of the port in the maritime transportation should not be neglected. That is why many countries direct their monetary resources to ports or they themselves participate in the ports, and turn them into

mega hub port so that vessels can dock at them. This way, in case there is a sudden fall, they can be transferred to the neighboring ports and the destiny of the ports change.

As far as the number of ship operators and TEU capacity is concerned, APM Company is the world's leading company; and MSC, CMA, COSCO, Hapag-Lloyd, Evergreenqz, and OOCL stand in the next positions, respectively. All these operators have reached stability through forming a coalition, in such way that the entire world can be classified into 3 coalitions in terms of vessel operators. Ship and port operators

can indeed optimize their relationship through a mediator. Unless a mediator is in place, the ship operator passes on his problem to the port operator, and the bottleneck will be transferred from one point to another. In the goods forwarders sector, the trend is increasing at a logical and steady trend. The world's main players such as Kuehne & Nagel, DHL, SINOTRANS and DB SCHENKER have managed themselves capacity-wise in 2016 and 2017, and have reached stability.

In 2017, ship operators managed to do their business through leasing relationships. This highlights that the executives of ship operators staged stronger sensitivity to their balance sheets and liquidity. In fact, they endeavored to increase the return of liquidity since this process is a source of income for them and as well, it turns the industry to its natural state. APM, MSC, and CMA hold 50 % of the market share. The mere fact that these primary players leave the competitions and reach equilibrium has profound effects. It is noteworthy that strong bankers accompany these firms and have acted as stabilizer factors to the market.

Ports Events

The years of 2016 and 2017 have witnessed significant events in the main ports of world.

The five main ports of the world, Shanghai port with the container throughout of 37.1 Million TEU, Singapore 30 Million TEU, Shenzhen 24 Million TEU,



Ningbo 22 Million TEU and Hong Kong port with the volume throughout of 19 Million TEU, have experienced some changes in their movement.

Hong Kong and Singapore ports which were among the regional Mega-ports, had experienced a downward trend in comparison with the last year. On the other hand other, ports such as Shanghai, Ningbo and Shenzhen had experienced an upward trend.

When a company is responsible for both production and logistic process, it naturally tries to stage a stable behavior. This is why that Hong Kong and Singapore have seen a decline in their ranking, three top ports (Shanghai, Shenzhen, Ningbo) have recorded 83 million TEU container throughout.

The top global operators have managed to maintain their



IT IS DIFFICULT TO SPECULATE THE CONDITIONS AFTER 2018 BECAUSE EVENTS THAT HAD CREATED THE ECONOMIC CRISIS COULD HAVE BEEN SOLVED BY FINANCIAL REGULATION.

position, so that, PSA which accounts 8 percent share of market and HUTCHINSON with 6.8 percent, APM with 5.5 percent and PD WORLD with 5.3 percent have managed to play a colorful role the market with a more stable trend.

A case in point, during 2010 to 2012 years, the reduction of revenue of shipping companies had resulted in a change in their behavior, however, for the time being, these behavior have been improved. When the revenue of Maersk, the world's largest container shipping company, declined from 49 Billion Dollar to 35 Billion Dollar, this company had to put pressure on the market, as a result, the market had underwent some changes. Nevertheless, currently, these companies have come out of the crisis, the rates have been



improved and a partial stability is being experienced in the market.

The Impacts of Energy on Transportation

When it comes to the general improvement of global trade flow, it means an increase in energy consumption and need to the raw material simultaneously. Generally, underdeveloped countries mainly export general cargo and import container.

Therefore, when the global trade is experiencing an improvement trend, underdeveloped countries sell more raw materials, as a result, these countries export more general cargo and import containers at the same time.

A senior expert in transportation, Majid Tehrani, proposed: an increase in general cargo or container movement depends on the development of countries. African, Asian and Middle East countries export mainly general cargo. Moreover, their imports rate has been higher than their exports rate. Otherwise, these countries will face balance of trade deficit and other main problems such as inflation.

With regards to energy condition, he continued that given that main energy trade moves toward sustainable environment, it is predicted that in the next one or two decades, oil consumption will experience a partial stability or a decline, because there is tendency toward sustainable and clean energy.

Tehrani remarks that Shell Oil Company, which is one of America's largest oil and natural gas producers, has been very effective company. Following



IN THE LIGHT OF THE EASY ACCESS TWO LOW-INTEREST FINANCIAL RESOURCES IN EUROPE, ALL SHIP OWNERS FOUND A CHANCE TO PARTICIPATE IN THIS GAME, AND THE MARKET WAS HENCE SATURATED.

four decades of activities, it could turn America from oil importer into oil exporter. This issue has a massive impact on energy trade.

Referring to the transferring energy through pipeline, he explains that in terms of logistically, the energy sector is subjected to security policy, on the other hand, the attempts are being made that wherever that there is a sustainable supply-demand, the energy is transferred by pipeline. Therefore, pipeline and oil and gas pipeline are very significant matters when it comes to the management of ships.

The world of energy is getting more influenced by world policy than the trade cycle. Moreover, instability will exert a great influence on the world of energy. It is possible that when shocks either arise from the demand side or the supply side, a very sustainable player in market like Aramco, Saudi Arabian Oil Company may leave the shadow of market due to political instabilities.

Without such political events, the energy market will not experience ups and downs. Countries will supply the needs of energy through a wide variety of methods.

Maritime Transportation in the Middle East

There is not a shred of doubt that political events in the region such as defeating Daesh,

Narrative of Global Container Shipping

By : *Elham Ghorbani*

In brief, all of the events which have been happened about the shipping industry since mid-2008 can be summarized as follow:

The economic crisis hit the shipping industry ▶ The demand growth got negative ▶ The gap between demand and supply was caused excess capacity ▶ There was a tough fight on freight rates ▶ Changes in freight rates were gotten out of the control of shipping companies ▶ Companies thought about focusing on cutting costs, in order to be profitable ▶ Cost reduction by improving productivity was the approach taken by large shipping companies ▶ It was concluded that available capacity should be used optimally ▶ What was the solution: using larger ships, removing some ships, and slowing down the ships' movements for reducing fuel consumption, joining to alliances and agreements to share the capacity and take more global market share ▶ These days, the container section is continuing its way towards consolidation more than before.



It was predicted and it seems to be true up to now that the balance of supply and demand in the shipping industry has been due to the massive demand for iron ore and coal. In fact, experts are optimistic about the maritime market for at least the next three years. Although there is no doubt that the container sector will benefit from improvements in world trade as well as other sectors, to what extent this segment of the trade can take benefit from global GDP growth and reduce the gap between supply and demand is an issue that needs to be studied further.

Data of global macroeconomics is so good that for the container sector, it has been expected that the growth for the container sector in 2017 at the beginning of this year was between 2-4% and for the entire 2017 was 4-5%. Due to the delivery and entry into the service life cycle of new vessels, there will be some problems in the next year, but in the beginning of 2018, there will be no flow of new ships that we saw at the beginning of each year.

It cannot be concealed that orders have been issued some years ago and delivery will take place next year, but the fact is that the orders have reached

the lowest levels in recent years. In this condition, alliances, mergers and acquisitions in the container sector are positive events because larger players are more responsive than smaller ones.

2017 is a landmark in the container shipping industry

After about a decade, Drewry predicts that the container sector will reach to its most annual profit in 2017, a combined operating profit of about \$6 bn. By considering that the forecasts of the entire shipping industry indicate a total operating profit of about \$20 bn in 2018, it can be expected that next year will be the most thriving year for container section since 2010. In fact, this will happen if shipping companies can handle the massive entrance of new ships next year. As Drewry states, for the container carriers, the collapse of Hanjin was a historical milestone that paved the way to the promised paradise (Sustainable profitability).

Although increasing the size of ships is delayed due to infrastructure constraints (including the size of canals and ports) and the lack of proper financing, over the past two decades, average size of the vessels in the global fleet has grown by 69% and at the early of October 2017 has reached to 30,582 DWT. Certainly, in container ships, the heavy weight makes a huge difference in average size of ship, and leading to outstanding orders for very large container ships of 18,000 TEU and more recently 22,000 TEU. This led the average size of container ships to over 48,700 DWT, which showed 104% increase over the past two decades. But this tendency to boost ships is not only affected by one factor, and the trend of protagonists for larger vessels, resulting from several factors. One of the factors is the growth of seaborne trade as ship owners are always seeking the opportunities to increase their market shares with cost-effective operations, and in this way it is very important for them to pay lower costs per unit. Increasing the size of ships in the container segment indicates the willingness to compete through lower costs of unit, although there are some other factors, such as removal of restrictions of the Panama Canal in 2016. Generally larger ships will result in lower unit costs. This is very effective for shipping as well as for the global economy.



Power sharing of the worldwide container lines

According to Alphaliner, the information of the top 30 container lines can be seen in table 1 and the comparison of their existing capacity is shown in Figure 1.

Table1. The Information of Top 30 Container Lines

No.	Name of the line	Total existing TEU	Share of Capacity (%)	Market Share (%)
1	Maersk	3,527,900	18.3	16.5
2	MSC	3,128,843	16.2	14.6
3	CMA CGM	2,494,881	12.9	11.7
4	COSCO Shipping	1,814,011	9.4	8.5
5	Hapag-Lloyd	1,497,490	7.8	7
6	Evergreen Line	1,069,844	5.6	5
7	OOCL	672,159	3.5	3.1
8	Yang Ming Marine	579,826	3.0	2.7
9	MOL	568,789	3.0	2.7
10	Hamburg Süd	563,769	2.9	2.6
11	NYK Line	537,763	2.8	2.5
12	Pacific International Line	382,647	2.0	1.8
13	Zim	357,221	1.9	1.7
14	HMM	351,813	1.8	1.6
15	K Line	341,746	1.8	1.6
16	Wan Hai Lines	226,001	1.2	1.1
17	X-Press Feeders	151,373	0.8	0.7
18	KMTC	122,983	0.6	0.6
19	Antong Holdings (QASC)	104,694	0.5	0.5
20	SITC	103,515	0.5	0.5
21	Zhonggu Logistics Corp.	99,081	0.5	0.5
22	IRISL Group	96,383	0.5	0.5
23	Arkas Line / EMES	74,758	0.4	0.3
24	TS Lines	69,219	0.4	0.3
25	Sinotrans	67,631	0.4	0.3
26	Simatech	65,129	0.3	11.1
27	Salam Pacific	52,273	0.3	
28	Heung-A Shipping	49,754	0.3	
29	SM Line Corp	49,266	0.3	
30	Regional Container Line	49,105	0.3	

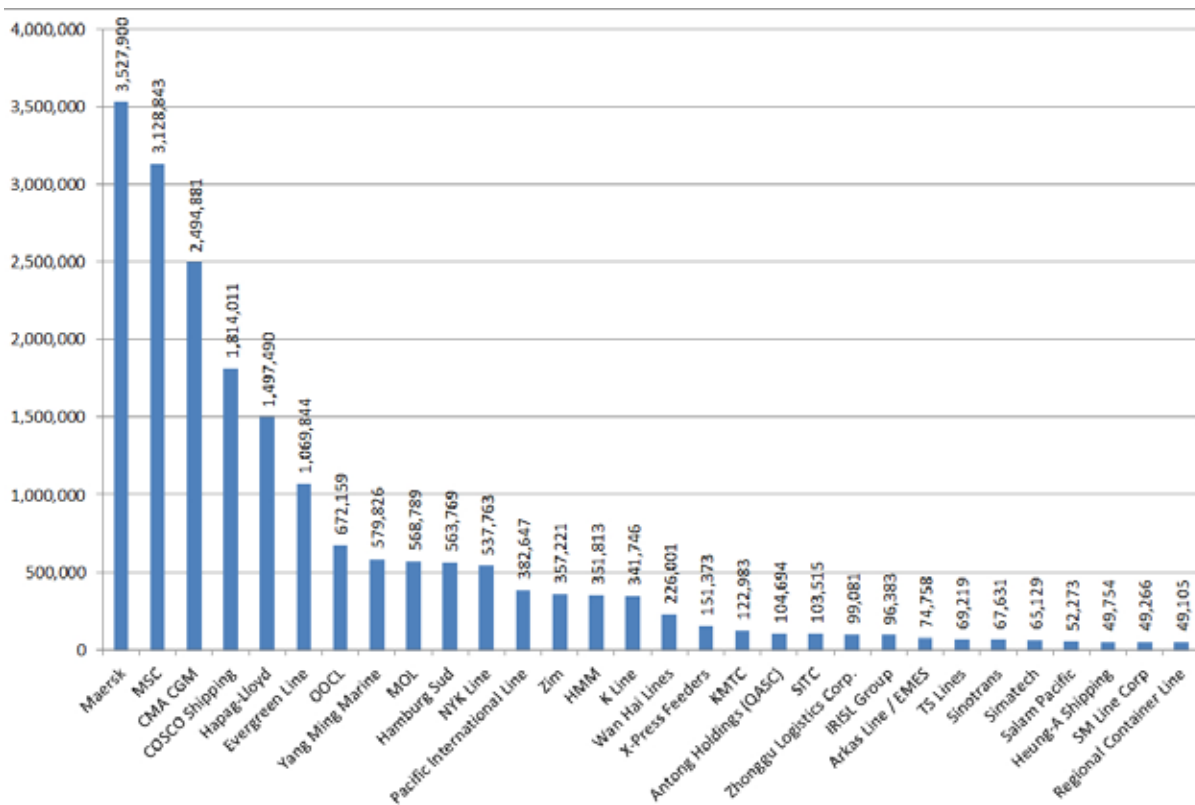


Fig1. Top 30 container lines by total existing TEU

Table2. Alliances' Capacity and Market Share

No	Alliance Name	Total existing TEU	Share of Capacity (%)	Market Share (%)
1	2M Alliance	7,572,325	39.3	35.5
2	Ocean Alliance	6,050,895	31.4	28.3
3	The Alliance	3,525,614	18.3	16.5

As far as you can expect and shown in figure 2, the market share of these companies is exactly coordinate to the amount of their available capacity.

Tables 1 and 2 show important information about the current state of the container shipping market, some of which can be summarized as follows:

- About 80% of the market share is related to 3 major container carriers. As you can see, from 30 top container companies in the world, only 13 of them have taken part in an alliance. According this, it's clear that there is a tight competition between the 17 other companies

that are relatively smaller and should try to maintain the remaining market share (about 20%).

- By considering that only 13 of the top 30 container companies in the world have taken part in alliances, we can conclude that so tight competition between the 17 remain companies has happened to maintain the small remaining share of the market (about 20%).



Fig2. Comparison between top 30 container lines' market share

- Approximately 90% of the available capacity is controlled by the container alliances. In other words, other container companies by only 10% of total capacity have to fight for gaining 20% market share.
- As shown in Table 1 with 3 different colors, there are only 13 top-level companies in the alliances. It means that powerful companies are trying to form superpowers, while small firms in such a competitive environment (which goes toward monopoly) are struggling to survive with low incomes and little operating margins.

Certainly, more analysis of the data reveals more facts, but the choice of container carriers will make the future of the market in the future. The container shipping industry is definitely moving towards consolidation, and the power to determine the future of this segment of the shipping industry is in the hands of the great ones, such as Maersk which has concentrated its activities more than before in order to manage its whole group in the best way and consequently make favor profit for itself.

Capacity management, effort to balance supply and demand

The great alliance shake up

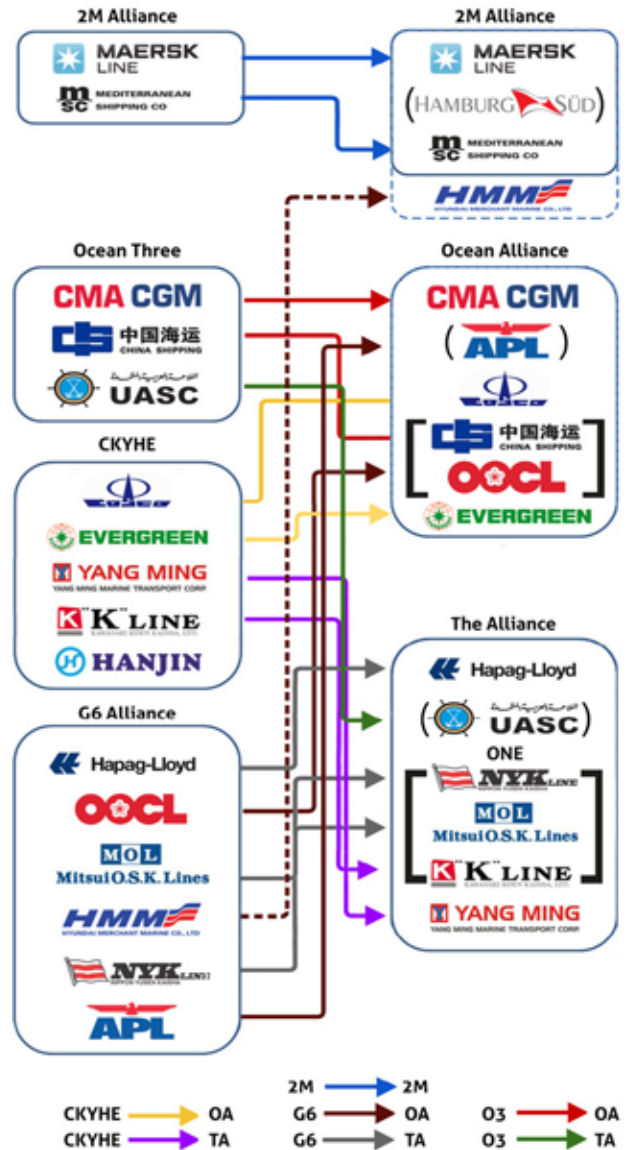


Fig3. The last condition of container alliances

While no orders have been issued recently, statistics show that the total existing orders is 3.2 million TEU, equal to 15.6% of the total fleet capacity available in October 2017 (the total capacity is around 20 million TEU)

According to Drewry's estimations, 128 very large

vessels with a capacity of more than 10,000 TEU will be delivered by 2020. It is expected that 83 units of them will be delivered by the end of 2018, of which 24 will be super-large vessels with a capacity of more than 20,000 TEU.

Following more than two decades of sustainable growth, the capacity of container ships has been more closely controlled in the last two years. Container fleet growth was only 1.2% during 2016, due to drop in the delivery of shipyards and continue scrapping activities. Over the past 3 years, the proportion of container ships in the range of 3,000 TEU to 7,999 TEU has fallen sharply in comparison to the total container fleet, which has risen to 33% from 41% at the beginning of October 2014. At the same time, the proportion of larger vessels in the range of over 8,000 TEU during this period increased from 36% at the beginning of October 2014 to the current level of 48%. As a result, it is quite clear that due to lower unit costs, the trend towards larger ships has increased and this trend will continue, as 84% of the ships scheduled to be delivered in 2018, have the capacity of more than 8,000 TEU. In addition, between 2016 and mid-October 2017, 70% of the scrapped ships were in the range of 3,000 - 7,999 TEU.

As in the late 1970s, after the peak of shipbuilding activity in 2010, the economic downturn and its impact on shipping markets led to a drop in the outputs of shipyards. Between 2010 and 2014, the number of new ships dropped by 34%, while a total of 178 shipyards announced they had delivered all their orders by 2012. Of course, trade growth, the replacement of older ships, ships with lower efficiency, and more strict environmental laws can help increase the orders and improve the conditions of shipbuilding industry. But in general, it can be seen that shipping companies try to use their available capacity optimally (sharing the capacity with other companies in the form of alliances or agreements) and optimize their capacity (upgrade the fleet, renovate their equipment and utilize the economy of scale).

Consolidation, an unavoidable solution

Every year, the list of top-level shipping companies has changed, and certainly the list that we see at

the end of 2018 will be very different in the light of developments in 2017. Compared to 2016, at first glance the list of top companies seems to be the same in terms of capacity, but Evergreen, which once had the first place, at present fell to sixth place, Hapag-Lloyd has promoted one step and Hamburg Süd has fallen to its previous position. In comparison to 2016, this year's top 4 companies are also Maersk Line, Mediterranean Shipping Co, CMA CGM and Cosco Shipping in terms of capacity.

Undoubtedly, the integration of the three Japanese container lines, MOL, NYK and K Line, can be regarded as the largest merger of the shipping industry. The merger of these three companies resulted in the formation of Ocean Network Express (ONE) company, ranked sixth in terms of capacity, while now these three companies are ranked 9th, 11th and 15th respectively. The company will introduce its services from April 2018, and until that time the three companies will continue to operate separately.

Another change is about the OOCL, which currently holds the seventh rank of the world list and is being acquired by Cosco Shipping, so that Casco can ranked as the third at least for a short time. After that, we have to wait to see how the delivery of new ships will change the list of top companies in the coming years. We should not forget that Cosco Shipping is the result of the merger of two Chinese companies (Cosco and China Shipping). Another company that will probably lose its independence officially by the end of 2017 is Hamburg Süd, which is bought by Maersk. United Arab Shipping Co, which was the tenth largest container shipping company in the world in 2016, now has merged with Hapag-Lloyd, and previously Hapag-Lloyd had acquired the Chilean container company CSAV. In the list of the top 20 container companies in 2017, compared with 2016, the position of Hanjin Shipping, which announced bankruptcy in August 2016, is empty. But there is a new entrant from South Korea, called SM Line, which has started its activity after the bankruptcy of Hanjin to rank 29th among the world's container companies.

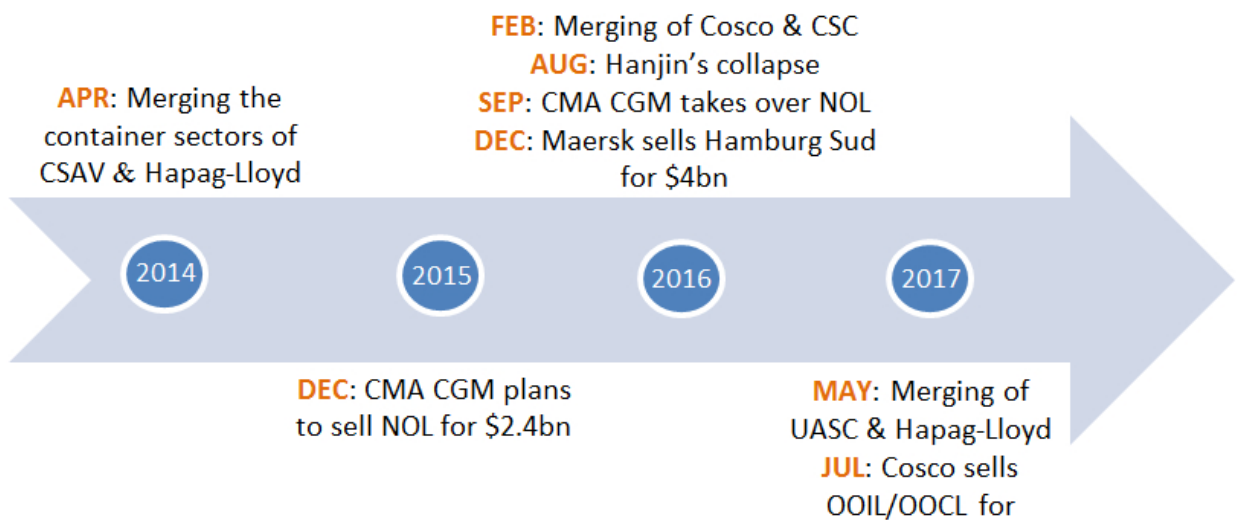


Fig4. The most important events in recent years

Other container companies that have upgraded have not been promoted due to their development strategy, but because of the merger of some companies or the fall of some others. This includes the promotion of Zim from grade 16 at the end of October 2016 to grade 13 at the same time point in 2017.

The difference between the 6 companies at the beginning of the list from the rest in the term of the number of fleets is obvious (figure 5). This distance will expand by more mergers and alliances of big companies.

Although 22 of the 30 largest container companies are Asian, the power in this industry is dominated by the first three European companies at the list.

The solution that Maersk has taken to stay at the first level of this industry is interesting. The company, which had a capacity of 3.2 million TEU in 2016, has increased it to 3.5 million TEU this year and will continue to make significant orders for the coming years.



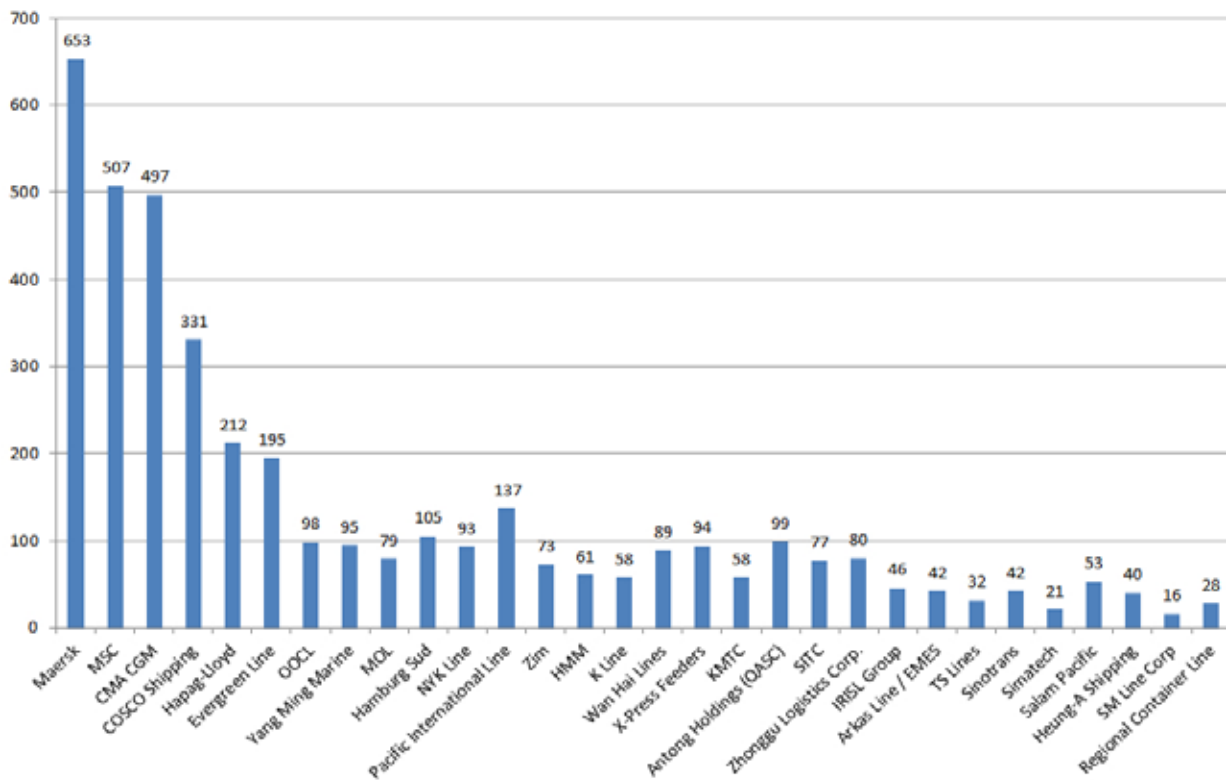


Fig5. Top 30 container lines by ships



Intellection will bring the bright future

We have to wait and see if Asian companies will move towards the policy that Europeans are pursuing, to integrate and start significant cooperation, or just watch the developments in the world around them. When we see huge ships in the list of orders which will be delivered over the next two years, we suspect that super companies like Maersk want to reduce the number of container carriers in order to better manage the capacity and improve the fleet utilization to more than 90%. As a result, the best candidates for selling are small and medium-sized companies with a limited market share and a small fleet, by this way they avoid multiplicity as far as possible, and the whole industry will go to integrity.

However, given the sustained growth of the global economy, we can be optimistic about global freight rates in 2018. Two months had remained until the end of 2017, when Drewry announced that in 2017 the average freight rates in the east-west trade lane are projected to increase by 16.6% compared to 2016, and in 2018 this rate will be 8.8% compared to 2017.

Shipping Industry Overview in 2017:

Putting on Sunglasses, Lolling on the Shore without Sunshine!

By: *Vahid Basereh*

The shipping industry is still wounded. It seems that the industry has been affected by the economic crisis of the first decade of this century. Totally 4% drop in shipping operations in 2009 was a bitter memory of the industry whose impacts have continued until now. Although in the next seven years, with the growth and rather recovery of the global economy, the shipping industry somehow experienced the growth. However, the effects of the former slump once again impacted the industry in 2016, which its obvious manifestation was the bankruptcy of South Korean shipping company, Hanjin in that year. Although the reasons for the destruction of the seventh largest shipping line of the world were not limited to the economic crisis and consequently the crisis in the shipping industry, it cannot be ignored if the market was as flourishing as the past, the company did not feel the bitter taste of bankruptcy and the biggest fall in the world shipping industry in the last three decades was not happened. The successive mergers and acquisitions as the last solution for survival, which continued with more intensity from 2015 up to now, were another signs of the crisis. Although the advent of alliances such as 2M, OCEAN and The Alliance, helped to survive the leaders and serve the integrity of the global shipping industry, It shows the fact that the world shipping industry is walking around the edge of the razor.

Now the situation is volatile. There are some improvements, but each time a new drop does not allow percentages to exceed 4. In its analysis of the first 3 quarters of 2017, the Clarksons predicted that by the end of 2017, the world shipping industry will experience 3.9% growth which is higher than the 2.8% and 2.1% in 2016 and 2015, respectively. But it is still far from the ideal condition that can be called boom.

But the Moody's rating institute in late July 2017, in the 7-month report of this year was not as optimistic as this. In a report at

that time, it expressed a negative outlook for the shipping industry in this year. Moody's believed that continuation of over supply made this year not a good year for shipping industry.

The institute warned that if the supply growth resumes more than 2% of the demand growth and the decline in operating revenues is more than 5% annually, this year will not have big difference from 2016. Moody's has announced the only way out of the current situation in a sharp decline in supply.

But this institute also said in its

report that the condition of bulk and container sections would not be worse than 2016. However, it once again warns that in the supply growth of the next months will impact container segment negatively. This fact was indicated in the subsequent reports of other institute such as Clarksons which has somehow shown in its weekly reports that the freight rates in the container sector are constantly fluctuated until October, although this fluctuation eventually has kept its distance from Moody's disappointments in July. According to Clarksons,





the container market has shown 9% growth in the first three quarters this year. This has been accomplished by the transportation of 5.6m teu containers, which is a large part of Hanjin's share that has been split between shipping companies in the absence of it.

It seems that removal of Hanjin has effectively optimized a large part of the supply, at least in the container market. According to many industry players, the optimization of supply is one of the most important requirements of the shipping industry at the moment, but why it is not optimal? The answer to this question can be found during the bubble boom period lasted until major economic crisis in 2008. In the years ahead of it, the bubble boom in the market has led to a sharp rise in demand. As an example, the rise in oil prices at a historic record of more than \$150 ppb increased the demand

for oil in the Middle East to the extent that regional huge ports look for special services for loading more entry vessels. In this period, the shipping industry experienced a state of chaos as a result of a periodic and intense boom, so non-professionals and profiteers also entered into the great market of shipping for more profit. By exploding of the boom bubble, everything collapsed suddenly, so the shipping industry remained with a large amount of idle capacity. No one could forget the view of abandoned new ships in the shipyards. Now, after a decade, supply continues to surpass demand, and as a result of the confusion in global economy, the shipping industry is also in a state of confusion.

However, it cannot be ignored that according to the International Monetary Fund, the global economy will have about 3.5% to 3.6% growth in 2017 same as 2016. Perhaps this growth does

not convey great hopes, but it seems that the era of crisis is approaching to save in history. In other words, if the supply and operating costs optimization continues in the shipping industry, we can hope that the industry will also find a solid situation for its future along with the global economy.

In the bulk section, maybe this solid situation will be experienced sooner. The statistics in this section represent more valuable expectations. China's thermal coal imports will reach 178 million tons this year. According to Clarksons, this figure is 8% higher than last year. At the same time, Australia has also increased its mineral exports. The presence of Donald Trump at the White House, which ends or leaves much of the international conventions, especially in the commercial and environmental sectors, has also helped boost the bulk market. Accordingly, now in the Baltic

region, the demand for dry bulk carriers is showing a positive trend. But the US government's actions are like a blade with two edges. In a report in July 2017, Braemar ACM, one of the largest charter companies in the world, warned the possibility of limiting imports of metals by USA and its impact on dry bulk sector.

In its report, it insists that stopping imports of metals to USA will eliminate large part of demands in dry bulk market. Furthermore, as the world's largest exporter of raw metals (with more than 49% of the market share), China has threatened USA to restrict imports from this country, which means a loss of another part of the bulk market. Of course, up to now, after some months after the publication of the Braemar ACM's report, there has been no special event, and bulk sector has been still in a slow fluctuated but hopeful condition.

After all, in the tanker section, the situation is somewhat more complicated. While bulk and container sectors are each recovering from the pressure of 2016, the tanker section has experienced highly volatile conditions in 2017. Because of its high supply versus demand in the tanker sector, Lloyd's List had a negative outlook in late July and early August 2017. According to its report, at least in the spring and summer of 2017 demand for oil has been in recession. At the same time, the supply of tankers is increasing. This means slump in this sector, which shows itself with increasing the speed of freight reduction. Lloyd's List hopes the tanker market will boost with the start of the winter season, but



**SUPPLY
CONTINUES
TO SURPASS
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AS A RESULT OF
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ALSO IN A STATE
OF CONFUSION.**

by considering the high supply of different companies, this hope is not strong enough. The scrapping activities in this sector have not had clear trend in 2017, and in some weeks there were virtually no tanker for scrapping. In the first half of 2017, 58 new tankers, including Aframax and Suezmax, have entered to market, according to the Lloyd's List. However, according to this Institute, the trend for coming of new tankers will be decreasing in the coming year, but it seems that from 2019 part of the other orders will enter to the market, which means a new wave of supplying tanker services. If these events and actions did not affect the market negatively, we can say that the future of the tankers will be more obscure because of them. Clarkson's weekly report on market review, for the first three quarters of 2017, confirmed that tanker carriers had many problems to get a few more dollars. By this way, revenue of giant tankers dropped by about 45% over the first seven months of 2017 compare with the same period in 2016. The drop of revenue in Aframax sector is reported to be up to 55% which is an ignominious figure. It seems that until the oil producing countries or, more precisely, the members of OPEC plus Russia adhere to the reduction in oil production, it is unlikely that the tanker market will boom in the medium term. However, according to the Lloyd's List report, The Chinese will soon suspend some of their oil refining capacities due to repairs, so this action can make the situation of the market more complicated. Although the French BRS group

in recent weeks, given some charterers' actions, has reported the growth of the freight in this sector, but this condition still seems to be fluctuating unless shipping companies find a solution for the problem of excess supply.

Anyway, it's now announced that the number of orders in 2017 have reached to 573 vessels, which represents 135 number increase compared to the same period of last year. Clarksons believes that in the overall review and taking into account the statistics of recent years, this increase is not a big growth. However, it cannot be ignored that due to the poor growth of the industry along with the not so powerful growth of the global economy, the surplus of the shipping industry is still a big problem. In other words, shipping companies do not seem to believe that they are operating in a serious area. Their behavior in recessions and booms is extremely emotional. In 2016, in response to the recession, the speed of scrapping was increased, which made the supply and demand somewhat optimized in 2017. In addition to this, successive mergers and the removal of Hanjin from the market helped to balance supply and demand. On the other hand, with the first signs of improvement in 2017, companies made orders, while decreasing the scrapping rate. This is the point where you can call it emotional encounter. Now, given the ambiguous horizons ahead, new vessels will start the activity from 2018 to 2020, while it is unclear whether for this increased capacity there will be any demand at that time or not. The behavior



AS THE WORLD'S LARGEST EXPORTER OF RAW METALS (WITH MORE THAN 49% OF THE MARKET SHARE), CHINA HAS THREATENED USA TO RESTRICT IMPORTS FROM THIS COUNTRY, WHICH MEANS A LOSS OF ANOTHER PART OF THE BULK MARKET.

of the USA government led by Donald Trump added to market uncertainties over the next three years, while China has gone into its comfort zone, which is unclear when it comes out exactly what it is going to present to the global economy. The oil market is still not clear, and producers in the ambiguous horizon do not know whether to wait for another sunrise, or everything will end in a few rays of light. Britain also has a low resolution about its recent decision-Brexit, and it is not clear what the global economy will experience after its withdrawal from EU. These and many others are issues that will affect the global economy and, consequently, has the direct impact on maritime trade. In this totally vague condition, any inattentive behavior can put the entire industry in an irreparable problem, such as the collapse of Hanjin. The bankruptcy of this large shipping line was precisely because of the reckless and incompetent behavior of its managers. So, regardless the recession in 2016 or the relative prosperity of the 2017, shipping industry in the world seems to need a major development in all areas. The first change is not in the field of hardware, it should be in the field of management, market observation, and attitudes change. A strategic look, which is not suppressed by different conditions and could continuously meet the needs of market with the most flexibility, is the eternal need of the industry. Shipping industry should be a strategic and profitable industry which affects the lives of billions of people in the world.



Energy

Petrochemical Contributes to Globalization of Iran's Economy

The Brand of Petro-chemistry Unit: A Path to Globalization

By:Hoori Ghasemi

Today's world is the world of economic benefits, and based on this principle, every country proceeds with its political goals through the path where its economy has the largest capabilities. Thus, political diplomacy, which used to be a marginal and side issue, has been put in the spotlight given once it has managed to prove its value in today's world.

Therefore , it could be argued that benefit is the main factor that causes rise and fall in commercial companies in today's competitive world, and in a broader sense, leads the economy of countries. This matter promoted the status of economic diplomacy from a luxurious good to a necessity. It also drove countries to enhance their economic benefits and place specialized production as their top agenda. Meanwhile, Iran is not an exception to this principle, and given its economic situation and the resources it has at its disposal, the country is in the pursuit of playing a more colorful role in the global equations.





RELYING ON ITS ACTIVE DIPLOMACY, IRAN MUST ENDEAVOR TO BECOME THE COUNTRY THAT DETERMINES THE PRICES IN THE PETROCHEMICAL MARKET.



Relying in its rich and abundant oil and gas resources, Iran could turn into a key player both in the Middle East and the world by completing the production and value chain in these two fields. To do so, Iran has paid considerable attention to the development of its upper and lower hand industries in the field of oil and gas. A good example for this is Iran's doubling its oil production and rapid returning to international oil markets once JCPOA was put into action. Nevertheless, it must be noticed that in today's world, the real added value and the main benefit of oil industry comes around with complementary industries, and manufacturing petrochemical material in particular.

The statistics of Iran's foreign trade has it that petrochemical materials are the leading non-petroleum Iranian export materials, shaping up 35 % of Iran's total non-petroleum export. Based on the statistics released by Iranian customs, from mid-March to mid-September 2017, Iran's export of petrochemical materials has increased 1.3 %

compared to the same period in 2016, and has reached over 7 billion dollars. The total amount of non-petroleum Iranian export materials in the same period has reached 20.54 billion dollars only, though. These figures do emphasize the significance of petrochemical materials in Iran's foreign trade. It should also be added that petro-chemistry industry brought about a noticeable amount of foreign revenue for Iran in the era when Iran was under nuclear-related sanctions.

Currently, Iran is producing approximately 60 million tons of petrochemical material, and this figure is going to reach over 100 million tons in the next upcoming years, once the 6th plan for the country's development is completed. Considering this large volume of production, Iran is holding the top position in the production petrochemical materials, second only to Saudi Arabian Sabic.

Nevertheless, the Oil Secretary Deputy and former managing director of National Iranian Petrochemical Company (NIPC), Marzieh Shahdaei, asserted that Iran's rank had been higher than Sabic before Iran's Petrochemical Commercial Co. (PCC) was privatized. Before PCC was delegated to private sector, it exported all Iranian petrochemical products under a single unified brand. In fact, PCC had set excellent policies for sales in the region, and it chose the best time for selling petrochemical products in order to both manage the demand-supply ratio and to maintain



IRAN INTENDS TO EXPAND ITS COLLABORATION WITH LARGE CORPORATIONS SUCH AS ROYAL DUTCH SHELL AND TOTAL.

moderate prices in the market. This way, it reassured maximum profit for the producers.

Overall, even though Iran's share of petrochemical market has been smaller than its southern neighbor for several years, it has been speculated that once the petrochemical projects are completed and operationalized by the end of this year and continue the same pace into 2018, Iran and Saudi Arabia's polymer and petrochemical production rates will reach the same amount. Iran's 20-year vision plan emphasized that the country must turn into the region's main and dominant producer of petrochemical material value-wise by 2025.

Of course, alongside the development of petrochemical industries in Iran and operationalization of new projects, it is essential to bear in mind that the market will be saturated with petrochemical products, and marketing activities should commence from now. Moreover, relying on its active diplomacy, Iran must endeavor to become the country that determines the prices in the petrochemical market. The major factor that determines the role of countries in the sales market is the tonnage of products that they deliver to the market. Based on the rules governing the market, the larger the volume of the products a country delivers to the markets, the more colorful its role in bargaining over the market becomes.

Now, provided that Iran wishes to play an influential role in the

global petrochemical market, it must focus on one unified brand, and deliver its products under the name of Iran. This matter is significant in two aspects. First, it prevents Iranian petrochemical producers from parallel work in the sales of their products. Currently, every Iranian petrochemical manufacturer does its own marketing and shipping independently, and hence, individual benefits is sacrificed for collective benefits. That is to say, Iranian petrochemical producers offer lower prices to compete with other Iranian peers. Second, exporting similar products increases the shipping costs. These two factors lead to a reduction in the profit of Iranian petrochemical manufacturers. Therefore, by collecting all Iranian petrochemical sales under a united commercial unit, we could hope that Iranian petrochemical manufacturers stop competing with each other, and instead, focus on competing with their foreign peers under a unified and solid sales unit.

Admittedly, the termination of negative competition in the domestic market will enhance Iran's competition capacity in international market and fortifies the country's exports power. In addition, a united commercial unit for Iranian petrochemical products increases Iran's power as a large rival in the market.

Two approaches could be adopted to establish this united commercial unit.

The first approach is classification based on specific

area of production and determining specific structure for each group of products such as Methanols, Polyethylenes, Chemicals, and Polypropylenes. The second approach, however, is establishing one particular holding for exporting Iranian petrochemical products to international markets and guaranty maximum profit for all Iranian producers. Certainly, in both cases, the to-be-established company will be a joint-stock company and the beneficiary petrochemical units will be the shareholders.

On the other hand, in the post-JCPOA era, Iran is trying to import the world's latest technologies for its petrochemical industries and as well, absorb the necessary funds to expand this industry. To do so, Iran intends to expand its collaboration with large corporations such as Royal Dutch Shell and Total. Once the agreements with foreign parties are executed and the new products are launched into the market, the existence of a powerful commercial unit Iran will be more significant than ever. Iran must go beyond India and China, and expand its target export markets to Africa and Europe. Not only this act will bring more foreign-exchange revenue to the country, but it will also expand Iran's commercial give-and-takes and enhance its diplomacy power.

Iran can rely on the gas and the gas condensates produced in South Pars fields, which are sustainable feeding sources, and produce high-quality petrochemical

products at competitive prices. This is a critical matter for Iran, seeing that its regional competitor, Saudi Arabia, does not have large gas reservoirs and its petrochemical industries are operating based on crude oil feed.

Even so, Saudi Arabia is a large and serious threat for Iran's petrochemical industry, since this country is operating its petrochemical industry in full throttle with each and every instrument it has, and aims at occupying this market in the region. Now, seeing that the preservation of national interests is Iran's top priority, the only means to cope with the threat posed by Saudi Arabia is the unification of all domestic petrochemical production units in macro policies and determining the sales price.

In a nutshell, it could be concluded from all the above-proposed arguments that Iran is in dire need of establishing a unified and single commercial unit for the sales of its petrochemical products in the regional and international markets. The establishment of this unit is of great significance in the current conditions; and disregarding this necessity will enable Iran's competitors to capture the current and future petrochemical markets by constant dumping, and eliminate Iran from the sales race.

Convergence Is the Key to A Sustainable Presence in Global Markets

By : *Foad Nabavi*





Holdings and petrochemical companies need to work together in a coherent manner, in order to make an integrated and targeted export for a sustainable presence on the international markets. The production control manager of the National Petrochemical Company (NPC) by emphasizing the need for convergence and interaction between petrochemical companies to participate in export markets, in an interview with the Payam Darya magazine said: “Fortunately, the big holdings have a positive competitive relationship and we hope that we could have a solid international presence with the sympathy of the companies and holdings, but the key to being involved in the market is the cooperation and association among the petrochemical complexes.”

Ali Mohammad Bosagh Zadeh added that in its new development path, Iran’s petrochemical industry needs a national determination to achieve its predicted goals, and in this way, it should be more empathy-intensive to attract and lead new funds for the development of petrochemicals, and in addition to trying to increase production and exports, the powerful Iranian private sector should play a greater role in attracting investment.

He pointed out that the integrated activities of holdings and petrochemical companies for exporting of petrochemical and polymeric products, in addition to lead to the coordination of manufacturers in determining the minimum price for the export of petrochemicals, increase profitability, reduce shipping and marketing costs, and develop export of Iranian petrochemical products in regional and global markets.

Bosagh Zadeh added: “The large group of the Iranian petrochemical industry is determined to achieve the second jump of this industry and to achieve a resilient economy, in this way the alliance between the manufacturing complexes can make sustainable exports.”

The production control manager of NPC emphasized that the attraction of new investments and the strong presence on the world markets with the cooperation of petrochemical holdings will increase the capacity of producing various types of petrochemical products. He said Iran’s petrochemical

industry in the coming years will not only supply internal demand, but also fulfill the significant growth of exports. It should be said that the prospect of petrochemicals is positive in all aspects.

He stated that the petrochemical industry is now the pillar of the country's economic development and is linked to all sectors of the industry, and added: "utilizing resources for production and avoiding waste on national resources could lead to a second jump in the petrochemical industry that has been mentioned by the minister of petroleum."

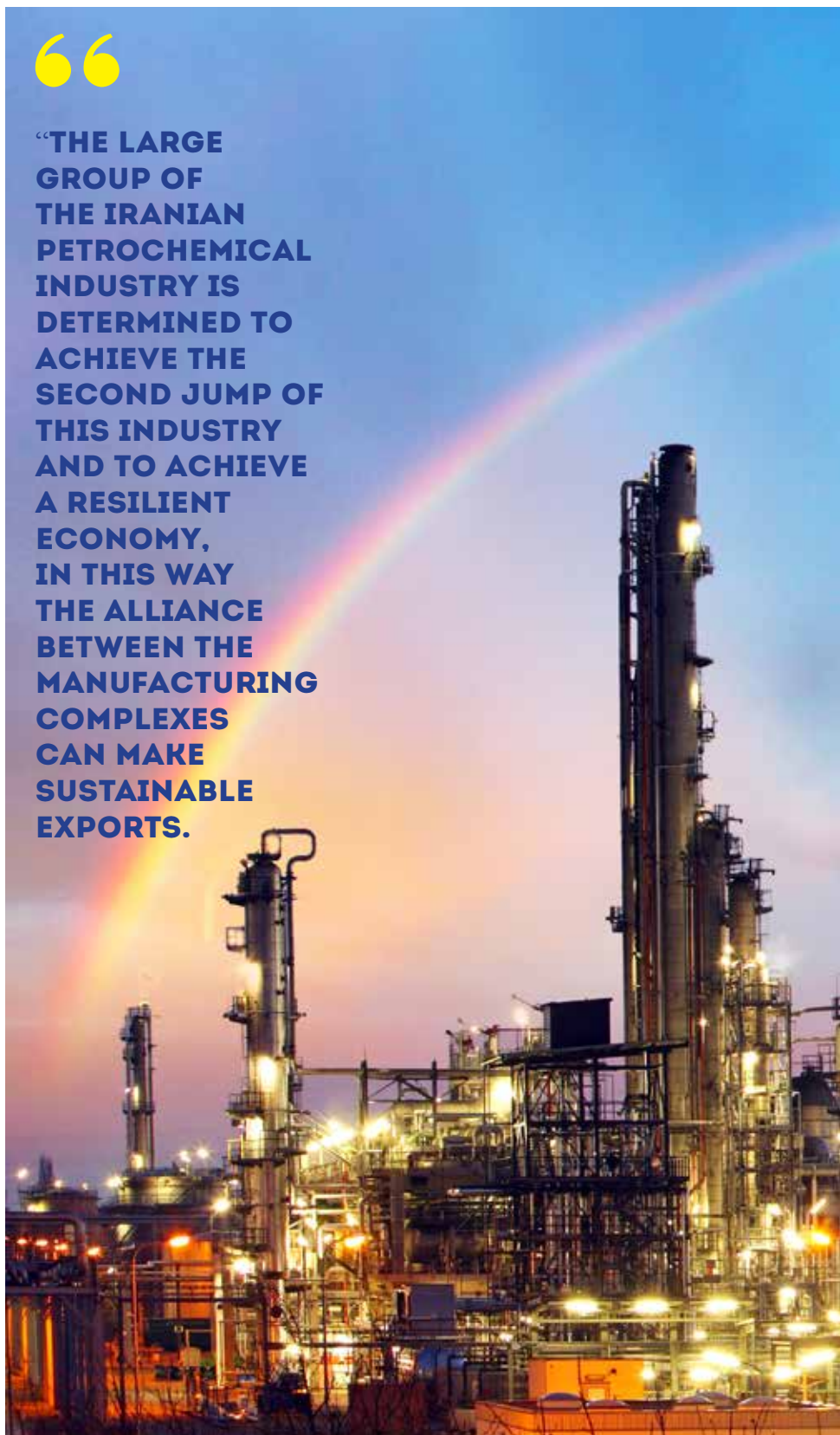
The member of the board of directors of the NPC said: "Balanced development and completion of the value chain could make our petrochemical industry one of the world's top petrochemical powers in the future."

Bosagh Zadeh added: "these days Iran's petrochemical industry is accelerating its way to development by using of the modern knowledge and technologies of the world and relying on its expert professions, so by the end of the sixth development plan, Iran will become a major petrochemical power in the region and the world.

The member of the board of directors of the NPC said if holdings such as Persian Gulf Petrochemical Industries Co, Tamin Petroleum & Petrochemical Investment Co, Parsian Oil & Gas Development

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“THE LARGE GROUP OF THE IRANIAN PETROCHEMICAL INDUSTRY IS DETERMINED TO ACHIEVE THE SECOND JUMP OF THIS INDUSTRY AND TO ACHIEVE A RESILIENT ECONOMY, IN THIS WAY THE ALLIANCE BETWEEN THE MANUFACTURING COMPLEXES CAN MAKE SUSTAINABLE EXPORTS.





Group Co, and Pension funds as well as other holdings and huge investment companies; take part in the interaction and cooperation, they will be able to strengthen the position of Iran's petrochemical industry in foreign markets. He added the export of petrochemical products is an important strategy in the country's economy in the sixth development plan of the country.

With the emphasis on the necessity of interaction and cooperation among all the components of Iran's petrochemical industry, Bosagh Zadeh mentioned: "Fortunately, this advanced industry has been in the way to development and we can plan for the significant improvement in this industry by taking advantage of new plans and increase the production capacity."

Referring to the fact that the progress of the petrochemical industry is a sign of Iran's and Iranian's scientific and technical capabilities, and the petrochemical workers are proud of it, he said: "Now the condition for development in all dimensions is provided, and in addition to supplying Complete domestic needs, in the coming years the significant growth export of various polymer and chemical products will occur.

Commercial; the Lost Loop of Iran's Petrochemicals



Iran's petrochemical exports which had been limited to the neighboring countries such as Afghanistan and Iraq is now concentrates on the extension of its markets to Green and black continents due to the evolvement of international atmosphere. But Iran's task is not easy to expand its export markets. Most of the target markets are owned by other companies and countries, and Iran should pursue active marketing in order to maintain the existed markets and demonstrates its role in new ones. Meanwhile, the production capacity of petrochemicals in Iran has been started a new trend of jumping which smooth exports' opportunities. If the second lunge in petrochemical industry happens, it needs extended marketing for the products to be sold. In line with this, the commercial of this industry has to act cohesively and intensively to be introduced as a brand.

Emphasizing on reviving a brand by the side of Iran with the purpose of exporting petrochemical products, Mehdi Sharifi Niknafs, Petrochemical Commercial Co.'s CEO, in an interview with PD said: all the countries globally aiming at increasing export power and the management share in the world attempt to export various products, including petrochemicals, in an integrated and unified manner.

He further added: during the past years petrochemical exports of Iran were carried out under the NPC brand, but with the privatization of the petrochemical complexes and the subsequent transfer of the Petrochemical Commercial Company, each company exported the products independently. Given the current state of affairs, the national interests of the country make us to start exporting petrochemicals in an integrated manner.

CEO of the Petrochemical Commercial Co. further stressed that to solve all the issuers of petrochemical exports all the petrochemical complexes should be united and being active under the same brand in order to prevent broker's interference.

Given the intentionality to gather together the petrochemicals of the country, he added: Countries with a coastline on the Persian Gulf such as the UAE and Saudi Arabia, are now struggling to boost their bargaining power by forming coalition in the petrochemical market.

To create a unified petrochemical, strong commercials of petrochemicals should be combined to establish

a stronger commercials aiming at competing with leading foreign companies because the interests of the country make us to save the rights of shareholders by creating such a coalition. To pave the way in this regard, a specialized team which acts dependently has to conduct the related studies. So, excellent patterns should be searched and the most appropriate one have to be selected. In line with this, the individual interests should be forgotten and the concentration should be given to the country's interests to record the most profitability.

Considering the current situation, Sharifi said that it is not possible to make the Petrochemical Commercial Co. to return to the National Petrochemical Company (N.P.C). In the meantime, professional players are active in global arena and we have to learn the new regulations of the world and design a proper pattern for the commercials.

The CEO of the Petrochemical Commercial Co. referred to the establishment of a shipping company to export petrochemicals in the country and said: "studies of a joint project with IRISL have been conducted to gather together the petrochemicals complexes to launch a logistics company to export petrochemicals". In line with this, we paid \$1.5 billion to foreign brokers form marine transportation of petrochemicals. For the time being, exporting capacity of petrochemicals in Iran is recorded to be 365 million ton. Therefore, by launching a new shipping line in an attempt to export the

products we could manage foreign exchange reserves and divide the gained profit among the Iranian companies instead of paying \$1.5 billion to foreigners. Given the in-built petrochemical projects of the country, he announced that: production capacity of petrochemicals would reach above 100 million ton in the coming years and we have to find a way to be witness of profitable export of petrochemicals.

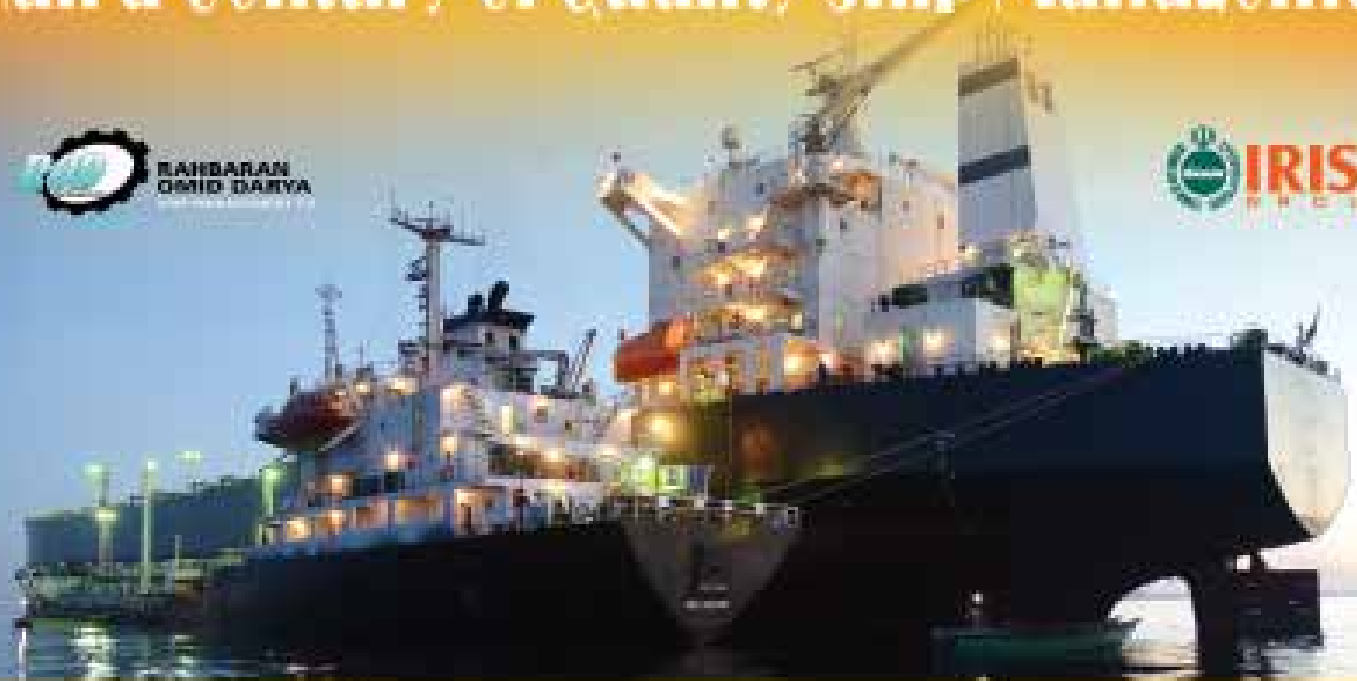
CEO of PCC said ensured the increase in petrochemical in the near future and added that: "At present, the production of petrochemical products has increased by 10%, due to the use of new projects, and by the end of the year it will reach to 15%". Referring to the need for job creation in the country, Sharifi said that on the other hand, each ship could create 60 direct jobs, all of which would be specialized. Considering the fact that in the first step 150 ships was planned for this company, 9,000 people will be employed in the country.

The CEO of the PCC added: "Moreover, there will be indirect employment in the pier, loading, ports and more".

According to the preliminary plan, Iran's petrochemical transportation companies will create an independent company that will work both for Iran and the region.

Sharifi Niknafs added that IRISL, NITC and petrochemical transportation companies announced their readiness to establish this new shipping company.

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History

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IRISL GROUP

**Half A Century
of Glorious Presence**



When Development Raisd Sailclothe

With silence, a bright barge would split the ocean at night. Here's the Persian Gulf: an ancient memory of Iran's maritime world, a Persian Sea that witnessed the commuting of primary ships from Jamshid during Pishdadian Dynasty to the first marine fleet of the world during Achaemenes. Years of battles between Achaemenes' ships passed. Waves came to stones and the silence of the Gulf accompanied by a strange fanfare to make the ancient sea become familiar with new fables.

The story of Islamic Republic of Iran Shipping Lines (IRISL) as an enterprise is the story of maturity. It is the story of a thought and a choice for growth. It is a story whose ups and downs hammered out development and sacrifice. It is a story of serving the homeland all along.

IRISL story symbolizes the exponential economic development and growth of a country which lies in the middle of world; a country which wanted and still wants to keep up with the global development trend.

The story that you are going to hear is the story of IRISL becoming IRISL.

With the establishment of Organization of Petroleum Exporting Countries (OPEC), Middle Eastern countries witnessed the flow of new revenues to the extent that they had not even dreamed of.

As the first Middle Eastern country where oil had been discovered, and as a country with larger population and vaster area, Iran decided to

utilize the new revenues for construction and development. Iranian government commenced establishing various plants and companies to prepare the necessary infrastructures for development.

It had almost been 5 years since the establishment of OPEC, as a system that brought about regulated revenue to Iran, and the country was already on its crusade to development. To this end, large factories and major companies began to rise from mid 1960s.

As a consumer country up until then, Iran was now in need of transportation infrastructures to carry the products it needed. Hence, the initial studies for launching a shipping line started in 1961, and, in 1967, Iranian government finalized its decision for the establishment of a shipping line.

The line was officially inaugurated in March 1967 under the title Arya National Shipping Line with two ships called Aboureyhan (with the capacity of 1,000 tons) and Ebn-

E-Sinad (with the capacity of 1,550 tons).

Arya National Shipping Line was established with the contribution of different shareholders such as Kar Bank and Pahlavi Foundation. The headquarters of the line was located on the 8th floor of the Kar Bank, and it was managed by Director Fereydoun Mahdavi.

Fereydoun Mahdavi, who served as the commerce secretary, was extremely busy with the affairs and issues of this department; and thus, he resigned from the managing directorship of the line. Following this resignation, Hamid Mousavian was appointed as the line's managing director, and held this position up to December 1967.

With the tenure of Mousavian, Arya National Shipping Line, which used to operate with foreign seafarers and with no office staff, commenced to recruit local forces; and hence, its headquarters was moved to Karim Khan Avenue. At the same time, Mousavian decided to increase the number of the vessels in the line. To this end, order for 8 cargo and passenger vessels was placed to a Belgian company, and a number of trainees were sent to Belgium for seafaring training.

In the November of the same year, the first call for recruiting trainees was carried out in the newspapers; and 35 applicants were shipped off to a navy base in Anzali Port for basic training. After one month, 10 trainees were sent to Belgium as the first generation of Iranian seafarers to be trained in the field of deck seafaring.

Mousavian, who had practically

managed to lead Arya National Shipping Line to a new phase during his tenure, resigned from his office in December 1961, and was replaced by Reza Shaygan, who used to serve as the director of Iran's National Standard Organization.

Enjoying the support of the then Iranian Prime Minister, Amir Abbas Hoveida, Shaygan was able to land the management position of Iran's southern ports. Thanks to the support he received from the King and the prime minister, Shaygan managed to place orders to purchase vessels from different countries and remarkably expand the fleet of the Arya National Shipping Line.

The more colorful role the shipping line played in Iran's economy, the more paramount its role became in the country's macropolitical economy; and this trend coincided with the dispute of Iranian and Iraqi government over the right of shipping with flags in Arvandroud. Therefore, under the direct order of Iran's king, Arya National Shipping Line's ships sailed through Arvandroud with Iranian flag while being escorted by Iranian navy. This event, which had not been a trend up until then, paved the grounds for the signing of Algeria Agreement between Iran's and Iraqi governments, which determined the Thalweg as the maritime border of the two countries. Ever since then, Iranian ships freely sailed through to Khoramshahr Port, which is the most significant port of the country.

Continuing to receive the support of the then government, Shaygan kept his tenure in the



INITIAL STUDIES FOR LAUNCHING A SHIPPING LINE STARTED IN 1961, AND, IN 1967, IRANIAN GOVERNMENT FINALIZED ITS DECISION FOR THE ESTABLISHMENT OF A SHIPPING LINE.



Arya National Shipping Line until middle 1978, and managed to send two other groups of trainees abroad. Moreover, under his management, the number of the vessels in the line's fleet reached 38, the majority of which were built in Hungary and Poland. At this point, as the only commercial shipping line in the region, Arya started to cater to the needs of Iran's neighbors as well. Alongside supplying the

domestic needs, Arya offered cargo carrying services to the Persian Gulf countries.

Following Shaygan, Farokhreza Moaser was in charge of Arya National Shipping Line, whose tenure was shorter than 7 months – from middle 1978 to February 1979, when the Islamic Revolution took place.

Just as any other sector in Iran, shipping industry was also influenced by the Islamic

Revolution and underwent a number of changes.

Based upon the initial decisions made in the Islamic Revolution Council, Arya National Shipping Line was renamed National Shipping Line; and together with 18 other firms, it was placed under the management and leadership of the Department of Commerce. Meanwhile, Nezamoddin Movahed was appointed as the managing director of the National Shipping Line by Reza Sadr, the then Secretary of Commerce.

In his 10-month tenure over the National Shipping Line, Movahed put in remarkable effort to stabilize and protect the line. At the time when the revolution-related events and acts had been causing disruptions in different sectors in Iran, Movahed managed to preserve the possession and properties of the line (which were in fact the national possessions of Iran). That is to say, he well managed to keep the National Shipping Line away from the crises and revolts.

Once Movahed was promoted as the counsellor to the Secretary of Commerce, Abodolali Erfani took charge of the National Shipping Line. By the start of his tenure, the Iran-Iraq war had already started; and he was tasked to organize the offices of line worldwide, particularly the line's office in London, which was responsible for a large portion of the line's revenue. His other mission was to delineate a list of the line's deficiencies and needs. Having composed and prepared report for the high-ranking government officials, Erfani asserted that



Iran's commercial line is ready for supplying the country's needs. With two directives issued by the cabinet and by the Economic Council, the National Shipping Line was officially tasked to supply the needs of the battlefield warriors as well as to provide back up. Meanwhile, the line's statute was revised, and it was renamed Islamic Republic of Iran's Shipping Line (IRISL), by which it is called today.

Having been appointed as the line's managing director and head of the board by the Economic Council, Erfani managed to bring order back to the IRISL in his 16-month tenure, and having put the emotional revolutionary atmosphere behind him, he set up a logical structure in the IRISL to provide excellent support for frontline warriors in Iran-Iraq war.

As the Iraqi-imposed war was

heating up, Mohammad Souri was put in charge of the IRISL. He has gained rich shipping line experience in the United States, and he was tasked to lead the second Iranian defense line in the battle field. "Second Iranian Defense Line" was an epithet given to IRISL by Ayatollah Hashemi Rafsanjani, because IRISL and its ventures supplied the needs of the battlefield warriors.

Souri's first measure as the IRISL director was laying out an organized structure for human resources in order to maximize the efficiency of the IRISL staff during those critical times.

As the country that ignited and initiated the war and imposed it to Iran, Iraq targeted Iranian cargo ships with missiles in order to cut off Iran's supplies. Accordingly, to prevent the damage and losses to its fleet,

IRISL led the cargo ships to the ports in the caravan style. This way, the financial and human losses were reduced to minimum.

On the other hand, since Iranian ports were considered to fall within the war zone, foreign cargo carrier ships either avoided ventures to Iran or did so at far higher costs. Thus, Iranian government executed the FOB plan to support the national commercial fleet. Based on this plan, all the supplies that were shipped off to Iran for Iranian companies, particularly for government-owned companies, had to be carried by IRISL. To accomplish this task, Souri commenced purchasing second-hand ships to expand IRISL fleet's capacity. Besides, in middle 1983, following the agreement of Economic Council and the then

prime minister, IRISL signed a contract with the South Korean Daewoo Shipbuilding and Marine Engineering Company for purchasing 20 bulk carrier ships.

This was a huge event. Even though Iran was in the middle of a war, IRISL took measures to renew and expand its fleet simultaneously, given that its forward-looking visions emphasized its development to be able to support Iran. Relying on such a wide strategic vision enabled IRISL to stage a successful performance in later stages as well.

In 1985, in the final weeks of his tenure as the IRISL director, Sourì decided to keep up with the global phase shift of maritime transportation to containers, and purchased IRISL's first container ship. This ship, which was made in Denmark, was named Teifouri, to honor IRISL's courageous Martyred electrical engineer, Asghar Teifouri.

Just as Iran was advancing in the imposed war, IRISL was moving its way up the ladder of success, in such way that it possessed a young fleet of 84 ships by March 1985, and it had reached a proper degree of profitability. It was in this period when Mohammad Hossein Dajmar was appointed as IRISL managing director and head of the board.

Taking office in the middle of Iran-Iraq war, Dajmar concentrated on two specific areas during his 8-year tenure in IRISL. His first agenda was to endeavor to supply fuel, spare parts and other necessities for ships; while his other agenda was to make organizational changes in IRISL and create a holding

structure. He established Valfajr Shipping Line to facilitate the commuting of passengers between Bandar Abbas and the UAE Port of Sharjah as well as to facilitate the IRISL feeder transportation. In addition, in order to supply the necessities and spare parts of IRISL ships, Dajmar established a firm called Tadarokat-E-Navgan (Fleet Supply).

Considering the foreign exchange conditions of Iran and the uncooperative mood of some western countries, Dajmar decided to train maritime workforce locally with the collaboration of Iran's Department of High education. This plan, which had been initiated under Sourì's tenure as the IRISL director, was put in the spotlight during Dajmar's tenure and flourished and thrived. What Dajmar was after was offering seafarer training in Iran upon the international standards.

With the ceasefire of Iran-Iraq war and the changing of the Iranian president, the country entered a new phase. Iran was struggling to rebuild the damage from war and get out of an era of crisis: The conditions that required construction and connections with the international community.

Akbar Hashemi Rafsanjani's administration inaugurated with the two main mottos: Construction and free economy. The rise of the new Iranian government coincided with another significant event in Iran's northern neighbor, the USSR. In the light of the new developments in USSR, IRISL managed to establish proper grounds for moving goods in the

Caspian Sea.

With the launch of Khazar Sea Shipping Line in northern Iran, IRISL was already covering the entire country. As a follow-up to this coverage, following the Dissolution of the Soviet Union, railways were constructed to the Caspian Sea so that a quick connection is established between Iran's southern and northern ports, and contributions are made to supplying for the needs of the newly independent common wealth states.

With the start of President Rafsanjani's second term and the changing of Commerce Secretary, Dajmar's 8-year tenure as the IRISL managing director ended, and he was replaced by Mahmoud Farhang Tarjoman and later on by Mostafa Al-E-Eshagh upon the decision of the then Commerce Secretary. Under the management of these two directors, orders for purchasing 17 ships were place to Hyundai Ship Yard, and 12 second-hand ships were bought. By the end of President Rafsanjani's second term, IRISL owned a fleet of 112 ships as well as 17 ships that were under construction at Korean Ship Yards.

On 23 May 1997, Iran witnessed a paramount event. Seyyed Mohammad Khatami took office as the new president with the motto of reforms, and the development of politics and international relations. With the tenure of the President Khatami and a change in the government's approach in economy and international ties, once again Iran felt the need for resources and materials so that ground is paved for the new president to

execute his plans: creating jobs, developing Iran's industry, and bringing welfare for all Iranians. With the directive of the new Commerce Secretary, Ahad Mohammadi was appointed as the new IRISL managing director and was tasked to prepared desired conditions.

Operating on the new government's motto and approach, Mohammadi concentrated on improving the welfare state of IRISL human resources; and as the first step, he gave loans to all the staff members to enable them to purchase their own houses. This matter lifted the spirits and promoted organizational liveliness. At the end of President Khatami's first term, Mohammadi put a magnificent and idealistic plan on the table in the Economic Council, and to everyone's surprise, it was ratified. The plan encompassed the purchase of 40 ships, which set a new record in IRISL history. Following the ratification of this plan, the new IRISL managing director, Ali Ashraf Afkhami, signed the contracts for the new orders with South Korean ship yards. In this era, maritime transportation market was at its heyday, and the FOB plan no longer existed. Therefore, to address this gap, Afkhami began to establishing international routes in the light of Iran's better and expanded international ties. Up until then, IRISL used to carry cargos to different corners of the world; yet this trend was never serious. In this era, however, IRISL chose the motto "IRISL, your Global Partner", and commenced establishing various routes and regional

offices, in such way that the 5-year tenure of Afkhami witnessed the possession of 152 ships in IRISL fleet. An appropriate international status for IRISL and a noticeable degree of profitability were also achieved.

Once Mahmoud Ahmadinejad took office as the new president, his Commerce Secretary selected Mohammad Hossein Dajmar as the IRISL managing director again. Dajmar's second tenure as IRISL director, which took 10 years, witnessed diverse rises and falls. Based on the 44th article in the constitution, Iran's grand leader issued a directive which set a certain deadline for IRISL to become a private company and be retailed in the stock

market. Hence, in 2008, IRISL left the shadow of government-based management and entered the stock market. The majority of IRISL's share was purchased by Social Security Investment Company. However, the most crucial challenges ahead of Dajmar were the nuclear-based sanctions.

So as to put pressure on Iran and restrict the country's nuclear program, IRISL was placed in the sanctions' list in 2007 by a number of western countries. The sanctions barred foreign shipping lines from venturing to Iranian ports, and once again, supplying the necessities of the country turned into the main mission of IRISL, just like the years of Iran-Iraq war. The main purpose of sanctions was to disrupt Iranian people's lives; hence, IRISL, as a support provider organization, fulfilled its important duty of backing up and protecting Iran's economy, with the hope of relieving the country from an economic war. In this era, not only Iran's economy was confined in all its sectors, but the shipping yards also refused to deliver the orders, despite having received deposits. No vessels were delivered to Iran.

In the spring of 2013, once again, Iran witnessed the rise of a government who had set developing international ties and enhancing the quality of Iranian life as its main mottos. Having obtained the majority vote in the public presidential election, Hassan Ruhani took office as the 11th President of Iran. One of the first moves of President Rouhani was discharging Iran's Supreme National Security Council from



JUST AS IRAN WAS ADVANCING IN THE IMPOSED WAR, IRISL WAS MOVING ITS WAY UP THE LADDER OF SUCCESS, IN SUCH WAY THAT IT POSSESSED A YOUNG FLEET OF 84 SHIPS BY MARCH 1985, AND IT HAD REACHED A PROPER DEGREE OF PROFITABILITY.



the nuclear negotiations and putting the State Department in charge. This move implied to the world people that Iran's nuclear case is a legal and diplomatic matter rather than a security matter. The fruit of all efforts of the State Department negotiation team was the signing of Joint Comprehensive Plan of Action (JCPOA) in Vienna on 14 July 2015.

Based on JCPOA, both parties (Iran and P5+1) had a 6-month deadline to create the necessary grounds so that the agreement could be executed from January 2016. In doing so, IRISL, which was in the leading company in the main ring of the sanctions, second only to Iran's National Oil Company, would have been lifted from the sanctions' list. At this point, an internationally-recognized figure, Dr. Mohammad Saeedi,

was appointed as the managing director of IRISL on 19th August 2015.

The lifting of the sanctions on Iran coincided with an unprecedented recession in maritime transportation: The recession which was a consequence of the 2008 economic crises, having been stretched to 2015 and 2016. With the lifting of the sanctions, international shipping lines started their ventures to Iran again. After 7 years of being in isolation from the international community, IRISL managed to send its first ship to Europe, in February 2016, only one month after the execution of JCPOA. IRISL immediately faced and won all the challenges that lay ahead of it – namely the right of flag, classification and insurance. In addition, in order to restore and renew its fleet, IRISL

restarted its negotiations for the revival of its 2008 agreements with shipyards, which it managed to successfully settle down with a structure change and turning them into financing. The revival of these contracts was first post-JCPOA finances drawn to the country.

Today, relying on its multiple offices in different corners of the world and its various transportation routes, IRISL has managed to reach a remarkable position both in the international markets and the global maritime industry. It has also managed to play its national role.

IRISL story is the story of a history: History of sacrifice, history of perseverance, history of love, and of course, history of development.

As the prominent Columbian author, Gabriel Garcia Marquez put it, "Living to Tell the Tale".

Half A Century of Pride and A Bright Outlook

By :Kamran Narjeh

The coverage of four fifth of the earth by water and the enclosure of 5 continents by oceans have resulted in 80% of the physical exchanges in the world to be realized by shipping lines.

For centuries the human societies have understood the importance of sea domination and strength in shipping, and throughout history the sovereignty of different nations on others was directly related to the level of their skills in navigation and their progress in shipping.



Today also it would be impossible to exchange goods among most countries without shipping and the global economy is becoming more and more dependent on maritime transportation. Based on available witnesses, in the course of the last twenty years, even the landlocked countries have thought of strengthening their role in shipping by leasing the port facilities of coastal states to be able to meet their needs in the cycle of global exchanges in a streamlined fashion.

Statistics show that for each member country of the United Nations, there are on average 277 large commercial ships and tankers sailing in the oceans, and the global competition to expand the capacities of maritime fleet has reached its zenith. If thirty years ago the largest oceangoing vessel could barely handle 15,000 tons of cargo, today the movement of ships with capacities exceeding the 25,000 TEU in capacity at different parts of the world has become an ordinary event and possession of such fleets has become an indicator for economic development in world ranking.

The Middle East and in particular the strategic waterway of Persian Gulf was since the middle of twentieth century in the need for a large fleet for ensuring the import and export requirements of the region in parallel to the industrial growth of the littoral states. At this time the importance of efficient use of the countries coasts and the need for Iran's participation in



IRISL MULTIMODAL TRANSPORTATION COMPANY HAVE IN RECENT YEAR TAKEN EXTENSIVE ACTIONS TO BOOST THEIR PERFORMANCE IN CARGO AND PASSENGER TRANSPORTATION AT DIFFERENT WATERWAYS

the regional shipping industry motivated the government to create a large shipping company, and so the first national commercial fleet was born in August 1967 under the title of “National Arya Shipping”. The proper performance of the young fleet in meeting the needs of regional countries during the first five years of its operation, incited the management of Arya Shipping to increase the number of owned vessels by tenfold, and with the increase of transportation capacity to half a million, the mentioned shipping company became in practice the largest maritime transportation company in the Middle East.

At this junction the national Iranian maritime fleet established regular lines for transportation of cargo between the Persian Gulf and Europe, the Persian Gulf and South Asian and the Persian Gulf and America, thereby succeeding in appropriating a large share of the cargo transit in the surrounding markets.

After the revolution and changing its name to “Islamic Republic of Iran Shipping Lines”, by insisting on the need for maintaining independence and national self-sufficiency, the fleet has taken great strides in training specialized seaman among the country's youths and has founded one of the most advanced navigation training centers in the country.

In subsequent years, in addition to meeting the needs of IRISL and its subsidiaries for specialized manpower this positive move has ensured a major part of



manpower supply for other non-governmental shipping companies and has even paved the grounds for export of Iranian navigation services to other countries and foreign currency earnings.

In this software strategy through organization of comparative and applied navigation trainings, the supplementary officers training, auxiliary course, training on port operations and logistics, and training the land staff, the IRISL Training Institute has played an effective role in improving the professional awareness of manpower employed by different parts of the Iranian maritime transportation sector.

Another considerable action taken by IRISL in the years following the Islamic Revolution was the establishment of new companies for provision of



IRISL HAS FOUND A NEW MOMENTUM FOR POWERFUL PRESENCE IN MARITIME TRANSPORTATION AND HAS SIGNED LARGE CONTRACTS FOR INVESTMENT IN CONSTRUCTION OF PRIVATE PORT FACILITIES

proper cargo and passenger transportation services in the frame of different shipping lines. The Iran South Line Shipping Company, the Valfajr Shipping company, the Caspian Shipping Company, the Iran – India Shipping Company, the Iran – Egypt shipping Company, the Iranian West Ship Company, the Maritime and Shipping Engineering Services Company, the Ira-Ital Company and Machine Services Company and the IRISL Multimodal Transportation Company have in recent year taken extensive actions to boost their performance in cargo and passenger transportation at different waterways, the total of which has aided in improving the IRISL’s world ranking. However the most praiseworthy services of the national fleet were

related to eight years of Sacred Defense, when it never allowed the limitations of the war and the turmoil in the Persian Gulf to impair the importation and supply of essential goods of the country and the logistic cargo of the frontlines.

The proud performance of the fleet during the years of Sacred Defense under the harshest of conditions and the relentless bombardments of port terminals prevented even the least interruption in supplying the general and special requirements of the country.

On the other hand, the regular plan for expansion of the mentioned lines, which had begun three decades before and continued during the presidency of Ayatollah Hashemi Rafsanjani with the aim of expanding commercial exchanges with all countries and conveying Iran's message of peace and friendship to other nations, paved the grounds for exchange of goods between the most important ports of the world and the Iranian coasts. The second generation of containerships was added to the IRISL fleet at this stage following the public investment. However, more importantly was the powerful presence of IRISL in the process of maritime transportation in the Caspian Sea, the right of which was taken away through shameful political treaties with Russia in the past two centuries. In addition to reviving the political rights of Iran in this sea, the movement of national fleet among the different coasts of the Caspian and northern ports



TODAY IT WOULD BE IMPOSSIBLE TO EXCHANGE GOODS AMONG MOST COUNTRIES WITHOUT SHIPPING AND THE GLOBAL ECONOMY IS BECOMING MORE AND MORE DEPENDENT ON MARITIME TRANSPORTATION.

led to expansion of trade with the newly independent countries.

On the other hand in the last decade and after privatization and separation from government dominion, IRISL has found a new momentum for powerful presence in maritime transportation and has signed large contracts for investment in construction of private port facilities or the purchase of advanced and powerful fleet from advanced countries.

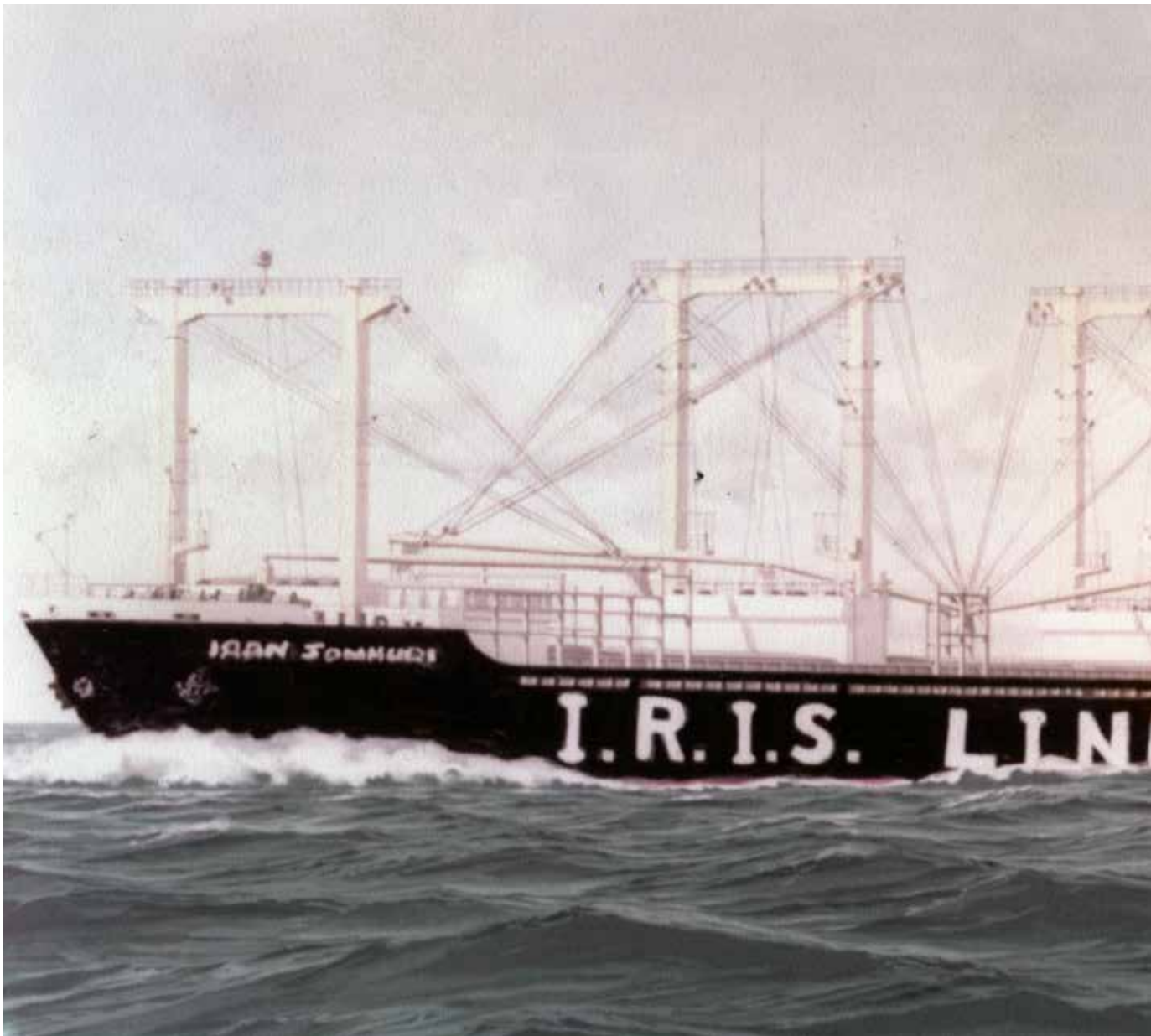
This action never interfered with the task of supporting the national production by IRISL, because simultaneous with the purchase of state of the arts ships from abroad, the order for construction of a number of oceangoing vessels to national industries paved the way for new shipbuilding technologies to Iran.

Now on the threshold of its sixth decade of fruitful existence the national fleet is seeking to strengthen its support of national industries and by investing in the expansion of technical capacities of shipbuilders, encourages the domestic producers to bid in the large international tenders and to compete productively with the large shipbuilding industries.

A fair look at the performance of this company over the past fifty years and the review of its proud record in the international maritime transportation, is the source of delight for any Iranian and traces a bright future for the presence of the national fleet in the international trade.

IRISL Role in National Economy

*By :Mehrdad Mahmoodi,
Marine Science Researcher*



Maritime approach, the essence of sustainable and balanced development

The human achievement in maritime capacities in oceans is considered as a milestone in the history of civilization.

Navigation facilitates the movement of mankind in a fluid and level medium and cause a country anywhere in the world to become potentially the neighbor of another far away. The fluid and borderless nature of the sea makes the movement and connection in most parts of the earth easier and without any obstacle. Such a medium can easily put both good and human science at anyone's disposal.

The maritime approach underlines the vision and determination of a nation in defining and clarifying its geo-economic priorities for a strong presence at sea to tap on its resources and the benefits of marine trade. In recent centuries, the geographers, historians and economists have generally addressed and analyzed the sustainable development and economic advances of different countries on the basis of the role and impact of maritime approach, believing that such an approach and participation in the global economy through the sea has become an unescapable trend.

The maritime approach influenced by such factors and the natural marine resource, climatic conditions, geographical parameters, the coastal population, anthropological creativity and spirit, the type of sovereignty and its willpower for presence at sea and economic,

scientific and cultural power has a deep, extensive and dynamic role in the sustainable development of countries. In the presence world, political reclusion and economic self-sufficiency are considered as obsolete concepts. By opting for the sustainable development approaches based on maritime economy, the possibility has been created for the humans to benefit from the relative advantages of each other with a synergic impact to improve living conditions without damaging the vital capacity of the environment. Taking into consideration the fact that:

- 70% of the earth is covered by sea;
- 90% of the global trade is through the sea;
- Most centers of global economic powers are located on coastal areas;
- The international maritime rights, freedom of shipping and trade at sea for any country has been ensured without violating the national sovereignty of another state;
- The twenty economic powers of the G20 have a maritime approach and power;

The effect of maritime approach appears in the growth of economy and subsequently the sustainable economy and the progress of human societies.

Therefore, the role and impact of maritime approach in the economic development of the countries and the sea-centered economy intervenes in the progress of human society.

All nations are free to use the sea and any country having a greater determination and capacity to





access the sea will be able to draw the benefits of better and greater world trade and achieve the sustainable and balanced development for its present and future generations.

Maritime trade and economy

The high costs of transportation and distance from economic centers have a negative impact on economic growth since they increase the costs of strategic commodities exported from developed to developing countries. The costs of transportation in maritime based countries are much lower than the land economies. On the other hand, transportation costs in countries close to major economic centers (producers of commodities) are lower than distant countries. Therefore the growth of economy has an inverse relation with transportation costs and distance

from economic centers.

The impact of transportation cost index on economic growth is measured by the ratio of importation costs including the cost of good plus the costs of insurance and freight (CIF) to the cost of importation without the cost of insurance and freight (FOB). According to the International Monetary Fund, this indicator is 1.036 for USA, 1.049 for Europe, 1.098 for East Asia, 1.106 for Latin America, while for Africa it is more than 1.195. This figure is a function of the costs of shipping, volume of maritime trade and the distance from major world markets. The lower the figure the less the cost of transportation, the higher the volume of maritime shipping, the higher the productivity, the denser the coastal population, the closer the world trade centers and finally the higher the economic growth will be.

On the other hand the coastal countries have generally a freer economy than the landlocked ones. In this context, the landlocked countries are defined as either the ones with no access to sea, or those with no sea-based economy. This issue clearly underlines the direct impact of geography on opting for an appropriate economic policy. By opening up their economy the coastal countries have been absorbed in the globalization process and have benefitted from the advantages of sea trade based economy. Therefore in today's world, the geographic factors affecting maritime economy have gain priority over agriculture based economy. The protective policies in closed and non-competitive economies boost the prices of imported commodities (by increasing the costs of transportation, insurance, taxes and custom duties) and reduce

exports and as a result decrease the economic growth. Modern industries depend on intermediary products, commodities and the process of multi-stage production. The products and goods required by these industries are imported from advanced countries, assembled by low cost and extensive labor and offered to the world market. In practice a developing country sells its workforce through the export of the final products of the modern industries. Any increase in the cost of transportation due to: the inane inefficiency of the transportation network, lack of appropriate shipping infrastructure, the strategic industries' distance from the sea, increase in taxes, insurance and tariffs caused by economic policies as well as distance from the centers of economic power and consumption market cause the drop in the competitive edge of modern industries and reduce the economic growth of the host country. Consequently, establishing modern industries in countries lacking relative geographic advantage (low transportation cost and closeness to major economic centers) is unjustifiable. For this reason the new industries, which have a global demand, are created in coastal regions. Consequently the dynamic coasts are host to migrants from inland.

The sea and the development of Iran

The Persian Gulf and the Oman Sea are our country' gateways to other parts of the earth and the common chapters with other countries for economic interaction with the people of the

world.

The long coastline and the ideal natural port sites in the Persian Gulf and the Oman Sea are exclusive advantages for global trade. For this reason the high profile presence of commercial fleet and the increase in the density of coastal population in this region are among vital requirements of the geo-economic development of our country.

The geo-economic importance of the southern seas, as the common ground between Iran and the rest of the world goes beyond the regional frame to gain global dimension. From this perspective maritime economy and trade is an unavoidable option for sustainable and balance development of the country.

The Islamic Republic of Iran Shipping Lines

The Islamic Republic of Iran Shipping Lines (IRISL) is the most pivotal national industry for economic growth, development of global trade and attraction in the process of sustainable development and globalization. The national shipping industry as the focal point for sea-oriented and global trade is the main axis for achieving the "Millennium Development Goals", since in addition to being considered as the intermediary and the agent for global trade, it plays a determining role in increasing the capabilities of the national economy and the level of global participation. Maritime trade increases production, employment and revenue generation and the combination of these important economic

indicators brings about poverty reduction, improved welfare and increase in the human development indicators.

The "Millennium Development Goals" program approved in the year 2005 by the United Nations underlines peace, security and a world free of poverty and seeks rational, practical and measurable solutions to attain sustainable development at global scale.

This program sets out a complete roadmap and quantifiable solutions allowing a coordinated global effort to eradicate poverty, starvation, problem of habitation, diseases, mortality, discrimination, depletion of the environment, illiteracy and insecurity and to finally close the great divide between the underdeveloped and developed countries and global inequity, allowing all the human societies to attain sustainable development.

Taking into account the theories of development the mission of the national shipping fleet in the field of maritime trade and economy strengthens the national capacities for sustainable and balanced development and lays the grounds for a dynamic economy in the frame of maritime trade and transportation.

Developing and maintaining the status of shipping, maritime and major routes for the ports along with the daily increase of economic advantages and profits, reduction of vulnerability and improvement and flexibility of maritime trade are among important national priorities in the process of globalization.

The Iranian shipping activities in the endless oceans of the

earth and as the link between Iranians and other nations and the transportation of strategic goods to the country, while playing its role in the sustainable and balanced development of the country, has created the proper grounds for meeting newly appeared challenges and the accelerated evolution in the process of globalization based on maritime trade.

On the other hand, through its extensive and determining share in the sustainable and balanced development of the country, IRISL has demonstrated the need for integrating the economic policies, focus on spatial plans in the coastal regions, taking on the maritime approach and venturing in the globalization process for the high ranking officials and strategists of the country.

By taking into account the global changes, the appearance of new concepts of sustainable development, the acceleration of globalization process and the growth of maritime economy, the maritime trade and the process of integration in the global market through shipping industry have revealed the most important answers and solutions to the new challenges in the fields of economy, culture, politics and environment of our country's future.

The IRISL mission in the global trade has resulted in the distribution of wealth, reduction in the costs of production, logistical continuity, concentration in business deals and industrial globalization. On the other hand the outcomes of this industry's function, such as employment in the commercial fleet, port operation and services,



THE LONG COASTLINE AND THE IDEAL NATURAL PORT SITES IN THE PERSIAN GULF AND THE OMAN SEA ARE EXCLUSIVE ADVANTAGES FOR GLOBAL TRADE.

shipbuilding, ship repair and maintenance, training manpower and maritime communication have also had a great share in job creation, revenue generation and increasing the gross domestic product.

Moreover, by considering the need for accord in full compliance with international laws and treaties, the issue of result – oriented training system, training competent manpower, accurate execution of international convention, improving the level of education and evaluation of vocational competence, the shipping industry has a considerable role in preventing accidents, reducing the costs of transportation and mitigating the environmental impacts.

From the beginning of fifty years of IRISL activities to date, maritime trade has increased with the development of containerization and its impact on macro-economy has become deeper and more extensive, including:

1- Improved logistical continuity: The strategy of commercial shipping has changed from the concept of “port to port” to “door to door”. The container carriage of goods has linked to different modes of transportation (road, rail, sea) together allowing the cargo to reach quickly and easily from the producer to the consumer.

2- Concentration in trade exchange: the different kinds of goods, from raw materials up to semi-finished and finished products, which once needed specialized handling in specific ports or docks possessing the

relevant facilities, are now transported easier and more effectively due to container transportation, concentration of facilities and equipment and the integration of ports and shipping management.

3- Industrial globalization: The processing of raw materials, production of semi-finished goods and installation of components of assembling the final product make up the production process. With the growth of maritime trade and transportation, it has become possible to manufacture the components of any product in a number of countries, depending on the relative advantage of the different regions of the world and to ship it by container to the country for final assembly by producers. In addition to industrial globalization and transfer of technology, such a process will lead to the distribution of wealth and cheaper products.

3- Customer satisfaction: through containerization, IRISL has improved the speed and ease of maritime trade. For this reason the strategy of producers has shifted from logistical operations and marketing to improved quality of the product, customer satisfaction about quicker delivery of goods and greater inclination for domestic products.

4- Alignment with the “Sustainable Development: the Cooperation of World Maritime Organization in the Context of Rio + 20” goals of World Maritime Organization:

IRISL has demonstrated great performance in eight topics including improving the culture of safety at sea, energy efficiency, new maritime innovations and technologies, training navigation, security of shipping, management of shipping traffic, developing the maritime industry’s infrastructures and global navigation standards.

5- By reducing the cost of costs of transportation and increasing the volume of maritime trade, IRISL has reduced the ratio of CIF to FOB. Consequently the strategic, investment and intermediary commodities are made available to the domestic modern industries at lower costs and this in turn leads to reduced costs of production, increased competitiveness of domestic products and economic growth.

6- Environmental impacts, costs, productivity and efficiency: compared to land transportation, the environmental impacts, the volume of fuel consumption and the economic returns of shipping are quite substantial. One may consider a modern containership of 8,000 TEU in capacity with a crew of 25. Such a vessel would consume 238,000 l. of fuel over a distance of 1000 km at a speed of 23 knots. 8000 heavy trailers with a total of 16,000 drivers and assistants would be required to carry this number of containers by road. On a straight and even course, these trailers would require a total of 3,200,000 l. of fuel, i.e. more than 13 times the fuel consumption of a containership. The length of these road trailers would also

extend to 100 km.

7- Taking into consideration concepts such as borderless and fluidity of the sea, “freedom of navigation” and the “innocent passage” of shipping on one hand, and the major problems of international road transportation, including the existence of international borders, insecurity, customs’ charges, geographical obstacles on the other, it is obvious that from the point of view of efficiency, productivity, speed and low costs the shipping industry is at a much higher level.

8- By investing in maritime industries, expansion of commercial fleet, application of new maritime and communication technologies, development of ports, prevention of parallel functions, development of infrastructures for cargo transit through the NOSTRAC Corridor, merger of maritime training centers, encouraging the private sector for investment and entrepreneurship in maritime sector, financial and tax facilities, reducing the costs of imports, reducing the costs of domestic production, boosting the growth of economy, improving the commercial competitiveness, increasing the speed of port operations, integration of logistic operations, decentralization, standardization, freedom of navigation, job creation, development of coastal region, integration of national transportation fleet and the development of sea trade and industry IRISL has left a brilliant impact on the living and



economic environments of the country.

8- The Iranian commercial fleet has increased the level of continuity and integrity of the country in the fields of economy, commerce and technology with the world and as a consequence the globalization index, which is an important indicator for the level of adhesion of any country to globalization process, has improved.

Shipping industry and other economic sectors of the country

The study and analysis of the link between the different economic sectors of a country and presenting a complete image of their structure is based on the “input – output model” of Wassily Leontief the Nobel

Laureate Economist, because in macro-economy all the economic sectors of a country interact on an interwoven and complicated network. From this perspective, the output of Iranian maritime transportation is injected as an input to other strategic and vital sector of national economy to turn its wheel, since by nature maritime trade constitutes the link between the national economy and industry and the outside world and plays and endogenous role in the economy. With the speed of globalization and the complication of the national economy’s structure, the level of integration and dependence of different economic sectors of the country on maritime transportation is increasing in an organic, dynamic and chain-like

manner.

On the other hand by applying the mathematical analyses of “input – output model” and comparing the results, the level of effectiveness, productivity, the apparent and hidden costs and the profit / loss of different economic sectors can be measured and evaluated. Of course, apparently after the Islamic Revolution and due to the complication, lack of organizational interest and the need for experts to analyze the statistics related to the different economic sectors of the country, no input – output table has been drawn for the entire economy of the country.

However, given the witnesses, one becomes aware of the brilliant role of IRISL compared

with other sectors of economy.

Conclusion

Like other developed and developing countries, shipping industry in Iran plays a considerable role in linking the human society with balanced and sustainable development based on maritime trade, and is considered as the most central agent for economic growth, expansion of global trade and adhesion in the globalization process.

In addition to being the intermediary and agent of global trade, the shipping industry has made a deep mark in strengthening the national economy and increasing the global participation index. The global trade with other countries increases the per capita gross domestic production, employment and revenues and the combination of these important indicators has led to alleviation of poverty, improved welfares and improved human development indicators.

With the expansion of globalization phenomenon, the trend of attraction and integration of different countries in the global market has accelerated. The geo-economic status of sea course, the major development of ports and the daily increase of super containership in maritime trade, have underlined the importance of IRISL as the drive for the balanced and sustainable development.

Through its performance, IRISL has opened up new horizons in the outlook of national economy, its link with the world trade and economy and the expansion of its outreach and dynamism in today's changing and



WITH THE SPEED OF GLOBALIZATION AND THE COMPLICATION OF THE NATIONAL ECONOMY'S STRUCTURE, THE LEVEL OF INTEGRATION AND DEPENDENCE OF DIFFERENT ECONOMIC SECTORS OF THE COUNTRY ON MARITIME TRANSPORTATION IS INCREASING

competitive world.

The geo-economic sky of the country is expanding with the strong and effective presence of the national fleet in the global economy, and the road has been paved for the sustainable and comprehensive development through the sea. By pursuing the model of IRISL activities, the move in reducing dependence to oil revenues, setting new policies for sea-oriented economy, the dynamic changes in the distribution of population, the increase in the coastal population density and the coastal spatial plan have picked up pace.

Ranked 22nd in the world, IRISL has played a unique role in the national economy and after 50 years of pride and dynamism, is the harbinger of a brilliant future for the national economy.

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Exclusive Role of IRISL in Iran's Economy; Guarantor of National Economy



Marine transportation is one of the most important pillars of the country's development because 90% of Iran's foreign trade is conducted by the sea and then the significance of seaborne trade is not hidden in developing other sectors of the county. Experts and involved one are aware of the importance of marine transportation and consequently emphasize on the development of sea-based economy which pave the way for an improvement in other economical section.

In an attempt to develop sea-based economy, IRISL's fleet plays a key role. The ships have transferred various commodities for 50 years in international waters. Although the fleet with half a century of experience encountered many difficulties, it has never given up and resumed its activity strongly. IRISL supported people during difficult eras by transferring their required cargos in such a way that effort of trusted employees made the silages not to be vacant by wheat during the Imposed War. During eight years of Iraqi-imposed war, many shipping companies denied entrance to Iranian waters. Meanwhile, the national fleet didn't allow the export and import of goods to be disconnected by the nonstop efforts of seafarers and active personals in headquarters.

At that time, IRISL owned 35 ships of which 16 were hit by rockets at least and many seafarers lost their lives and became martyr. After the end of the War, IRISL could buy new ships and enter new eras of transportation including container transportation with the valuable and global brand of IRISL.

With the start of the sanctions against Iran, IRISL has been affected severely because the imposers were aware thoroughly of the situation and potentials of the company and then increased the pressure more than ever. They believed that by imposing severe sanctions IRISL the economy of IRAN was doomed to failure. But they couldn't reach the desired intention due to the intelligence of employees and managers. In fact, IRISL stood the first line of defense during the sanctions era and although it encountered many difficulties, it didn't allow the sanctions to intervene the services.

Support of IRISL from shipbuilding industry and ship repair as well as training human resources are all in line with resilience economy. However, the domestic shipbuilding industry failed to fulfill its obligations on time. But in repair section, IRISL could provide opportunities for recruitment by establishing Persia Hormoz Ship Repair Yard and repair many ships of the national fleet and other domestic and foreign lines. Meanwhile, it managed to prevent foreign exchange.

JCPOA is the turning point of the activity and recreational boom of the IRISL. With the lifting of the sanctions, the sailing of national fleet ships resumed all over the world and now 90% of them with the flag of the Iran are again in international waters, which is a positive development.

Development of the national fleet was another achievement of IRISL during the post-sanctions era in a way that it could revived the orders of new-building which were suspended. So, 10 ships are going to be added to the national fleet in the near future. At the time, IRISL stands at nineteen steps in word ranking which is soon to be decreased to top levels.

IRISL with half a century of experience in the field of marine transportation is a clear evidence of resilient economy because the fleet played an irreplaceable role during the War, global economy crisis, and fall of freight rates. Definitely, without the presence of a national fleet in the two most sensitive areas of the war and sanctions, there would be severe crisis. With these interpretations, one can not overlook the effective role of IRISL in Iran's economy.



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A close-up photograph of a welder in a dark, protective suit and a bright orange helmet. The welder is working on a large, dark steel structure. A bright, intense light from the welding process is visible, with a shower of sparks flying outwards. The background is dark, and the overall scene is illuminated by the bright light of the welding process.

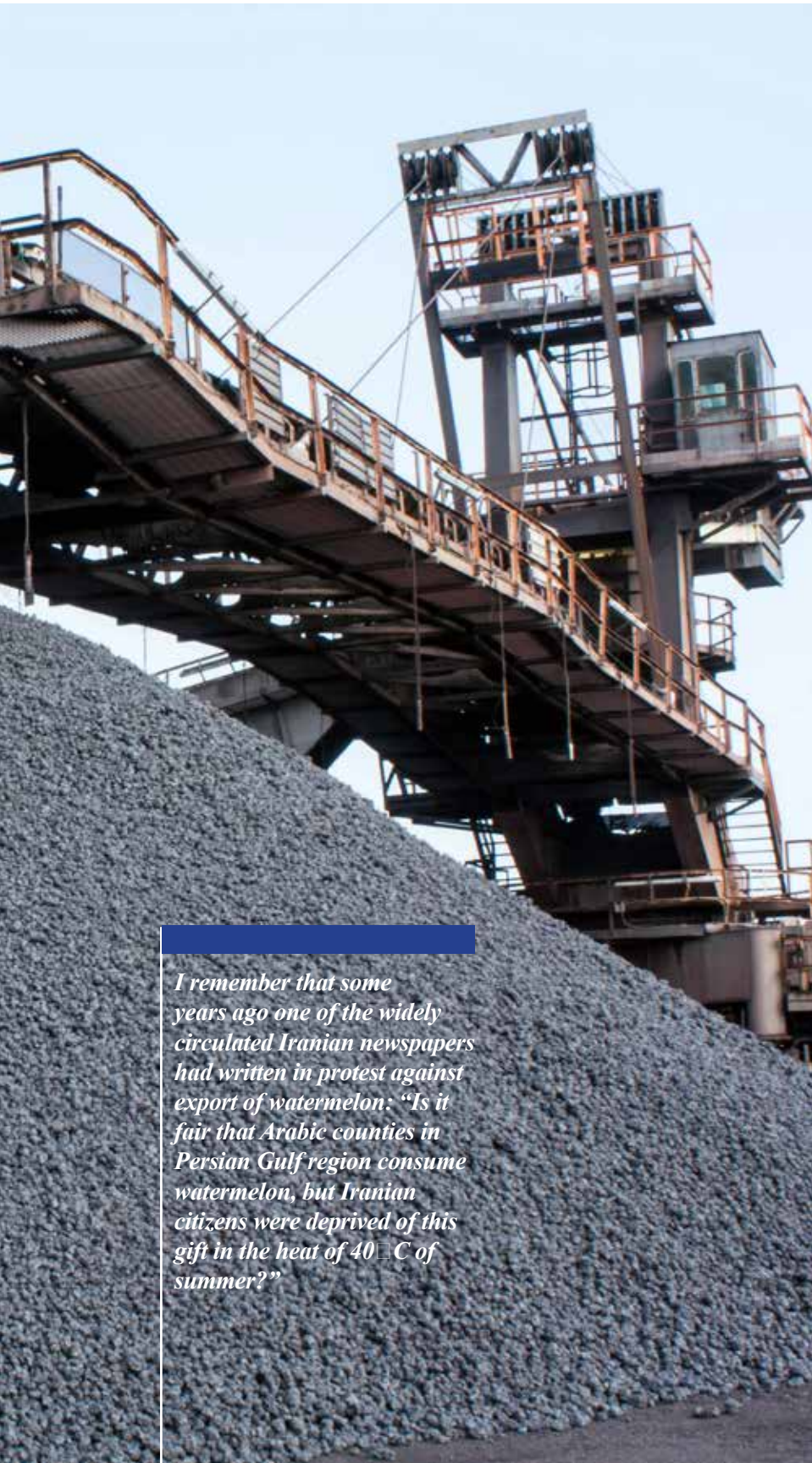
Close Up

**Steel; Step
by Step Progress**



Comprehensive Plan for Steel, Template for Iranian Minerals' Strategy

By: Haniye Eftekhari



I remember that some years ago one of the widely circulated Iranian newspapers had written in protest against export of watermelon: "Is it fair that Arabic counties in Persian Gulf region consume watermelon, but Iranian citizens were deprived of this gift in the heat of 40°C of summer?"

In those days, the Islamic revolution was in its infancy stage, and the impact of intemperate socialists was obvious on the economy of Iran. So, if you had trend to produce for export, you would be called as the servant of the enemy. On the other hand, if you did produce in any way with any cost and any quality, they would name you as loyal soldier of the homeland. At that time, few people paid attention to this reality that Iran's market was a limited one, so they could not produce anything with any cost, and it is better to not only supply internal demand, but also take a glance on external markets.

In the past, generally there was no advocate of exporting. Slogans had the trend of extreme self-sufficiency, and managers did not support exportation. This viewpoint was more terrible in mine section. By this way, it was hard to convince opponents that the country was not able to process some mineral materials, so they should be better to export. It should take 30 years for senior managers to conclude that economic management is not magisterial, and by governmental tools we could not control all sections. It should take 30 years for managers to believe that the government does not have high ability in conducting economic enterprises, and it is better to provide the condition for the entrance of capable private sector and to approve a revision of article 44 of the constitution of Islamic Republic of Iran.

It was just the beginning, when article 44 was ratified. The private sector could somehow



breathe in, but oxygen was not enough. Those oppositions went on with less intensity. Industrialists have to produce for domestic consumption, self-sufficiency and withdrawal from dependency. Apparently the slogans were worthwhile, but in practice they prevented the Iranian economy from international trades. By this way, when sanctions became more pronounced in the early 2010s, the isolation became more intense, and Iranians got away from the technology of the world for many years.

In the mining sector, despite the rich reserves, we could not complete the value chain. We continued to work with the same technologies and did not let the mineral activity stop. With taking a glance on

If we take a glance at the steel industry as one of the mining industries, we find that there is a close relationship between increasing steel production and economic growth. Accordingly, **Iran Steel Master Plan (ISMP)**

was drafted, and it was supposed to double the amount of Iranian steel production until 1404.

In recent years, the depression of international and domestic markets has influenced the steel industry, and some internal and external factors have been effective in reducing the production of steel products. However, according to 10-year steel program (ISMP), it is expected that in the year 1404, the country's steel production will increase to 55 million tons, and this figure had been calculated from the past. One of the items which had been considered in this anticipation was economic growth. Although domestic steel consumption is likely to decline at 1404 horizon, exports are forecasted to increase, and Iran may achieve its goal – production of 55 million tons – before the deadline (next 10 years). However, in this Master Plan a total of 42 million tons of domestic consumption and 14 million tons of exports are planned to be implemented.

According to these, it is assured that the steel industry in Iran has the potential for increasing exports and can achieve the goal of the Steel Master Plan by accessing to world markets in the case of adjusting of the infrastructures. In addition, the construction budget is still not stimulating the steel market, and two factors of industry growth and building growth will continue to affect the depression of the market in this year. However, what could be the role of the world's great steel industry activists on this route? The presence of technology owners and cooperation with powerful companies in the field of steel production and its exportation can affiliate Iranian industry with global prospective and updated production standards.

According to new reports and ISMP, the infrastructure has been partly prepared for producing 55 million tons of steel and taking part in mine sector's value-added. But if Ministry of Roads & Urban Development

way, in addition to the outlook document, this document is a supplementary object which helps the Iranian economy to interact and communicate with the world economy.

We should not forget that resilient economy document is the most advanced document in our country. If only one of its clauses which named “Endogenous and بیرون نگر” could be interpreted properly, so many problems in Iranian business sector will be solved. Resilient economy in practice has the same meaning with competitive economy, as we could produce some commodity with Iranian thought and capital and present them with acceptable quality to global markets.

Resistance economy stops monopoly. By this way, the producer thinks about beyond the borders of the country instead of thinking about the current population (80 million people in Iran's market), and produces a product that could be presented in various markets from war-torn markets to the developed economics in the West.

Anyway, for implement the resistance economy, the government needs tools in order to handle it well. Perhaps in the first step, it is better to improve the business environment. When we talk about the business environment, only producers and market activists know what you mean and what obstacles they face. From the rules of labor and social security to the banking system of the country, all need to be revised in order to open a door to all business activists and they could have a better and more significant presence in global

markets. does not collaborate, production of 55 million tons of steel will occur, yet transportation of it will be hard. Although in Sixth Development Plan it has been anticipated that some percentage of importation of steel would be allocated to this ministry. As ISMP was presented in National Iranian Steel Company, it was finally revealed that this comprehensive plan is very complete and feasible, and it can be defined for other minerals in the country based on the same strategic plan. According to the ISMP, in the development of the rails foreign and private sector investments are prioritized.

On the other hand, mineral projects are currently seeking to develop their own rail and provide of water supply, and it is better to produce concentrate and pellets next to the mine and carry the final product to the sea. Although we have some lag in ISMP, with the implementation of the cadastre and the identification of new zones in the 11th government of Iran, we managed to create value added in mines. But its overall implementation requires long-term programs.

Years of confronting with sanctions have had the great lesson for us, Resilient Economy. Top managers of the country understood well that the Iranian economy needs to be strengthening to protect from external harms, and it is better to find a solution to achieve this goal. So the country's economic superiors in a clever attempt drafted a resilient economy document, and it was ratified by the parliament. By this

markets.

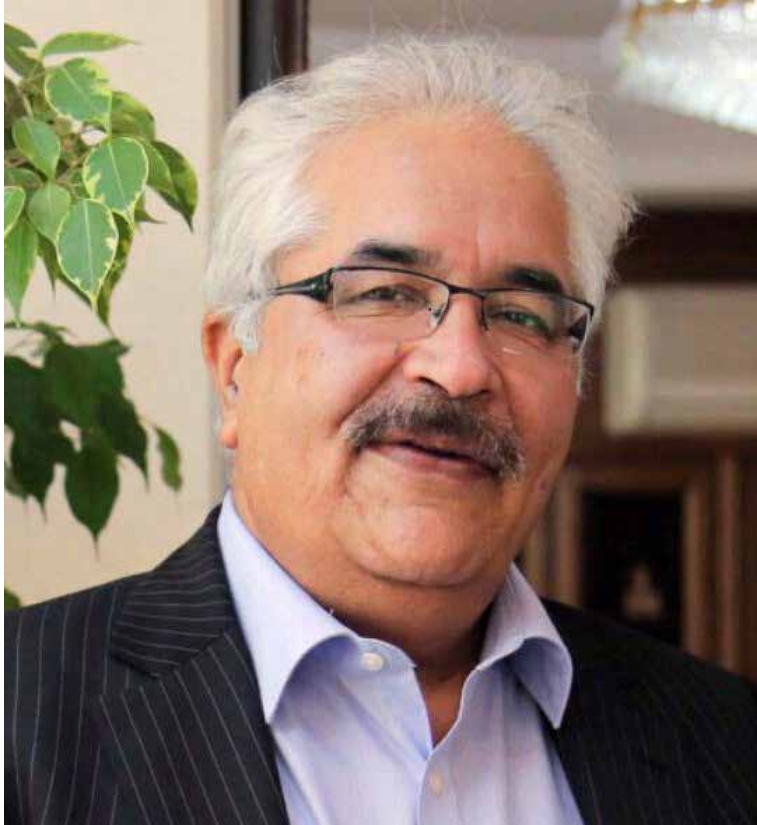
By establishing of a resisting economic headquarter with presence of Dr. Ishaq Jahangiri as head of it, the country is now on track, and the private sector hopes to provide the infrastructure needed for competitive production by improving the business environment.

Iran's economy is thirsty for competition, and if we do not pay attention to this, it could not be hoped that it has been strengthened. We need to attract foreign investment and joint to the world's industrial and mining leaders. In this case, other countries will have share interests with Iran, and our country will be able to resist sanctions and other restrictions in present and future or in other words, it could reduce sanctions impact on different parts.

Iran's mining sector needs to take advantage of the competitive economy and, as far as possible, add value to minerals to export them. Of course, sometimes economic conditions make us to convey minerals to global markets with less value added, and there is no problem in such cases. It is better that all economic activists rethink about their literature and talk somewhat more wisely about the economic conditions of the country and their demands. By this way, we could hope that the enterprises of the country with the lowest subsidy and the highest return do production, policymakers engage in strategic decision making and lawmakers make new rules and eliminate disturbing rules to improve the business process.

CEO of Gol Gohar Sirjan said:

Make A Proper Margin of Profit with Balance on Domestic and Foreign Sales



These days, studies show that in our country about 25% of the cost of steel production is related to the cost of supplying iron ore, and so far about 4.6 to 5.1 billion tons of geological reserves of iron ore have been estimated.

By considering the fact that in China and the European continent 39 and 31 percent of steel prices consists cost of iron ore, Iranian by using domestic iron ore enjoy an important economic advantage in this part.

Considering the importance of this issue, we interviewed with Naser Taghizadeh, CEO of Gol Gohar. This interview is presented in following paragraphs.

Considering the fact that Gol Gohar Sirjan Co. is one of the largest suppliers of minerals in the country, and according to the type of its activity, have we paved the way to self-sufficiency in pelletizing in Iran?

Gol Gohar Mining and Industrial Co., as the largest mineral company in Iran with competitive advantages such as its location on the country's main trade road, close proximity to export ports and having rich iron ore mines, has tried to complete the steel production chain, as well as fulfill the needs of this chain in the country. On the outlook of 1404, 55 million tons of steel are planned to produce, so for this production, we will need 80 million tons of pellets. By having the production of more than 10 million tons of pellets, Gol Gohar has an effective role in this process. By defining this outlook, if we increase another 5 million tones to our production, this self-sufficiency will be realized. Plans have been made in the Gulf area for the role of self-sufficiency. Plans have been made in the scope of Gol Gohar for its role in self-sufficiency.

How much of the country's demand for production and, of course, pricing is influenced by international conditions, and what role does it play in the company's manufacturing process?

The pricing of all middle materials is influenced by the amount of supply and demand. Therefore, all the raw, middle and final materials of the steel cycle are not excluded from this fact. In addition to supply and demand,



THE POSSIBILITY OF INCREASING OR DECREASING IN PRODUCTION AND CONSUMPTION IN THAT COUNTRY WILL LEAD TO SIGNIFICANT FLUCTUATIONS IN PRICES.

the strength of the common currencies, such as the dollar and the euro, is also effectual. By on time and smart balancing in domestic and foreign sales, as well as giving priority to domestic companies, Gol Gohar has largely secured itself from adverse global effects. Obviously, it has placed export in the second priority with focus on providing liquidity to its widespread expansion plans, thus it has played a major role in keeping Iranian companies active.

Considering the country's outlook in 1404, do you think this is achievable?

Outlook of 1404 for production of 55 million tons of steel will require 170 million tons of iron ore, 80 million tons of concentrate and pellets and 55 million tons of sponge. This will not be out of reach if we could produce more 16 million tons of concentrate and 5 million tons of pellets. Of course, increasing the productivity of the current capacity is one of the things that should be considered. Gol Gohar has systematically tried to develop mines as well as increase production to reduce this deficiency.

By considering the implementation of Joint Comprehensive Plan of Action and signing up some good contracts, what steps have been taken by Gol Gohar Company after lifting of sanctions?

Gol Gohar has used this opportunity to develop cooperation for providing of machines as well as exchanging of knowledge to empower domestic suppliers. At present, it is developing its co-



operation with foreign parties.

Has the issue of increasing steel production in China caused the company to grow on the international market as well?

As stated above, the global price of steel and middle products of the steel cycle is affected by supply and demand, so obviously China plays a major role in this case as a major consumer and producer. The possibility of increasing or decreasing in production and consumption in that country will lead to significant fluctuations in prices.

One of the most important issues in mineral production (from the first step to the final product) is transportation, not only in domestic section but also in international dimension. What actions have been taken to overcome this issue?

The transportation, costs and infrastructure required for it have an effective role in final price as well as in competitive advantage. Gol Gohar has adopted two approaches in this case: first, developing of rail infrastructure, and second, the empowering



BY HAVING THE PRODUCTION OF MORE THAN 10 MILLION TONS OF PELLETS, GOL GOHAR HAS AN EFFECTIVE ROLE IN THIS PROCESS.

and equipping of private firms with purchase and assign up-to-date transportation equipment to them. By deploying of this policy and efficient managing the transportation of products, Gol Gohar has succeeded in transferring all products for export or domestic consumers. Obviously, reaching to the 1404 outlook needs more development and attention to transportation, which is part of the development program of Gol Gohar.

What has been the status of the company in 2017, given that the overall trend in the international market was thriving?

In 2017, we were faced with fluctuations in global trade and prices, but by balancing domestic and foreign sales, Gol Gohar could have managed these changes well. In addition to managing investment in development projects, it has been able to efficiently control the final price and costs. Improving the production chain from mine to sponge is also a valuable plan which will add to the company's competitive advantage.

Iran



**How to Invest
in Iran?**

A Review on Iran's Foreign Investment Promotion and Protection Act

By: Sattar Moradi

Incentivizing and attracting foreign investors is one of the main aims of the ministry of Economic affair and Finance in the 12th government of Iran, Iran minister of Economic affair and Finance said, we should use the full capacity of free zone and the Iranian who live in other countries to develop it.



In the first Foreign Investment Board meeting of Iran 12th government, *Masoud Karbasian* mentioned the insertion of free zone to the ministry of economic affair and finance according to the capacity of having foreign investors, and encouraged the for organization of investment economic and technical assistance of Iran to attract foreign investors in free zone. *Mohammad Khazaei*, the head of organization for investment economic and technical assistance of Iran, reported the performance and activities of Foreign Investment Board in the 11th government of in Iran in attracting foreign investors from

Mordad, 1392 until Mordad, 1396 and said it was more than 18 billion dollars. He also mentioned the effort of investment organization to reach the goals of 6th development project and 8 percent economic growth. 31 foreign investment projects including 17 new projects and 11 subsidiary ones with total worth of 1,697,577,514 US dollar was approved in the previous meeting of foreign investment board on 10th of Mordad – the last days of 11th government of Iran. These efforts to incentivize foreign investments in 11th and 12th governments resulted

in a deal called JCPOA (joint comprehensive plan of action), which because of dealing with nuclear issue of Iran is considered as the opening of world economic gates on Iran and also vice versa. Providing a political, economic, social and cultural platform is the prerequisite of entering foreign investments in any country. These needed platforms must be in the form of legal rules and acts. There is no doubt that any foreign investor pays attention to incentive, promotive and protective acts before entering Iranian markets; to this end, we review the “Iran’s foreign investment promotion and protection act (FIPPA)” to guide foreign investors according to Iran’s acts and markets; the act in 25 article and 11 clause was approved in the Islamic consultative assembly in 1380.

Terms and Definitions

According to the Iran’s foreign investment promotion and protection act, foreign investment is all of assets including cash that enter the country from foreign resources and include:

1. Cash which can be transferred and entered into the country in the form of currency, in banking system or other ways of money transfer approved by the central bank of Islamic Republic of Iran.
2. Machine and equipment
3. Tools and spare parts, disrupted pieces and raw materials, additive and auxiliary parts
4. Invention right, technical knowledge, trademarks and





- professional services
- 5. Transferable interest of the foreign investor's share
- 6. Other lawful activities with the approval of government board

Foreign investment means using the foreign capital in a new or existed business enterprise after getting the investment license and getting the admission request after the approval of foreign investment board and confirmation of the minister of economic affair and finance.

General Terms of Foreign Investment Admission

Admission of foreign investment must be according to the current acts of Iran; they must contribute to the improvement and development of the country



31 FOREIGN INVESTMENT PROJECTS INCLUDING 17 NEW PROJECTS AND 11 SUBSIDIARY ONES WITH TOTAL WORTH OF 1,697,577,514 US DOLLAR WAS APPROVED IN THE PREVIOUS MEETING OF FOREIGN INVESTMENT BOARD

and productive affairs including industrial, mineral, agricultural services and according to the following terms:

1. They must result in economic growth, technology development, quality development of goods, increase in job opportunities and increase in exports.
2. They must not be against national security, public interest, environment, economy, and domestic productions based on domestic investments.
3. They must not need the exclusive privilege of the foreign investor government in Iran; foreign investors does not have the admission



IRAN'S FOREIGN INVESTMENT PROMOTION AND PROTECTION ACT (FIPPA) TO GUIDE FOREIGN INVESTORS ACCORDING TO IRAN'S ACTS AND MARKETS

- to work exclusively in Iran.
4. Share value of goods and productive services of foreign investment in each section cannot be more than 25 and 35 percent in each field of local goods and services. The amount and field of investment must be in accordance with regulations approved by board of ministers.

Foreign investments for producing goods and services for exporting goods except crude oil are exempted. It should be noted that no foreign entity can own an immovable property under their name in Iran and it is against the law of Iran.

Foreign investments approved by Iran's foreign investment promotion and protection act are supported in accordance with the act. The admission of foreign investments is done in two ways:

1. Foreign direct investment in contexts allowed for activities of private sector.
2. Foreign investment in all contexts in the framework of civil participation, buyback and construction, exploitation

and transferring which has income from the very economic performance of the invested project and which is not dependent on the guaranty of banks or state-owned entities.

It should be noted that when construction, exploitation and transferring is not done and the interest is not applied, ownership right of the rest of the investment in economic enterprise is allowed by the investor.

Investment of foreign government(s) in the Islamic Republic of Iran is subject to the approval of the Islamic consultative assembly and investment of foreign state-owned entities is considered as private investment.

Competent Authorities

Organization for investment economic and technical assistance of Iran is the only official entity that deals with incentivizing foreign investment in Iran and deals with all the affairs regarding foreign investment; all foreign investors must submit their request regarding admission, inflow, exploitation, and outflow of

capital to this organization.

A board called the board of foreign investment were created for doing the decision-making process of foreign investment request under the supervision of the deputy minister of Economic affair and Finance as the CEO of the organization and deputy minister of foreign affairs, deputy minister of management and planning organization, deputy chairman of central bank of the Islamic Republic of Iran and other deputies of related ministries.

The investment license is issued after the approval of the board and confirmation of the minister of organization for investment economic and technical assistance as per the investor's admission request.

The organization for investment economic and technical assistance is obliged to release the result of initial study and their comment up to 15 days after getting the request in the board of investment. The board must announce its final decision about requests in writing in up to 30 days after receiving it.

All related ministries and organizations including the

Investment Attraction in Iran Capital Market

By: Mahdi Rezaei
Marketing Advisor of financial institutes

The president of 12th government of Iran mentioned some important terms including some critical points about foreign investment in his first speeches in Iran national media. What an important issue it is; what does Iranian's authorities attention to foreign investment mean? Does the recent attitude of Iranian authorities lead to eliminating barriers of direct and indirect foreign investments in Iran? We try to reach the answer of such questions by analyzing the recent terms and future prospects in the present article.

According to President Rouhani's 30th, August speech, Iran's market received 13 billion dollar foreign investment after joint comprehensive plan of action; he noted that he was going to organize Iran's financial system to eliminate invalid competitions and monopoly in Iran's economy and attract some foreign investments.

Foreign investment is typically done in two approaches: Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI)





A) Foreign Direct Investment (FDI)

FDI is an investment in which the investor is an entrepreneur who has a permanent interest from a company located in a foreign country and they get effective enforcement in the company in return. Generally, in the approach professional technology and management comes to the foreign country as well.

B) Foreign Portfolio Investment (FPI)

According to the development of international relations in portfolio exchanges and the need for risk diversifications, foreign investment becomes one of the important issues in capital markets. Investment in stocks,

debt securities, and new tools in money market are included in this approach.

In this approach of investment, individuals try to choose an optimal portfolio to maximize their interest. Unlike direct investment which is generally done by multinational huge companies, investment in financial portfolio is possible for institutional investors like retirement funds of small companies and joint venture funds. The income of these investors is obtained from capital gain, dividends and debt instruments.

Most significant advantages of FPI:

- Increase in liquidity
- Increase and development

of efficiency in the target capital market

- Increase in depth of market
- Increase in precision and accuracy of stock pricing and mechanism of portfolio pricing
- Increase in capital markets activists

Investment Opportunities in Capital Market of Iran

One of the great opportunities in post-sanction period of Iran's economy is entering of foreign investments. Many economic groups came to Iran for visiting the market and negotiating after the joint comprehensive plan of action (JCPOA); they started investing in Iran after multiple meetings. The presence and investment of foreign investors



in Iran significantly increased in March and February of 1394; the amount of their deals in the end of December, 1394 was 42 billion dollar, but after implementing the JCPOA the amount increased 12 times to be 511 billion dollar. Simultaneously, the activity of multinational companies and their experts increased in Iran's capital market and multiple meetings were held in western

companies for investing in Iran. Iran became a member of International Organization of Securities Commissions after lifting the sanctions, which led to recognition of new real opportunities and great potential of Iran's capital market.

Eliminating investment obstacles in developing countries leads to the development of capital market, increase in

liquidity and market value in the target country. According to the significant reduction in country risk, development of privatization which is one of the most critical issues and the attention of all political authorities to have economic relations with other countries, it is one of the prospect approaches in Iran. In addition, it should be noted that all supervisory and



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IN IRAN. IRAN**

regulatory authorities has taken a step forward with trying to have optimal relations with world economic mechanisms to facilitate communication by using the global financial reporting language in banks and companies, giving license to credit rating agencies, and facilitating bank exchanging. Furthermore, multiple regulations have been developed

to facilitate investment process in recent years; according to the recent consistency, this is the time to implement these regulations in action.

Significant Statistics of Tehran Security Exchange in the first period of president Rouhani Presidency

40 industries and 500 companies are active in Iran capital market

that makes one of the various security exchanges in Middle East. Exchange index has been grown about 107 percent from April, 1392 to April, 1396. Average return of total exchange index had 19 percent growth from April, 92 to March, 95. Value of capital market transactions (e.g. stocks, securities, etc.) in Tehran security exchange market, Tehran OTC and energy exchange changed from one thousand and 96 billion RLS in 1391 to one thousand and 902 billion dollar in 1395, which means 74 percent growth. Financial support of plans from the capital market changed from 143 thousand billion RLS in 1391 to one thousand and 220 thousand billion RLS in 1395 which means a 750 percent growth.

Value of capital market of Iran changed from 2 thousand and 420 thousand billion RLS In the first of 1392 to 5 thousand and 19 thousand billion RLS in the last of Farvardin, 1396, which means a 107 percent growth.

Foreign investment in the capital market was about 878 billion RLS in 1392, but it changed to 976 thousand and 14 billion RLS in 1396, which means a one thousand and 606 percent growth.

Nowadays, investors from the United States, England, Russia, Germany, Switzerland, Sweden, Uzbekistan, China, Netherland, India, Turkey, Lebanon, South Africa, Japan, Cyprus, Italy, Emirates, Norway, Greece, Indonesia, Maldives, Hong Kong, Qatar, Iraq, Pakistan, Syria, Luxemburg, Kuwait, New Zealand, Malaysia and Afghanistan are active in Iran's capital market.

A Look at the Participating Security in Iran

*By: Amine Ousta
Market Developer Expert*





EACH IRANIAN OR NON-IRANIAN INVESTOR CAN BUY THE PARTICIPATING SECURITY ONLINE AFTER GETTING THE ONLINE TRADING CODE AND REGISTERING IN THE TRADING SYSTEM OF IRAN EXCHANGE MARKET.

Islamic countries cannot use the typical financial instruments such as bonds due to the fact that Interest or “Reba¹” in western manner is illegitimate in Islam. Therefore, companies and organizations in these countries have to come up with different rules according to Islam. Islamic financial instruments known as “Sokouk²” have developed significantly in recent years. Sokouk can be defined as a security in accordance with “Shariah³”, with financial support, fixed or fluctuated income and with the possibility for deal in secondary market. This kind of bond cannot be used as a speculation or non-added value for profitability. There are different kinds of

securities such as participating security.

According to article 2 of participating security rules approved on 30th, Shahrivar, 1376 in Islamic consultative assembly and regulations of article 1 of participating security transaction approved on 18th, Mordad, 1377 in delegation of ministers, participating security is introduced as follow:

“In order to increase public participation in implementation of profitable government’s development projects included in government annual budget laws, as well as profitable productive, construction and services projects, the government, public corporations, municipalities, non-public institutions and entities, public corporations, and their affiliates, joint-stock and public joint-stock companies and producers’ cooperatives are allowed, in line with this law, to finance part of the financial resources required for the

1 the obtained interest people get from giving their money to someone else and doing nothing

2 An Islamic financial instrument used instead of western bond system

3 The religious law forming part of the Islamic tradition: the term refers to God’s immutable divine law



implementation of the projects including financial resources required for the procurement of raw materials required by the productive units through issuance and public offerings of participating securities.”

Participating security and saving bond are the same in nature; the only difference is that in participating security the proceeds must be used in specific projects, but in bond the issuer can pay them in any project that they want; this is due to the fact that in bond, the proceeds belong to the issuer, but in participating security the paper bearer is their partner. Some people still consider bonds and participating security the same. Bonds must be guaranteed in due date and are transacted before the due date. Because of this, the interest is not fixed and there is no incompatibility regarding Islamic rules.

In participating security as it is obvious from its name, the bearer is participated in a project; therefore, papers are documents that shows the bearer ownership of a part of the real asset which belongs to government, public or non-public or co-operative organizations; the owner of participating security is hold responsible for any fluctuation and change in it until due date.

According to the issuing act of the Islamic consultative assembly, the securities are issued as registered or unregistered bonds of nominal value in a specific period of time and are transferred to investors who are interested in participating security issuance project. The due date of participating security includes the initial amount; the nominal value associated with





ISLAMIC COUNTRIES CANNOT USE THE TYPICAL FINANCIAL INSTRUMENTS SUCH AS BONDS DUE TO THE FACT THAT INTEREST OR “REBA” IN WESTERN MANNER IS ILLEGITIMATE IN ISLAM

participating security is paid to the owner of securities. Because of the interest payment, bonds are not legitimate in Islam, but participating securities are legitimate because of the act of participating of investors in economic activities and payment of real interests.

Share of Participating Security in Iran Debt Security Market

In 1395, the amount of debt security in Iran capital market was 138,151 billion RIs and the participating security share was 26 % of the total amount. The amount was 10,550 billion RIs in the first of Mordad, 1396 and the share of the participating security was 6000 billion RIs. There was a reduction in monthly transaction value in 1396 which was due to the acceptable rate of security in comparison with the reduced bank interest.



How Much Is the Participating Security Efficiency in Iran Market?

Nowadays, security interest in Iran is 20 to 22 percent for a one-year period. The more interest it has, the more people find it acceptable to purchase. The interest due date of these securities is one or three month. In addition, the obtained income of these participating securities

for investors is tax free, which makes it more acceptable and interesting.

The security may be transacted in stock exchange or out of it. Each Iranian or non-Iranian investor can buy the participating security online after getting the online trading code and registering in the trading system of Iran exchange market.



Industry of Investment Funds in Iran

*By: Parastou Kan'ani
Expert of market development*

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ACCORDING TO THE RECENT STATISTICS OF SECURITIES AND EXCHANGE ORGANIZATION, THERE ARE 96 INVESTMENT FUNDS IN STOCKS WITH THE VALUE OF 17,778 BILLION RLS IN MORDAD, 1396.

Investment funds are financial institutes that invest the obtained interest of investment certificate issuance on their field of activity and their owners are included in any interest and loss of the investment. Investment funds may invest the capital on fixed-income portfolio, stocks and preferred stocks, construction projects, gold, exchange, etc. according to its activity and prospectus. Investment funds can be transferred in exchange market, issued or revoked. These kinds of funds started working from 1384 after the approval of security market act; there has been a significant increase in the number of the investment funds from 1388 and according to the report of financial information processing center of Iran and the website of Iran OTC, the number of the investment funds was 209 in Shahrivar, 1396.

Kinds of Active Capital Funds in Iran

Generally, Iran’s capital funds are of three kinds:

1. Investment funds in securities
2. Investment funds in properties
3. Adventurous investment funds

Investment Funds on Securities

The number of investment funds in securities was 202 in 1396 with the total worth of 1,296,249 billion RLS; you can find the frequency chart and the total value of assets of the recent year in the following charts. In addition, the average return chart of investment funds in securities in the recent year can be found in the chart number 3.

Chart 1: frequency of investment funds in securities

Chart 2: the average return according to the type of investment fund

Chart 3: annual return of investment funds from 95, 16, 05 to 96, 16, 05

Investment Funds in Securities are of 5 kinds:

1. Investment funds in securities with fixed-income

These funds invest special capitals of selling investment units in different kinds of securities (current kinds are mutual securities issued by governmental, non-governmental and public corporations). These funds invest at least 5 percent of their incomes on stocks and the rest of income on fixed-income securities and deposit accounts; therefore, there is no value reduction risk because of the banking return. According to the recent statistics of securities and exchange organization, there are 58 fixed-income investment funds until the end of Mordad, 1396 with the value of 1,236,616 billion RLS in Iran. It should be noted that this kind



of investment fund is the most popular one in Iran.

2. Investment fund in stocks
Investment funds in stocks are the funds that invest at least 70 percent of their mix asset on stocks. The value of this kind

of investment fund is more likely to be reduced or grown because of stock-based asset mix. According to the recent statistics of securities and exchange organization, there are 96 investment funds in stocks

with the value of 17,778 billion RLS in Mordad, 1396.

3. Mixed Investment Fund

This kind of fund is the mix of fixed-income funds and stock funds; half of the capital in invested on fixed-income funds and the other of on stock funds. According to the recent statistics of securities and exchange organization, there are 15 mixed investment funds with the value of 6,298 billion RLS in Mordad, 1396.

4. Index Investment Fund

The aim of index investment fund is to follow an index which makes managers to make a portfolio of securities based on an index to have the same performance based on the index





THERE ARE 58 FIXED-INCOME INVESTMENT FUNDS UNTIL THE END OF MORDAD, 1396 WITH THE VALUE OF 1,236,616 BILLION RLS IN IRAN

performance. Managers do not have an active role in this kind of investment fund; they just monitor if the securities are based on the index. There are just 3 index investment fund in Iran.

5. Transferable Fund in Exchange Market

Transferable fund is a kind of mutual investment fund and like other investment funds share its assets among hundreds or thousands investors. Unlike other investment funds that the person has to go to the company for buying and selling, units of this kind of fund is transferrable in exchange market like an exchange- It is also obvious The value of from its name. these funds is determined in the time of transferring through the mechanism of supply and demand. This kind of fund was introduced in 1993 for the first time and has grown significantly in the last decade; nowadays, they have the most shares in the net assets in universal mutual investment funds. It was in the

middle of 1392 that the first transferrable fund established in OTC of Iran and it has been increasing since then. There are 11 transferrable fund until the end of Mordad, 1396 in Iran exchange market with the value of 15, 878 billion Rial (assets of index investment fund are included).

Investment Fund in Properties

This kind of fund was founded under the supervision of securities and exchange organization; it collect capital from people and use the money to invest on construction projects and then sell the property and obtain an income. The property invests fund use the collected money for construction projects. The anticipated cost and duration of the projects are mentioned in the prospectus of the project, so investors must take a look at it, examine it and gain enough information about the process. This kind of fund has a deadline. After the specified deadline, the project manager sells the property (even in advance) in

accordance with the regulations, after the confirmation of security and exchange organization, and share the income with the investors. There are 4 property investment funds in Iran until the end of Mordad, 1396- they are considered as the new instrument of security and exchange organization.

Adventuresome Investment Funds

Adventuresome investment is a kind of investment that aims at establishing small companies with great potentials; this is a great approach to start a business which are small and cannot enter the exchange market and banks; it has a high percent of risk, so investors have a high expectation. There are 3 adventuresome investment funds in Iran so far. They are considered as one of the new instruments of Iran's exchange market and will experience a high growth in the future years.



SSLIL established in 1967 and presently it is one of the companies in IRISL Group. The core activity of the company is terminal operation & logistics, as well as providing cargo support and container inland services. The company manages and operates a terminal network country-wide with direct interest in 4 operating ports and terminal facilities.

Some of the services rendered by SSLIL:

1. Loading and discharging all types of vessels including container vessels.
2. Warehousing of goods by providing suitable storage facilities in southern ports.
3. Providing logistic services according to customers' requirements.
4. Stripping and stuffing of containers.
5. Container Repair & Clean services according to respective standards (IICL).
6. Providing all necessary facilities at logistic sites for change of transportation mode.
7. Multimodal transportation by privately-owned freight wagons.

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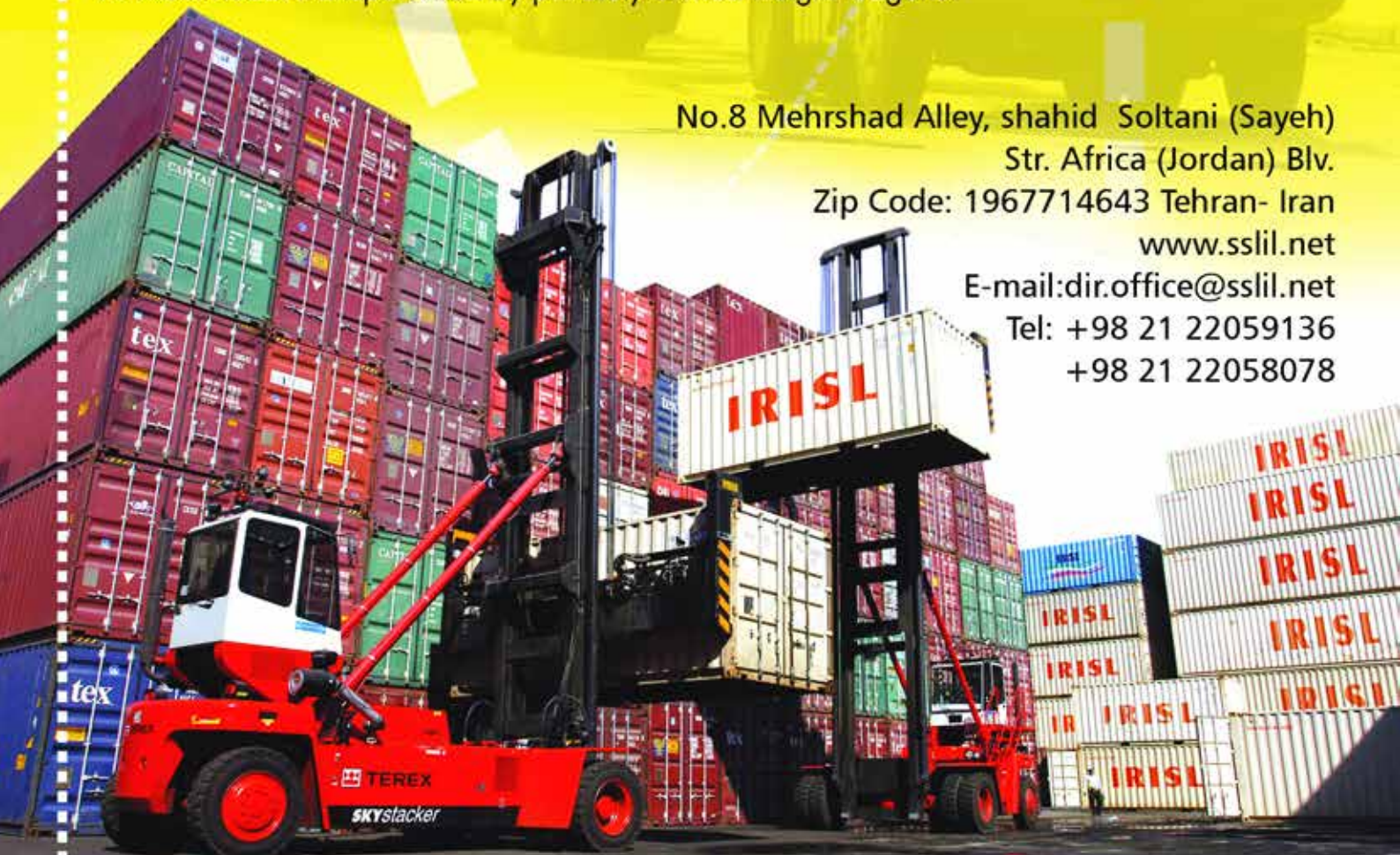
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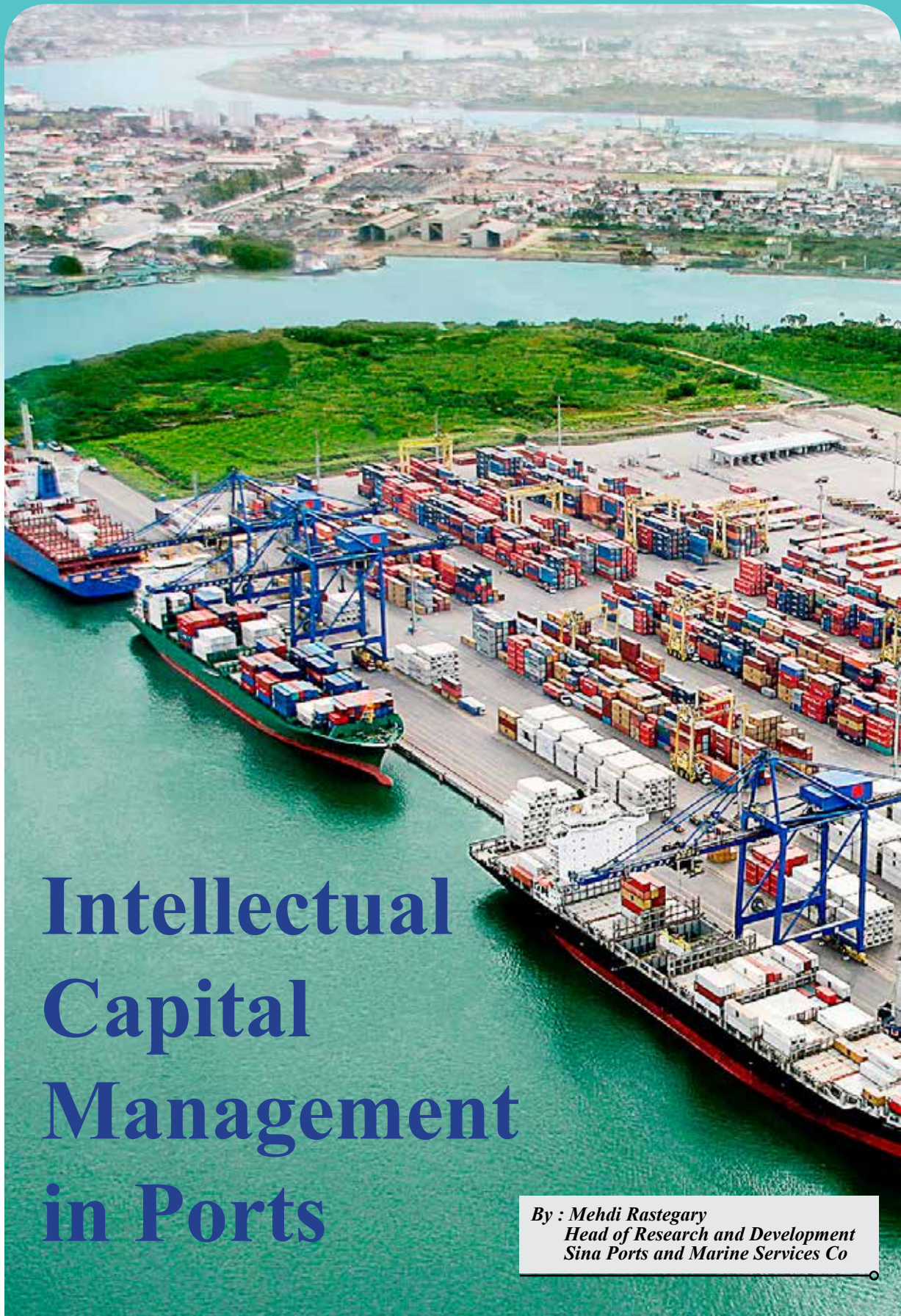
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Glance

Port; A Chance for Making Progress



Intellectual Capital Management in Ports

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Abstract

In the context of modern global economy, the market-value of many firms exceed far beyond the book-value of their tangible assets; indeed in most cases, the real value of a firm is many times more than the sum of her physical assets. This has led the management science into a quest for identification of resources that generate and sustain this considerable amount of surplus in economic firms. The quest has been referred to as research for identification of ‘intangible assets’ or ‘intellectual capitals’. Identification of intellectual capitals, not only explicates the elements and mechanisms of value production in a firm to a great extent, but it also facilitates the bed for further improvement and enrichment of such assets, as well as providing the means for indicating the real value of the firm in the market and facilitating for more promotion in her favor.

Ports are among valuable, strategic, national assets of each country and have a critical role in developments of nations. In tandem with evolution of new generations of ports and within the context of global knowledge economy, the share and functions of intellectual capital is steadily increasing in production of value in the port sector. In spite of the essential role of Intellectual Capitals in ports, Intellectual Capital Management has not been addressed independently and holistically in ports industry. This article focuses on indicating the role of intellectual capitals in the port sector, and proposing a hybrid model for categorization of ICs in the port context, and management of Intellectual Capital in ports.

Intellectual Capital is to a great extent capable of clarifying the ongoing changes in the global port sector. It can be used to establish a new paradigm in port development that enables the port managers to analyze and/or forecast the trends in port industry, and improve the assessments for their essential resources, competencies, needs, and potentials in business development.

Introduction

In the beginning of the third millennium, ports are considered as strategic assets which can essentially contribute to social and economic development of nations. The modern concept of a port is a juxtaposition of such fundamental roles as national revenue-makers, regional trade-enablers, and linkages to global economy. These roles are usually configured by a set of such vital functions as logistics, multimodal transport, facilitation for industrial clustering, raise in local employment level, etc.

In this context, one essential question may be asked: ‘Why have ports become so important in global economy, and international trade?’ The answer is simple: Ports act as the focal point of several added-value generating functions. First, the port activities have direct influence on delivery of goods in market, and their finished cost for supply in the end-market. In the more modern concepts of the port, port activities may also change the function of goods in a desirable way (e.g. via some specific logistical processing). The enhancements in delivery, costs, and functions of goods will produce added value in the shipments of commodities and products handled in a port. Second, the port activities involve production of port services, transport services, and logistic services. In this sense, port can be seen as an industry that generates national revenue, enhances employment, contributes to industrial clustering, attracts investments, and facilitates trade. Furthermore, good performance of ports can accelerate the flow of shipments in their supply chain, and provide a fast-turning variety of goods in the market and a multitude of choices for customers. This will in turn lead to enhancement of production, raise of competition, and variety of goods at lower costs for customers. In this sense, the ports can be seen as tools for improvement of standards of life, and engines of socio-economic development in

national (or regional) level.

Along the past fifty years, port development has been subject to great transformations. In the port management literature, this transformational trend is usually acknowledged as the evolution of the first, second and third generation of ports (ref. table 1). In most of the references, this evolution trend is considered to be a result of such phenomena as globalization (that stemmed from the worldwide political, social , and technical evolutions of national and regional economic systems), and international trade, as well as such technological trends as containerization, ship building developments, Information and Communications Technologies developments, etc. Although these have an explicit role in evolution of ports, but they cannot fully explain the reasons of upheaving changes in the port industry. Understanding these rearrangements is critical, as they are determining in gaining a proper attitude in business, and following the correct direction in the path of port development. However, in order to gain a good perception of them, it is imperative to comprehend the underlying causes in the port industry and her environment.



Table 1- Evolution of port function [1]

	First generation	Second generation	Third generation
Start period	Before 1960s	After 1960s	After 1980s
Principal cargo	Conventional cargo	Conventional cargo and bulk cargo	Bulk and unit cargo Containerization
The port development position & development strategy	Conservative junction point of the sea and inland transportation	Expansionism transportation and production centre	Industrial principle international trade base chain connecting transportation system
Activity scope	(1) Cargo handling, storage, navigation assistance-pier	(1) + (2) Cargo type change (distribution processing), ship related industry - enlargement of port regions	(1)+ (2) + (3) Cargo information, cargo distribution, logistics activity – Formation of the terminal and distribution centers
Structure Formation and specifics	- Everybody acts individually in the port - Port and its users maintain informal relations.	- Relations between port and its users become more close - Emergence of the slight correlation among port activities - Negative cooperation relations between port and self-governing community	- Formation of the port cooperation system - Trade and transportation chain concentration in the port - Relations between port and self-governing community become more closer - Extension of the port structure
Character of the productivity	-Invention of the cargo distribution -Individual supply of simple services -Low value added	- Invention of the cargo distribution - Cargo processing - Complex services - Increase of the value added	- The flow of the cargo and information - Distribution of the cargo and information - Combination of the diversified services and distribution - Value added
Core factors	Labour/capital	Capital	Technology and know-how

As we will discuss in this article, development and dominance of intellectual capitals in ports are the most important factors that has laid the foundations for ongoing evolutions in the port sector. Later we will discuss that intellectual capital management is the key to success of ports in the intense competitive market.

Knowledge Economy and Intellectual Capitals

After 1980s, the world economy entered into a new era, in which man-made

brainpower industries came to dominate the world economy. By development of new breeds of sciences and technologies, and in consequence to thorough, world-wide shifts towards liberalization of trade, establishment of international capital markets, global availability of cheap labor, revolutions in transportation and logistics, and many other causes, the competitive advantage which once laid in availability of capital, labor and natural resources, was moved into knowledge assets, resources, and capitals. This critical shift revolutionized the nature of production and consumption in a short while. It almost affected everything in the economy: Knowledge sharing and transfer among industries which were facilitated through extensive use of such methods as benchmarking, best practices and reengineering, resulted in breakthrough leaps in the development of developing economies. The market structures were transformed due to changes in the nature of supplies, products, needs, demands, and resources; the changes in the definition of industry competencies, rules of competitions, disposition of competitors, and tendencies of consumers. Customer demands forged the general paradigm of production from 'mass production' into 'quality production', and later transformed it into 'mass customization'. Mobility of production resources was utterly increased and volatility of consumers' communities raised substantially; channels of distribution and their arrangements experienced substantial changes; several old industrial giants were annihilated and substituted either by mergers or new-comers. Development of E-Commerce resulted in standardization, expedition of processing and communication, and raise of precision in business transactions; changes in marketing and sales approaches gave rise to proliferation of customers and substantial growth of sales in a world-wide level; an apparent shift was seen from manufacturing industries to service industries; the nature of products were changed by raise of services and intelligence, rather than use of physical material in their designed composition; Paradigms of management and organizations were altered to meet the newly emerging requirements and generating the novel competencies; and myriads of other changes that has been elaborately discussed in the literature[2,3,4]. These tremendous changes which in the beginning were seen as a complete chaos in economic systems, revealed the dawn of a new age in economic history which is regularly referred to as the 'Knowledge Economy Era' [4].

In this era, knowledge has become the main and most important element in business: not only it affects every stage of the supply chain of products (design, production, marketing, sales, transport, distribution, retail, consumption and recycling), but also it may functions as raw material, or a major component of many products. In fact knowledge has become an indispensable part of the resources, capitals, assets, products and modus operandi of economic firms.

Since 1950s, many models and approaches have quested to conceptualize and interpret the role of knowledge in business, among which we can point to Research and Development Management (R&D), Human Resources Management (HRM), Total Quality Management (TQM), Just In Time (JIT), Knowledge Management (KM), and Balanced Scorecard (BSC) for Strategic management. However, it seems that recent models which concern the Intellectual Capital Management and Reporting, encompass the most general attitudes towards developing, management of the knowledge assets, resources and capitals in business.

Intellectual Capital has been defined as 'the sum of all resources, capabilities, relations, and network, whether intellectual like knowledge, or emotional and interpersonal like attitude, culture, and values, that enable an organization to create and maximize value' [4]. Intellectual Capitals are of critical importance, and acknowledged as the main sources of value production in every business. A good

instance can be sought in the surveys done on Market Capitalization¹ of publicly traded companies [4, 5, 6, and 7]. The surveys have shown that the market capitalization in publicly traded companies around the world, between 1920 and 1990, amounted only to 187 percent of the book value; However in early 1990s, market capitalization raised to over 500 percent of the book value [6]. This significant raise in market capitalization is an apparent sign of intellectual capitals' role in economic firm. On this basis, it is estimated that in the knowledge economy era, the organizational resources of corporations is consisted by 80 percent of intellectual capital, and only 20 percent of tangible assets[4]. This is in sharp contrast to former corporate capital composition that was consisted of 80 percent of tangible assets, and a 20 percent account for intangible resources .Therefore understanding the concept of intellectual capitals and the context of value production and preservation by them is of essential significance to economic firms and their success.

However unlike to tangible assets, the intellectual capitals are very difficult to measure (, and thus to manage): this is a result of their impalpable nature, idiosyncrasy in industry (or even corporate) level, conceptual novelty, inadequacy of regular accounting standards in their acknowledgement, and their requisite dynamic interaction and synergic add-up in value production [5]. This has raised many diverse approaches in definition, measurement, management, and reporting of intellectual capitals. Among these approaches, we can point to Knowledge Assets Mapping, Scandia Navigator, Danish Government's approach for intellectual capital statement, Sveiby's Intangible Assets, International Federation of Accountants (IFAC) approach, Ericsson's Cockpit Communicator, Celemi's Intangible Assets Monitor, Ramboll's Holistic Company Model, Bates Gruppen's Company IQ Measurement System, and many others[5].

Knowledge asset mapping is a very common approach in classification of intellectual capital; it classifies the intellectual capitals into three categories: *Human capitals* which include (but are not restricted to) knowledge, competency, and brainpower of human resources; *Relational Capital* that encompasses the relations of the corporation with her customers, suppliers, and distributors; and *Structural Capital* that includes the organizational systems, culture, practices, and processes. Based on this approach, International Federation of Accountants (IFAC) has proposed a more elaborate classification, which is more helpful in practice:

Table 2 - Classification of Intellectual Capitals, IFAC (1998)[5 , 7]

<u><i>Human capital</i></u>	<u><i>Relational (customer) capital</i></u>
know-how	Brands
education	customers
vocational qualification	customer loyalty
work-related knowledge	company names
occupational assessments	backlog orders
psychometric assessments	distribution channels
work-related competencies	business collaborations

1) Market Capitalization is the difference between the market value and book value of the corporation.

entrepreneurial élan, licensing agreements
 innovativeness, proactive and
 reactive abilities, changeability

favorable contracts
 franchising agreements

Organizational (structural) capital

Intellectual property

patents
 copyrights
 design rights
 trade secrets
 trademarks
 service marks

Infrastructure assets

management philosophy
 corporate culture
 management processes
 information systems
 networking systems
 financial relations

IFAC proposes that value forms in the merging intersection of Human, Relational, and Structural Capitals, and as a matter of knowledge flow between them. This idea is recognized as ‘Value formation Platform’ in the firm.[7]

It seems that this classification best serves our aims in surveying the intellectual capitals and their critical role in the port sector. The author believes that this survey is essential in port management: In the knowledge economy era, intellectual development shall be seen as a general discipline in tandem and supplement to physical development of ports. I hope the initial ideas in this paper can lay the basis for foundation of a general discipline in port management.

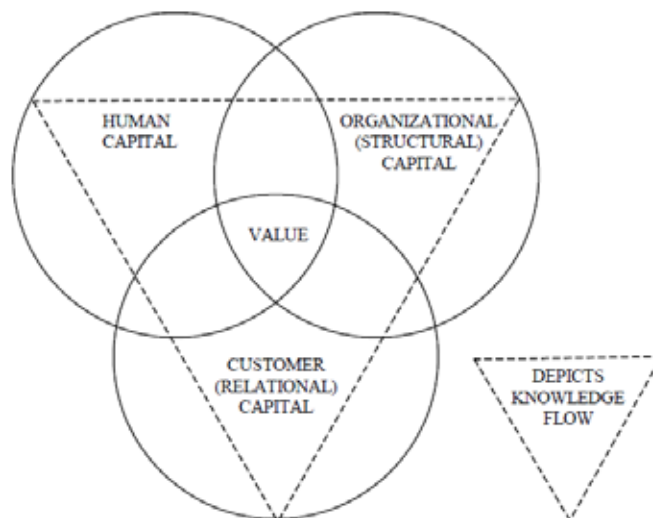


Figure 1- Value formation Platform [4 , 7]

Port Sector and intellectual capital

As cited before, port development is essential for economic growth and trade facilitation. The more the global economy is augmented around the world, the more developments in international logistics and transportation is demanded, which in turn

necessitates development of ports. For instance, according to one study by OECD/ITF, the global container traffic will double in 2030, reaching an estimate of 1095 million TEU. In response to this increase in the global container traffic, the port capacity will be increase to 1745 million TEU in 2030 [8].

As said before, ports are national strategic assets that can provide lucrative businesses, as well as attracting trade. Therefore, port sector is usually attractive to the investors. Indeed, enormous investments are being made in this sector and hundreds of millions of Dollars are needed to develop a deep-sea port terminal and augment her businesses in the regional markets. In such a capital-intensive market, each port is questing to maximize her share from the prevailing and potential benefits as much as possible. On the other side, the shipping lines and vessel operators are very observant in selecting their ports of call. In this regard, ports generally perform in two modus operandi: gateway and transshipment [9, 10, and 11]. Gateway ports act as the connections between hinterland territories and maritime transport. They serve the supply chains of their hinterlands and facilitate the flow of export, import and transit goods in them. Ports with strong gateway character generally attract direct calls and justify point-to-point logistics. Among ports which have strong gateway characteristics, we can mention Hong Kong Port in Far East, Bandar Abbas in Persian Gulf, and Rotterdam in Europe. Ports in this mode rely on their efficiency, connectivity and shipping frequency, adequate infrastructure and range of port services, location, port charges, quick response to port user's needs, and reputation for cargo damage [11]. On the other hand, some Mega-ports rely on their capacities and capabilities to serve the mega-ships which in spite of providing economies in sea, generate great diseconomies in ports. In this respect, in the trunk lines of maritime transport industry, they are few ports in each region that can serve ultra-large container ships with capacity of +13,000 TEU s. Therefore international shipping is increasingly moving cargoes in 'Transshipment' as the alternate modus operandi. Transshipment is based on a hub-and-spokes logistics model in which the ports are ranked in a hierarchical order (called as 'cascade effect' in some references [12]): Mega-hubs (capable of handling 12000-18000 TEU ships), Regional Pivot Ports (3000-5000 TEU ships), Sub-regional Pivot Ports (1000-1500 TEU vessels), and minor ports (200-500 TEU vessels) [13, 14]. In this hierarchy, shipping lines consider many factors for selection of ports for their maritime services. Among such factors, the literature mentions cargo source of hinterland, efficiency of handling facilities, Savings in operating cost, Draft of harbor, frequency of trunk and feeder routes, efficiency of clearance, location of port, level of port charge, total number of berths, capability of branch/agent, convenience of inland transportation, area of marshalling yard, investments in dedicated terminals, quality of customer service, coordination of shipping alliance, preference of mother port, political considerations, type of port authority [15]. Among ports which rely heavily on their transshipment characteristics we can point to Singapore and Westport in South Asia, Jebel Ali in Persian Gulf, and Giao Tauro and Valencia in Europe. Thus, it is obvious that every port in different regions of the world is making her best efforts to enhance her productivity and facilities to improve her ranking level in this hierarchical order. This competition is very intense among mega-ports (those handling at least 1 MM TEU per annum) which account for nearly two thirds of global port capacity [15].

However, Port development is extremely capital-intensive: Constructing a container terminal with 600 m of quays will need between 50-100 MM USD [16]; Development of a mega-port (a regional pivot port) requires more than 300 MM Euros of investment [9]. The commissioning and operating costs of such a port will

also incur tens of millions of Euros. Nevertheless, the investments in a port are not capable of being mobilized or recovered and in real sense, they are non-reversibly sunk in the place of their investment. Global Logistics Institute has exemplified this issue in one of her case studies on transportation of goods from China to U.S.A. Among the 13 players involved in the supply chain (including the manufacturing plant, warehouses, ship operators, ports, intermodal rail, haulers, distributors, processing units, retail stores, etc.), each of the players can mobilize her resources to other desirable points; but ports are the only ones who are not capable of moving their facilities[17]. This is a unique and risky characteristic of the port sector: many ports have failed in the fierce competitive market due to lack of insight, or being incapable of developing or preserving the required competencies. The history of port sector substantiates the issue: experiences of Dutch port sector in developing the Port of Eemshaven (1960s), and Ceres Paragon Terminal in Amsterdam Port (2002) are two good instances [18]. Successful ports (especially market leaders like Shanghai, Hong Kong, Singapore, and Rotterdam) are being steadily pursued and challenged by their followers (like Shenzhen, Tanjung Pelepas, and Hamburg in respective order) who are ready to make heavy investments, take risks and relinquish instant benefits to obtain competitive advantages [16]. In this broad, diverse, global, strategic market, the knowledge, relations, culture, competencies, structures, and organization are among the imperative capitals¹ of any port. As we mentioned in the former section, these are collectively referred to as Intellectual Capitals.

Indeed, the heavy investments in the modern port sector are only appraised as feasible when the needed intellectual capital is in place: This includes the profound knowledge needed in port development, Technology Management, Business Administration (i.e. the synergetic resultant of marketing, Operations Management, and Finance), economic insight, Legal and Legislative acts, and many other areas. Shortages in each of these critical areas may generate formidable insufficiencies (including recess in business areas, operational deficiency, dissatisfaction of customers, significant environmental impacts, failures in market development, damages and losses, intolerable opportunity costs, etc.) or emergent need and dependence on specialized outsiders (which may necessitate/aggravate some compromises in terms of profitability, security, or autonomy throughout the port sector). On the other hand, buildup of ports industry knowledge and expertise in knowledge-based firms (such as port authorities, terminal operators, port consultants, equipment manufacturers, contractors and service providers, etc.) not only provides a flourishing bed to sustain the essential businesses in a known port sector, but also provides the potentials and opportunities for entrance into the profitable, and strategic global port markets.

In spite of the implicit and critical role of intellectual capitals in the port industry, the value of most of them are not clearly known and recognized in the port sector: Though ports industry and its components have been viewed and studied through several diverse management approaches, instruments and models (e.g. Port Community Systems, Information Management Systems, Electronic Commerce, Port Governance Models, Expert Systems, Port Marketing, Sustainable Development, Port R&D, Port Trainings, HSE Management, Quality Management, Strategic Management, Port Finance, etc.), little work has been done on establishing a taxonomy that can map the position and inter-relations of these concepts in the industry. Furthermore the resulting surpluses and improvements that are yielded by use of any of these instruments, and the possible synergies and economies of scope between them are not assessed. Also, aside from many latent/ emerging facts that

1) Capital refers to 'possessions calculated to bring in income' (Merriam-Webster Dictionary).

affect the market capitalization of the ports, it is very hard to measure and improve the contribution of currently-known factors in this regard. Therefore it seems that introduction of Intellectual Capital Management into the port industry is getting extremely essential.

Practice of ICM in Ports

Introduction of ‘Intellectual Capital Management’ into the port industry requires a model that can scaffold and structure the matrix of numerous related prevailing concepts and potential ideas in this regard. The author trusts that this modeling may best be performed by IFAC’s classification of Intellectual Capitals. This model can provide an elaborate categorized list of ICs, within the port organization. This list can be very helpful in development of a general understanding of intellectual capitals in the port industry. Other functions of this categorization may be sought in identifying the position of each of ICs in the context of port organization, and recognizing the inter-relations of ICs within the context of ‘Value Formation Platform’ in the port and her markets. Such a list can also facilitate ‘Knowledge Asset Mapping’ process for developing the IC in value map. The map can be used for recognition of the needed flow between each of IC elements, and founding, monitoring, streamlining, and controlling them in the context of port’s mission.

There is another (more recent) approach towards ICM, which can be assimilated into this framework. The approach has been defined by Dr. N. Al-Ali, and pursues deriving knowledge assets from human knowledge through Comprehensive Intellectual Capital Management (CICM) Model.[4] The Model argues that in order to achieve maximum value in a firm, the firm should embark from effective Knowledge Management, enhance herself to Innovation Management level, and transcend to Intellectual Property Management.

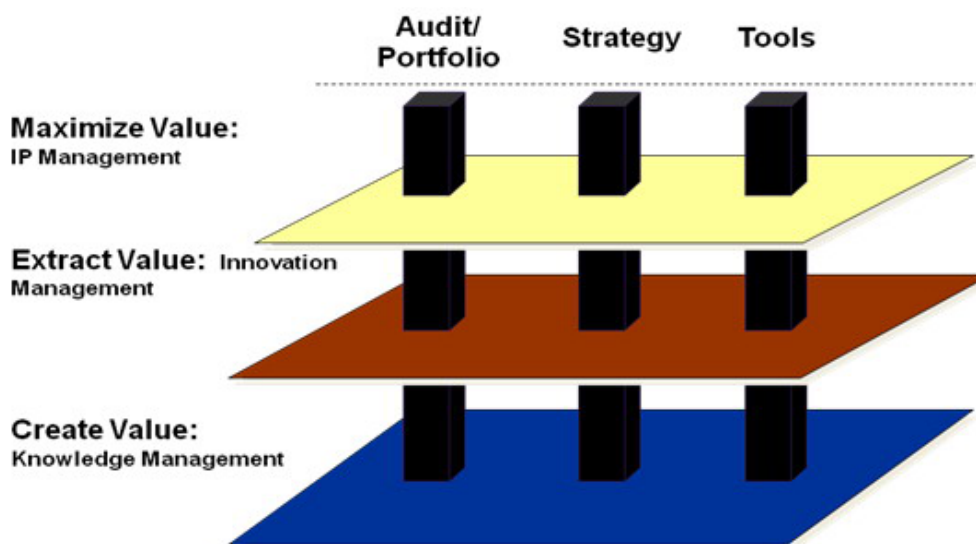


Figure 2- CICM™ - N.Al-Ali [4]

The argument seems quiet fair and practical: In Knowledge Management Phase, the firm establishes the mechanisms to learn, and remember what it needs, and leverage the gained knowledge by transferring it within organizational members and/

with exterior stakeholders. This renders all of organization into a big brain that is always thinking and learning to serve her corporate benefits. Knowledge Management has proved to be essential to the modern port sector. Indeed, great ports have been orienting themselves towards Knowledge Management for decades. European ports and Southern East Asia have tenaciously worked in national and international levels to leverage their knowledge in order to keep ahead of their competitors. Their endeavors include a vast field of activities including research and training collaborations with Maritime Academies, collaborations with port and maritime consultants, definition of benchmarking and best practice programs in the international level, sisterhood collaborations with upstream and downstream ports, port community development in order to enhance the port-level and extra-port level integration with national maritime cluster, collaborations in development of international training programs and their implementation in less developed ports, etc. Among the instances we can point to successful experiences of such ports as Rotterdam, Antwerp, Hamburg, Singapore, Hong Kong, Pusan, Kaohsiung, and Jebel Ali around the world. The professional developments of these ports not only have turned them into hub ports in their region; but have also promoted their operators as the outstanding leaders of port-related industries. For example in the Container Terminal industry, the terminal operators in some of such hub ports have been internationally recognized in global port markets due to their business competencies. These firms are always among the first options in the lucrative and strategic container terminal concessions and other logistics businesses throughout the world. In fact, world-class terminal operators are known as the ‘wealth-makers’ that serve their mother economy through their huge contributions to Gross National Production (GNP) Rate, and raising their participation in international trade. Table 3 gives the list of top 20 container terminal operators in the world.

Rank	Name	Economy		Global Throughput in 2015 (millions of TEU)	World	Revenue in 2015 (Millions x USD)
1	Hutchinson Ports	China, Hong Kong SAR	DC	81	11.8%	4323.7
2	APM Terminals	Netherlands	IN	69.3	10.1%	4200
3	PSA	Singapore	DC	63.8	9.3%	2655
4	Cosco	China	DC	62.8	9.14%	798
5	DPW	United Arab Emirates	DC	60.5	8.81%	3968
Total				337.4	49.15%	

Table 3: Top 5 Global Terminal Operators, 2015[19]

In order to support and realize the ideas that are originated in terms of Knowledge Management, there is absolute need to originate Innovation Management throughout the organization. Innovation Management enables the firm to obtain a growing number of ideas about her products from the Knowledge of members and customers. These ideas are processed and evaluated for selection of the best choices. The Best choices are conceptualized and their feasibility is studied, and then brought into commercial reality by defining Innovation Projects. In this way, Innovation Management realizes the potentials of the firms ICs; extracts it in form of value; and present it in form of competitive advantages in the market. Innovation Management

is seriously addressed in the global port sector in the context of Port R&D, Port Consultancy, and Port Communities. According to the literature, pioneers of port sectors are financing tens of Millions Euros in innovation systems annually. For example, ECMAR reports indicate that EU Financial participation in 7th Framework Program has contributed towards a 400 MM € budget in Waterborne Transport R&D [20]. Port R&D encompasses a broad range of industries. For instance, figure 4 gives a model presented at ECMAR [21].

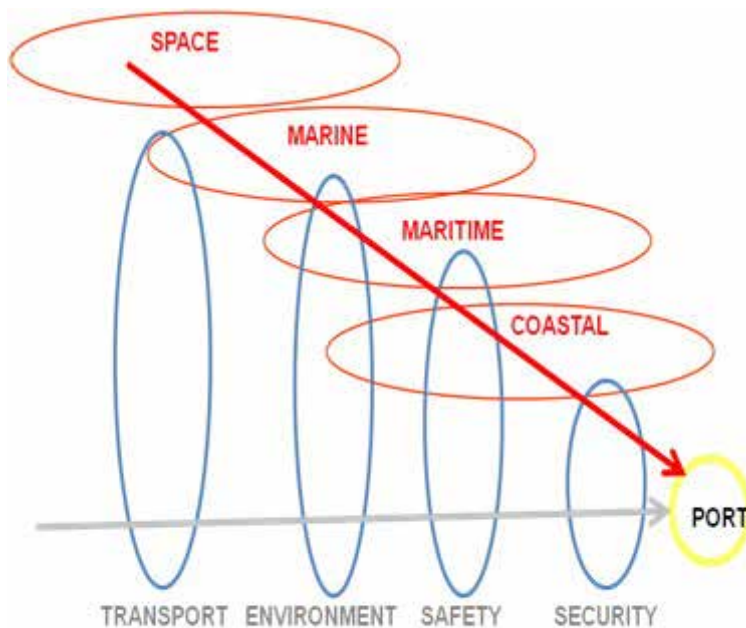


Figure 3- Port R&D in EU Policies [21]

However, the competitive advantages obtained from the Innovation Management systems need to be supported and protected to sustain the benefits of her originator. Otherwise, the rivals in the market will copy or deploy it in a short while. Herein, the firm shall seek Intellectual Property Management solutions in order to turn her innovated products into assets. IPM practice can result in protection, personification, illustration, clarity, and exclusiveness of the competitive advantage gained by licensing it in form of an Intellectual Property. Table 4 illustrates the uses of different IP instruments for different Licensing purposes.

TYPE OF LICENSING	TRADEMARKS	PATENTS	COPYRIGHTS	TRADE SECRETS
Technology transfer		X		X
Franchising	X		X	X
Software licensing		X possible	X	
Merchandising	X		X	
Patent licensing		X		
Publishing, digital rights, music, motion picture			X	

Table 4- IP forms used for different licensing purposes [4]

The port sector has practiced IPM in terms of maximizing the value of her technological achievements. The instances can be seen in many instances, including:

- ☐ patents,
- ☐ trademarks (e.g. in port systems and equipment),
- ☐ trade secrets in form of knowledge concerning port services and facilities, market, R&D results, technology, business models, etc.;
- ☐ Franchising instances in added-value logistics businesses;
- ☐ Copyrights to media, websites, publications, etc.;
- ☐ service marks in tourism-related services, Banking, etc.

However, it seems that interests in surveys, audits and certifications are increasing to demonstrate and exemplify the capabilities of each port and advantages of each her services in comparison to her regional competitors. This is an increasing trend to present the advantages and competencies to her stakeholders (including customers). Among the most popular certification orders in the port industry, we can point to :

- ☐ ISO 9001:2008 for Quality Management System,
- ☐ ISO 14001:2004 for Environmental Management System,
- ☐ OHSAS 18001:2007 for Occupational Health & Safety Management System,
- ☐ ISO 27001:2005 for Information Security Management System,
- ☐ ISO 28000:2007 Supply Chain Security Management System,
- ☐ ISO 10002:2004 for international standard for Customer Complaint Handling by International Standardization Organization ;
- ☐ Container Terminal Quality System (CTQS), and Port Community Quality System(PCQS) by Global Institute of Logistics[22];
- ☐ Port Environmental Review System (PERS), and Ecologic Management Audit System (EMAS II) by ECOPORTS[23] , etc.

Such certifications indicate some richness in structural capital of the firm, and her capabilities to respond to customer (or other stakeholder's) voice; the certificate can be reckoned as an intellectual property in the industry level. Indeed such popular certificates are IPs that lay in the heart of the firm's value creation platform.

Definition and development of port ICs in accordance to CICM™ model can encompass the multitude of different ICs within a port in a systematic and methodological way: It provides a holistic framework that does not exclude or overstate any of ICs in the ICM context. It also has the capability to lead into a holistic IC Management practice: not only it gives a general view of current and desirable state of ICs in the firm, it can indicate the requirements in each field of ICs and their subcategories for planning purposes, and estimate the required trade-offs and resource allocation measures. Eventually it enables several businesses in



the port sector to focus on the specific stage of ICM that best serves the business needs and goals. According to the trends in global port markets, it seems that success of ports depends on Intellectual Capital Management. The author trusts that the implementation of the models proposed in this article can be useful in this regard.

Conclusion

In modern economy, the value creation models have changed dramatically. Market Value of most economic firms are significantly different with the sum of the book value of their assets. The magnitude of market capitalization in economic firms is generally explained by such concepts as ‘Intellectual Capitals’ and ‘Intangible Assets’. The literature shows that in developed economies, intellectual capitals account for 80 percent of the market value of the firms. Therefore, it is an obvious assumption that Intellectual Capital Management is an essential part of any economic activity within modern firms.

As discussed in this article, we indicated that port industry is an essential part of global economy and international trade. Ports are national strategic assets that serve national and international socio-economic development. The history of port industry evolution shows that in past 50 years, ports have evolved from labor-intensive 1st generation level into knowledge-based 3rd generation level port. It was argued that port industry developments are subject to extreme challenges of global markets, and the fierce competitions will outcast any port that can not satisfy the wide range of her stakeholders. Survival and sustenance of ports, heavily relies on their intellectual capitals. Despite this primary fact and the implicit trends of IC development in the sector, IC Management has not been addressed consciously, independently and holistically in port management. Therefore, it seems that there is an urgent need to theorize and practice ICM in ports. Though essential, this task seems to be very challenging.

According to the literature, many models have been developed to explain the nature of Intellectual Capitals, their taxonomy, inter-relations, and their value assessment. For the purposes of this article, we specifically noted Knowledge Asset Mapping Model, IFAC’s Intellectual Capitals Classifications, and Comprehensive Intellectual

Capitals Management (CICM™). It is proposed that in the first step taxonomy of ICs in a port is developed according to IFAC's IC Classification model. This will provide a categorized list that can facilitate the positioning of each IC element in the port, and studying its role in the port's value map. In order to provide more objective-orientation and put more dynamism into ICM practice, it is recommended that IC in the port level is established and directed based on CICM™. CICM™ provides an an integrated approach to implement ICM in three levels: a) Knowledge Management for obtaining the needed knowledge in the firm and leveraging it to the benefit of the port b) Innovation Management for development and/or deployment of the firm's ICs and transforming them into advantageous resources or capabilities and extraction of more and more value from them. c) Intellectual Property Management for maximizing the value extraction from ICs by barring competitor's access to the competences or advantages generated in the innovation management process.. In this regard some instances of KM, IM, and IP practice in the port industry were mentioned.

The author believes that combination of Knowledge Asset Mapping Model, IFAC's Intellectual Capitals Classifications, and CICM™ provides a holistic, elaborate, and objective-oriented framework in a port as a complex organization. . According to the trends in global port markets, it seems that success of ports basically depends on Intellectual Capital Management. The author trusts that the implementation of the models proposed in this article can be useful in this regard.

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Hamburg Port: a Key Player in Iran- Germany Relationship

By: Fatemeh Moonesan



In the past few years, digitalization has gained momentum and today, the digital transformation of assets, information flows and port activities is one of the greatest changes in shipping industry, on the other hand, security emerges as a key property needing attention in order to control operational and safety risks. In other to collect more on this issue, Payam Daya magazine has conducted an exclusive interview with Mr. Axel Mattern. CEO, Port of Hamburg Marketing, the transcript of this interview could be accessed in the following.



What are your views regarding the collaboration history of IRISL and Hamburg Port?

Germany is traditionally Iran’s largest western trading partner, and Hamburg, as Germany’s largest seaport, has always played a key role in the relationship of both countries. Hamburg has been the location of the Consulate General of the Islamic Republic of Iran since 1858. For generations, very close and friendly relationships have been maintained in Hamburg with companies and state organizations in Iran. Even the trade sanctions between 2009 and 2016 could not break this narrow band.

After easing of the economic sanctions, IRISL started a container service (ECL Europe Container Line) in March 2016 connecting Hamburg and the Persian Gulf. Just a month later,



MANY INTERNATIONAL SHIPPING COMPANIES ARE NOW OPERATING AGAIN AT THE IRANIAN COAST

a multipurpose service followed. Well-established business relationships, such as between IRISL, the Hamburg shipping agent Peter W. Lampke (PWL) and the terminal operator C. Steinweg (Süd-West Terminal), came to bear again. Since then, the cargo volume developed very positively. From 2015 to 2016 the container volume between Hamburg and Iran increased from 600 TEU to more than 11,700 TEU. In the first three quarters of 2017 the volume grew up to more than 16,000 TEU. And that’s just the beginning. There is still a lot of potential to be expected.

Given that IRISL’s history has reached its 50th year, what are your view regarding this line?

IRISL is the state shipping company of one of the largest

economies in the Middle East. The country has a huge economic and infrastructure pent-up demand. This offers great potential for IRISL.

The opening of the Iranian market has also increased the number of competitors. Many international shipping companies are now operating again at the Iranian coast. Therefore, the investments IRISL is making in expanding its fleet to remain competitive are hugely important. The development shows that IRISL is on the right way. Even if the cargo potential of Iran is still far from exhausted and the port infrastructure needs to be expanded, IRISL has already established itself among the top 25 container shipping companies in the world, with a clear upward trend.

What are the most significant (positive) impacts of using smart technologies in Hamburg Port's activities and performance?

With the current possibilities of fast growing technologies like Internet of Things, Big Data, Artificial Intelligence, Virtual and Augmented Reality, Drones, Blockchain, etc., we see a lot of potentials that many processes within the port could be managed differently, or totally redesigned for much better efficiency today. Thanks to its smart PORT philosophy, the Hamburg Port Authority is achieving sustainable economic growth and maximum benefit for its customers and the people



FOR GENERATIONS, VERY CLOSE AND FRIENDLY RELATIONSHIPS HAVE BEEN MAINTAINED IN HAMBURG WITH COMPANIES AND STATE ORGANIZATIONS IN IRAN

of Hamburg, while minimizing its environmental impact. In addition, smart PORT is constantly being developed and adapted.

What major challenges did you face while establishing and implementing smart technologies?

Since 2013 we have been prototyping and implementing new technologies in our port for us and for our customers. The smartPORT Hamburg Initiative was founded in order to bundle and coordinate the realization of the vision “Port of the Future” of the Hamburg Port. Until today more than 30 projects were finished. Some were totally successful, some were failed. We do these projects with agility. When we fail, we think of new ideas or solutions and try again. This “trial-and-error” seems to be so unconventional for an organization like Hamburg Port Authority. But we have a lots of learnings out of them which we can profit for our journey to become one of the most intelligent seaports of the world.

When did Hamburg Port began the process of using smart technologies? When was the need for applying smart technologies felt? When was this process operationalized?

2013 was the start of the official smartPORT program. Our biggest challenge therefore is how to sustainably grow in volume without requiring more space and without compromising with the ecology, so that the port as the part of

the city could still be accepted by the citizens of Hamburg. This can only be achieved with intelligent technology.

What tips and guidelines can you offer to other ports who intend to set Hamburg Port as their role model?

A clear vision is needed. It is important to tell a holistic story and reduce complexity by dividing the vision into many small projects.

What impacts do smart containers have on the embarking and disembarking processes at Hamburg Port?

Smart containers can significantly increase the efficiency of embarking

processes in the Port of Hamburg. Significantly more information about the container is available to help in the intermodal transport. In the future, the smart container may also be able to find its best way on its own.

What are the main upsides and downsides of smart containers?

Advantage: more information, greater transparency, faster routing, better understanding of the requirements of the customer and thus the possibility to respond to specific customer requirements (new business models and services will emerge).

Hacker attacks and thus increased demands on cyber

security

And the last question, how do you make sure of the security of mobility equipment and operations at Hamburg Port against the attacks from Hackers?

Business critical processes of customers in the Port of Hamburg area are becoming more and more dependent on IT systems.

Therefore we are utilizing state-of-the-art IT security methodologies and collaborate with other international Port Cyber Security Centers. Besides that it is important to raise awareness at all levels, from board room to control room in a ship.





Mohammad Ebrahim Tahsiri to PD:

We Gurantee!

MOALEM INSURANCE HAD NOTICEABLE ACHIEVEMENTS IN THE FIELD OF INSURING SHIPS' BODY AND MACHINERIES; NEVERTHELESS, IT RAN INTO ISSUES IN CARGO CARRYING INSURANCE.

Moalem Insurance, initially known as Export Insurance and Investment Company, was established in 1994, with the collaboration of banking system for the purpose of expanding exports and providing credit insurance coverage for the available risks. After the sales of the majority stocks of the company and under the decision of the new shareholders in July 2007, the company was renamed Moalem Insurance. Given the conditions of the country and the prediction of the problems that shipping lines would potentially encounter, Moalem Insurance was purchased by the Islamic Republic of Iran Shipping Line (IRISL) so that IRISL could utilize its potentials in the insurance industry, and as well, insurance industry could provide coverage for IRISL ships. Moalem Insurance managed to stage a prosperous performance in this regard, and this matter led to the formation of the first insurance P&I in Iran.

Thanks to the P&I insurance coverage by Moalem Insurance at the sanctions' era, IRISL managed to keep its fleet operational in the international waters. Besides, Moalem Insurance P&I was accepted and approved by Japan India and South East Asian countries.

Even though Moalem Insurance has been established for only 23 years, it has managed to occupy 35 % of Iran's maritime insurance market. In addition, Moalem Insurance's entering P&I insurances at the period when Iranian shipping lines were under sanctions is deemed as a special success both for this company and for Iran's national fleet.

In order to discuss different angles of Moalem Insurance's activities, the managing director and the head of the board of this firm, Mohammad Ebrahim Tahsiri, sat down in an interview with Payam Darya.

Given that IRISL has been dynamically active in Iran's economy and international maritime transportation for over 5 decades, what are your views regarding the objectives, position and the performance of this company in the past, present and future?

I intend to respond to your question in three phases: IRISL's position, IRISL's objectives, and IRISL's performance.

I must first assert that the all the three above-mentioned issues have to be introduced and discussed in the realm of IRISL insurance. Therefore, I believe that IRISL's entering insurance industry via purchasing Moalem Insurance's shares brought about a special position both for IRISL and for Moalem Insurance itself. Indeed, IRISL's entering insurance industry involved significant objectives which I am going to briefly point out.

The most significance objective that IRISL pursued when buying Moalem Insurance's

shares was closely tied to the political conditions, seeing that Iranian enemy's major intention was preventing IRISL fleet from venturing in international waters. Nevertheless, focused attention and the P&I coverage that Moalem Insurance provided alleviated the sanctions to a large extent.

After the lifting of the sanctions, the objectives were shifted to the development and expansion of maritime insurance in Iran. To this end, Moalem Insurance, as the first and the only maritime insurance firm in Iran, intends to launch a maritime insurance section in the near future.

As far as the performance of IRISL is concerned, I can state that through many years of insurance activities, IRISL's impact has vividly revealed itself in insurance industry, in such way that all IRISL Group's vessels, staff and properties have been covered by Iran's insurance industry; and this trend has been growingly improving. It can be prognosticated that once Moalem Insurance enters the stock exchange market, maritime-based firms will be highly interested to purchase its shares.

What goals did Moalem Insurance pursue when it commenced to insure IRISL fleet?

Initially, insurance industry was not highly interested to enter P&I insurances; yet, through collaborating with the government and shipping



IRISL'S ENTERING INSURANCE INDUSTRY VIA PURCHASING MOALEM INSURANCE'S SHARES BROUGHT ABOUT A SPECIAL POSITION BOTH FOR IRISL AND FOR MOALEM INSURANCE ITSELF.

lines, central insurance agreed to enter P&I insurances via Moalem Insurance. In fact, this matter had to happen. The decision was made and put into practice successfully. The collaboration of IRISL experts and central insurance led to the foundation of P&I in Iran, and special coverage services were offered through cooperation and support of central insurance.

What issues and challenges did you have to face while founding P&I in Iran?

The most significant challenge ahead of founding P&I insurance services was receiving reinsurance, because the coverage that the ships needed were really extensive. This challenge was overcome by the collaboration of central insurance and government, and it did not deter Iranian fleet from their venture since other countries accepted this insurance. The trade still went on.

Other than Moalem Insurance, has any other Iranian insurance firm entered P&I insurance?

Negative, Moalem Insurance is the only Iranian insurance that has entered P&I insurance. Other insurance firms have provided their support through supplying reinsurance, though.

What challenges and problems were insurance firms, particularly Moalem Insurance, faced with at the sanction's era?

As a matter of fact, political issues apart, sanction brought about benefit for Iran's insurance industry. Prior to sanctions, Iranian shipping lines showed no interest in using domestic insurance, and this trend was the main reason why sanctions laid serious consequences. Had Iranian shipping lines collaborated with Moalem Insurance instead of foreign insurance brokers, they would not be facing problems for receiving their compensation at present. These compensations were set since several years ago, though.

The fact that undergoing sanctions is not a good even cannot be denied. Nonetheless, the sanction gave rise to good potentials as far as Iranian maritime insurance industry is concerned. In fact, Iranian insurance firms, particularly Moalem Insurance, managed to stage a successful performance. Along with P&I insurance, Moalem Insurance was able to cover ships' machineries, as well. However, the insurance of ships' body and machineries was far different from P&I insurance. International ports are not as strict about the insurance of ships' body and machineries as they are about P&I.

Moalem Insurance had noticeable achievements in the field of insuring ships' body and machineries; nevertheless, it ran into issues in cargo carrying insurance. Due to the services that Moalem Insurance offered to IRISL fleet, it was



AFTER THE LIFTING OF THE SANCTIONS, THE OBJECTIVES WERE SHIFTED TO THE DEVELOPMENT AND EXPANSION OF MARITIME INSURANCE IN IRAN.

placed in the list of sanctions by the European Union and US Treasury, and this caused many banks to refuse from accepting Moalem Insurance policies.

How did the execution of JCPOA influence the activities of insurance companies?

Once JCPOA was executed, over 20 international insurance brokers had already entered Iranian market to find a chance to offer their services. But we were still encountering two challenges: first, brokers had to include some conditions in their policies to prevent from losses of domestic insurance industry in case the sanctions were reinstated. The second problem, as well, involved paying and receiving the compensations. That is to say, transferring money was a big issue. Negotiations were commenced with a large British broker (RFIB), and primary agreements were made. The broker promised to pave the conditions for Moalem Insurance to use foreign capacities for maritime insurance purposes.

We do hope that by the upcoming 45 days, when the deadline for the renewal of IRISL ships' body insurance is due, the insurance policies of this British broker will have been sent to Moalem Insurance so that we could obtain the approval of central insurance, as well. Provided that the current problems are tackled, we will dedicate a share of the market to this broker.

Hafez Darya Arya Shipping Company (The Container Arm Of IRISL Group)

Being the largest container transportation company in the Middle East and ranking 18th in the world, Hafez Darya Arya Shipping Company owns 31 container vessels of various sizes with aggregate capacity of 92,000 TEU and operates 9 weekly loops as follows:

1. HDM Service : Deploying 6 vessels including 5 vessels of 6500 TEU capacity, and 1 vessel of 5100 TEU covering all ports in Far East and North China up to Persian Gulf and Middle East.

2. SCP Service : Using 6 vessels including 3 vessels of 5100 TEU capacity, 2 vessels of 3300 TEU and 1 vessel of 2700 TEU connecting South and Central China to PG and Middle East.

3. ISC Service : Employing 3 vessels of 2200 TEU capacity, connecting Singapore, Port Klang and all ports in South East Asia to Middle east.

4. SAS Service : Using 2 vessels of 1000 TEU capacity, making a direct connection between South Iranian ports and Indian Subcontinents to East African ports of Mombasa, Darussalam, and Zanzibar.

5. ECL Service : Deploying 5 vessels including 4 with capacities of 2500 TEU and 1 with 2700 TEU respectively. Making fast connections between all European and Mediterranean ports up to Persian Gulf.

6. IIX Service : Operating 3 vessels of 1100 TEU capacity in average, making an exclusive and direct connection from India to Umm Qasr of Iraq, Iran and Emirates. This service is on a VSA with one of major carriers of the world.

7. XPG Service : Deploying 5 vessels including 4 with capacities of 1100 TEU and 1 with 300 TEU connecting all Southern Iranian ports of Bandar Abbas, Bushehr, Bandar Imam Khomeini, Assaluyeh and Khorramshahr to Dubai, Umm Qasr, etc.

8. SCY Service : Operating with 1 vessel and capacity of 1000 TEU, which provide facilities and services connecting Srilanka, Myanmar and Bangladesh ports together.

9. AME Service : Slot Exchange with major East – West carriers which connect Far East ports to North Europe.

Hafez Darya Arya also operates more than 271,000 TEU of owned containers while any extra required numbers can be leased whenever and wherever required to satisfy customers, demands State-of-the-art-web-based software system and on line tracking and container tracing system is another facility provided by Hafez Darya Arya Shipping Company to our esteemed clients. Further information may be available through our website: www.hdasco.com

You may make your inquiries, suggestions, complaints, Tracking, etc, using our auto answering number of +98-21-23842000, or directly to:



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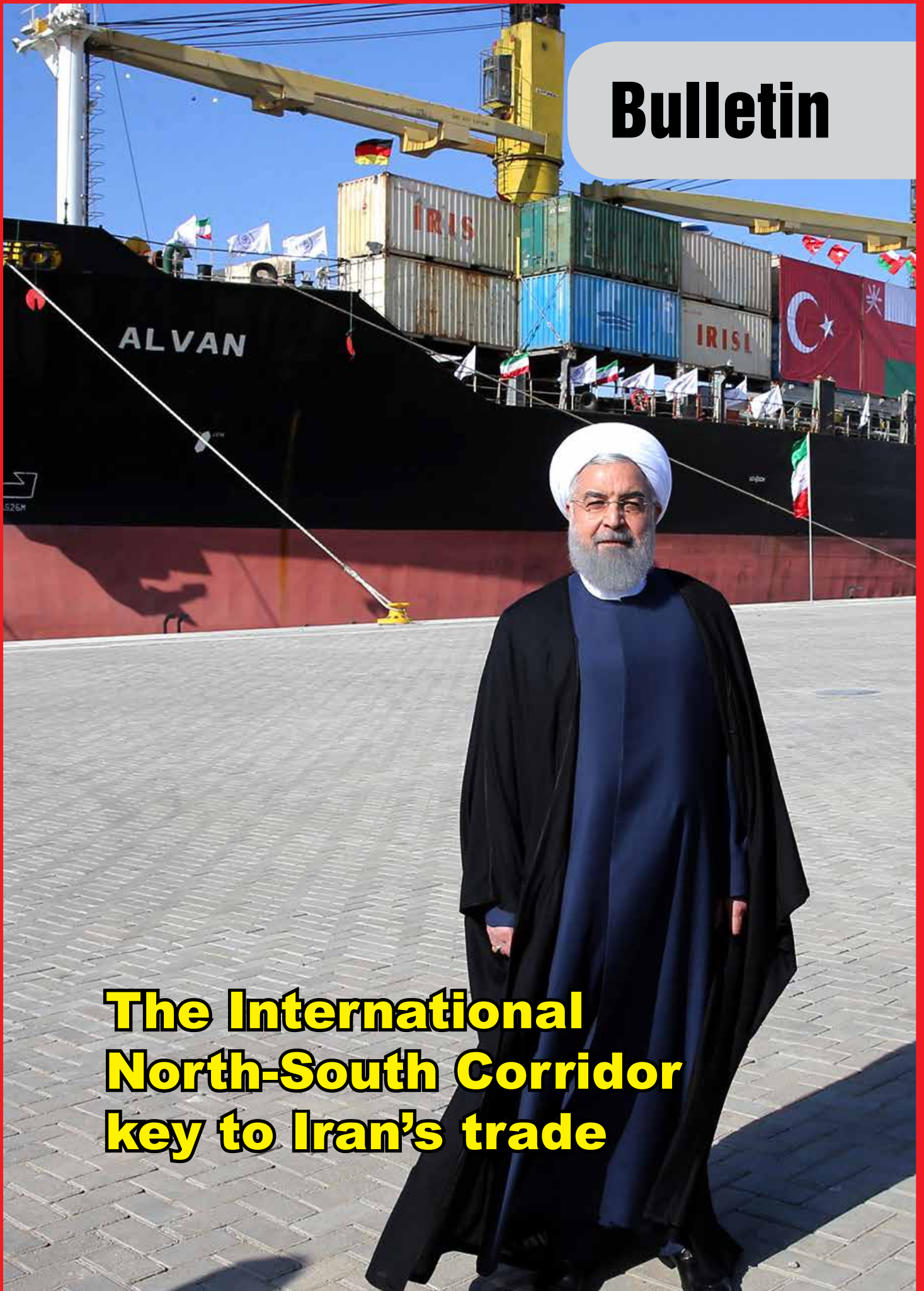
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- Transportation services (Sea, Road and Rail) to Iran and CIS countries in collaboration with IRISL Group affiliated companies.
- Online services to customers in the scope of freight and equipment tracking.
- Holding of training courses related to marketing and port operations in IRISL Training Institute.

Bulletin

**The International
North-South Corridor
key to Iran's trade**



Iran-Norway First Maritime Trade Conference

Role of National Fleet in Iran's Economy and International Trade to be Elaborated

One-day conference of Iran-Norway Maritime Trade Opportunities was held in Oslo with the participation of Mohammad Hassan Habibolahzadeh, Iran's Ambassador to Norway, The chief executive officers of Islamic Republic of Iran Shipping Line IRISL and National Iranian Tanker Company NITC as well as senior managers of both companies.

In One-day conference of Iran-Norway Maritime Trade Opportunities which was inaugurated by the speech of Wegger Christian Strømme, Secretary General of Norwegian Ministry of Foreign Affairs, MANA correspondent reported, Dr. Mohammad Saeedi, CEO and the Chairman of the Board at IRISL, Sirous Kian Ersi CEO of NITC, the CEO of the Norwegian Shipowners' Association, Lars Nordrum Norwegian ambassador to Iran and some managers of active Norwegian corporations in shipping and maritime sectors, delineated the existing and potential opportunities of cooperation between the two countries in the fields of maritime and shipping.

In this conference, Sturla Henriksen, the CEO of the Norwegian Shipowners' Association elaborated on the capabilities and merits of Norwegian Maritime Industry and pointed out that utilizing state-of-the-art technology and equipment, sophistication as well as enjoying rich experience of operating in deep waters, have paved the ground for Norway to expand collaboration in the maritime and shipping sectors.

He also added: an appropriate opportunity for promoting trade ties between the two countries in other fields such as oil, gas and aquaculture has also been provided.



Dr. Mohammad Saeedi, CEO and head of the board at IRISL delineated the strategic position of Iran in the region and Silk Road route and asserted that relying on rich and abundant oil and gas resources, vast mines, skillful and trained workforce, industry sector, appropriate infrastructures and large domestic and regional market, Iran provides great opportunities for European countries, including Norway to develop and expand cooperation in the fields of maritime and shipping.

Dr. Mohammad Saeedi continued that today and following the execution of JCPOA, European countries must offer long term practical approaches in banking relationships between European Union and Islamic Republic of Iran, which can be put

into action.

This official figure also remarked that developing trade and financial ties as well as increasing technical and engineering services require a strategic and unlimited relationship between Iranian and European banks.

Most of the technical issues will be resolved through extensive and professional negotiations between the banks of both parties, according to Saeedi.

He also elaborated on the position and the significance of national fleet in enhancing and promoting economy of country in the various aspects of international trade.

IRISL fleet's returning to international market and revival of its services in the most paramount ports worldwide was among other issues discussed in this meeting.

Referring to the long-standing history for Iran-Norway cooperation in the field of shipping, Sirous Kian Ersi, CEO of NITC stated that given strong political ties between the two countries, JCPOA is an excellent opportunity for developing the ties in the maritime sector.

He further counted his company's plans for cooperation in the field of LNG, classification and technical services.

Norwegian ambassador to Iran and other speakers of this conference also expressed their perspectives with regards to issues such as facilitating offering bank loans and investment, enjoying new technologies in ships fuel, cutting edge navigation and smart ships, providing port and maritime services, training and promoting efficiency.



Iran's 29,000-Ton Exported Wheat to Reach Italy

The managing director of IRISL Bulk Division announced today that the 29-thousand-ton wheat cargo which was shipped to Italy a while ago has reached its destination.

Aliakbar Ghonji told MANA correspondent that the carrier ship operated under the management of IRISL Bulk Division, and it transported the second round of Iran's wheat exports to Italy. The ship, Ghonji added, was loaded with 29 thousand tons of wheat and left Imam Khomeini Port for Italy on October 4th 2017.

Ghonji continued that IRISL Bulk Division is continuously endeavoring to expand and develop itself, and is fully prepared to transport any export and import bulk and general cargo to and from Iran. Earlier in October, the CEO of Government



Trading Corporation of Iran Yazdan Seif, had publically announced the export of 29 thousand tons of wheat to Europe and Italy.

CMA CGM Reports Solid Results for Q3

CMA CGM, the world's third-largest container shipping group, posted a third-quarter net profit of \$323 million, up from \$219 million in the previous quarter and a \$268 million loss a year earlier.

During the third quarter, volumes carried by CMA CGM experienced a strong growth of +11.6% in comparison to Q3 2016. During the period, CMA CGM carried close to 5 million containers, a record figure, MANA correspondent reported.

This increase can be explained by the strong growth in volumes carried through OCEAN Alliance, on the Asia-USA and Asia-Europe routes, as well as on most of the North-South and Intra-regional routes.

The increase in freight rates seen at the beginning of the year has continued through this quarter, enabling an increase of 14.4% in average revenue

per container carried.

As a result, revenues in the third quarter of 2017 have sharply risen by 27.7% to 5.7 billion USD. CMA CGM reported a core EBIT margin of 10.0% to 568 million USD in the third quarter of 2017.

CMA CGM thus maintains its leadership within the sector in terms of profitability. This performance results from the Group's ability to leverage its size and global network to optimize both revenues and costs, despite rising fuel prices. In light of the Group's results and the improved outlook for the shipping industry, the rating agency Standard & Poor's upgraded the CMA CGM Group's rating to B+ with a stable outlook; more recently, Moody's adopted a positive outlook of its B1 rating.

Panama Canal Welcomes 1st Cruise Ship in 2017/18 Season

On November 7, the Caribbean Princess became the first cruise vessel of the 2017/2018 cruise season to transit the Expanded Panama Canal.

As part of its roundtrip itinerary, the Caribbean Princess, operated by Princess Cruises, did a turnaround transit through Agua Clara Locks on the Atlantic side, MANA correspondent reported. The cruise ship began its roundtrip 10-night itinerary from Ft. Lauderdale, Florida, passing through the Bahamas, Cartagena (Colombia), Cristobal (Panama), Limon (Costa Rica) and the Cayman Islands with 3,086 passengers on board. The 112,894 gross ton Caribbean Princess was built at Italian Fincantieri Monfalcone shipyard in 2004 and has a maximum capacity of 3,600 passengers.

The Panama Canal expects to receive approximately 236 cruise ships through the

Panamax and Neopanamax locks during the upcoming 2017-2018 cruise season, which officially began on October 2, 2017.

In April 2017, Disney Cruise Line's Disney Wonder became the first cruise ship to transit the Expanded Canal. This season, the ship will traverse the waterway again along with the Caribbean Princess, Carnival Freedom, Carnival Splendor and Norwegian Bliss.

Together, the five ships will make a total of 20 transits, and 11 new cruise ships will transit either the Canal's Panamax or Neopanamax locks for the first time. These vessels are from the following lines: Princess Cruise, Norwegian Cruise, Carnival Cruises, Silversea Cruises, Viking Ocean Cruises, Lindblad Special Expedition and CMA CGM.



Digitalization Is a Must If You Want to Survive

The rise of digitalization, the Internet, cloud computing and E-commerce is starting to revolutionize the trading patterns, emerging as the true engine of the future growth of world trade.

According to MANA, despite technical advances and construction of ever bigger and more complex ships that have been used to improve the efficiency of the industry and cutting costs, the fundamental way the industry works has not changed over the last 40 years, since the introduction of the container in the 1970s, according to Tim Smith, Maersk's North Asia Chairman.

Speaking at the World Knowledge Forum in Seoul, South Korea, Smith said that digitalization is set to change the landscape in shipping and logistics.

Numerous opportunities for improving business performance can be reaped from the big data, saving hundreds of millions of dollars to companies such as Maersk which has 600 ships around the world.

"We have to embrace digitalization of the market now if we want to survive. The market would not wait for traditional players in the industry to catch up with modern technology," Smith said.

Hence, if traditional players do not embrace

digitalization and innovation to provide the market with new products, there is a huge chance their businesses will be diminished and they will get replaced by new market entrants from outside the industry.

Namely, there has been an exponential increase in technological solutions aimed at addressing evolving customer needs which are being introduced to the market by a growing number of tech start-ups. The strategic advantage of these companies is that they bring the technology and capital from outside the industry.

As explained by Smith, traditional players have to learn how to evolve so as to fight off the threats from disrupters from outside.

In order to do this, considerable investment is needed in the personnel hiring and changing the mindset of business owners.

Maersk has been busy with the hiring of IT professions in order to be able to catch up with the changes brought about by the digitalization and at the same time seize the opportunities stemming from the modern technology, Smith added.



Europe's Shipbuilding Industry Under Threat

A holistic industrial strategy for the European maritime technology sector is urgently needed, according to an E.U.-sponsored study.

According to MANA correspondent, the Study on New Trends in Globalisation in Shipbuilding and Marine Supplies – Consequences for European Industrial and Trade Policy found that individual shipbuilding nations in Europe seem too small and too weak to cope with competitive pressure from Asia, where countries have a targeted national shipbuilding strategy. Hence, only a clear targeted E.U. shipbuilding policy offering an integrated and unified approach towards international competition will help Europe to cope with its competitive and societal challenges. As an individual shipbuilding and maritime technology nation, Germany follows Korea, China, the U.S. and Japan in fifth position. Germany is followed by Norway in sixth position. The U.K., Italy and France follow in eighth, ninth and tenth position respectively.

During 2015-2016, the ordering of commodity ships and offshore vessels has seen a dramatic reduction, which has affected the big shipbuilding nations in Asia, in particular, and put large parts of their industry at stake. In contrast, Europe has moved into a more comfortable position over the last three years when looking at the value of their shipbuilding orderbook because of its concentration on special high-tech and high value ships. Although the European equipment industry benefits from this situation, they also suffer from a decreasing demand from the Far East and other parts of the world as a result of the lack of orders in these regions.

A long-term demand for shipbuilding is still forecast, but for the near to mid-term, 2016-2025, the need for new orders for the commodity ship types is expected to remain very low. According to the study, the next 10 years will determine whether the European shipbuilding and marine

supply chain industry can survive and grow or will decline and fail. Strategic moves of overseas countries towards their own shipbuilding and maritime equipment industries, characterized by more local content requirements, more protective national shipbuilding policies, more financial support and subsidies, and uneven implementation of environmental regulations will create even bigger challenges for the European maritime technology sector.

Without a holistic industrial strategy specifically designed for the European maritime technology industry, aimed at supporting industrial growth by concrete measures, the future survival of the industry may be seriously at risk, states the report. Strategically, the study also highlights that the European maritime technology sector is needed to keep, in a changing geopolitical world, the control of the maritime domain to guarantee the defense and security of Europe and its citizens.

The study makes a number of recommendations including the creation and integration of provisions catering for the specific interests of the European maritime technology industry into future negotiations of free trade agreements.

Shipbuilding and technology organization SEA Europe's Secretary General Christophe Tytgat says: "This study clearly demonstrates that notwithstanding the current good shape of the European orderbook in value terms, the maritime technology industry in Europe cannot feel safe or be complacent. The study clearly acknowledges that European shipyards or European maritime equipment manufacturers will come under severe pressure over time, due to growing protectionist policies and with China preparing to enter the high-tech ships market sector as a political objective."

The study was produced on behalf of the European Commission by BALance Technology Consulting.

Second Half of 2018 Will be Turning Point for Tanker Market



Falling global crude inventories and increased vessel scrapping to drive market recovery, says chief executive Robert Macleod

According to MANA, FALLING global crude inventories coupled with an increased pace of scrapping could lead to a turning point for tanker markets in the second half of 2018, according to Frontline chief executive Robert Macleod.

He noted in an earnings webcast that crude inventories worldwide are starting to decline after hitting a peak in 2016 though present crude oil tanker freight rates have yet to reflect that demand.

“We’re eating into inventories and we could also see that the higher [oil] price leads more oil to the market, which obviously is something that we would benefit for in the tanker market straightaway.”

Although newbuilding deliveries have progressed through this year at a rapid clip with 44 very large crude carriers and 48 suezmax tankers delivered and a couple more due later, low spot market rates combined with a 50% rise in demolition values over last year could incentivise owners to scrap more tonnage, said Mr Macleod.

2017 saw nine suezmax tankers and 10 VLCCs scrapped to date, which he views as a substantial rise over 2016, with the pace to pick up further into 2018.

Despite substantial focus on orders placed earlier in 2017 with deliveries scheduled in 2018 and 2019, Mr Macleod believes that the number of vessels scrapped will exceed the number of newbuildings delivered ahead.

His view comes on expectations of tighter market supply next year as older tonnage exits the global fleet and as oil demand increases.

Approximately 20% of the VLCCs in the worldwide fleet could potentially be scrapped in the years ahead.

“When you consider that the current VLCC order book is equal to about 13% of the existing VLCC fleet, it’s easy to see how supply dynamics can quickly change,” said Mr Macleod.

Looking further ahead, he said that in order to comply with upcoming environmental mandates from the International Maritime Organization, shipowners will be inclined to increase scrapping of older tonnage.

“Vessels that are 20 years old today will almost surely be removed from the global fleet. If they are not being scrapped, they will be sitting idle and completely uneconomical.”

Mr Macleod also expects weak freight rates, reduced financing alternatives and the environmental regulations to facilitate more consolidation, which “would be positive for the tanker market.

Improved Box Line Performance Props up Maersk Results

REVENUES at Maersk's Transport and Logistics division rose 14% in the third quarter on the back of improved freight rates, taking the group's container division to a profit of \$290m.

According to MANA, Group revenue increased by \$973m to \$8bn with a \$771m increase in Maersk Line, mainly due to higher freight rates. AP Moller-Maersk reported an underlying profit from continuing operations of \$248m, up from a loss of \$42m in the corresponding quarter last year, as profits from Transport and Logistics were offset by a loss of \$15m in its Energy division.

The underlying profit was positively affected by the increased freight rates in Maersk Line compared to the third quarter of 2016, although there was a 2.5% decrease in volumes as well as increasing unit cost due to the cyber attack and a 26% higher bunker price.

At a group level, however, a \$1.8bn impairment at Maersk Drilling following its classification as a discontinued operation, and impairments of \$374m at APM Terminals, led to a net loss of \$1.5bn. For continuing operations, the loss was \$120m.

Transport & Logistics reported a revenue growth of 14% to \$8bn. Performance was challenged by the June cyber attack, of which the financial impact is in the range of \$250-\$300m. The cyber attack primarily impacted July and August and the vast majority of the blow is related to Maersk Line, which reported an underlying profit of \$211m and a return on invested capital of 4.3%.

"The revenue increased in Transport & Logistics by 14% and was mainly driven by higher revenue in Maersk Line," said chief executive Søren Skou. "Market fundamentals stayed positive, with global container volume growth at 5% in the third quarter compared to the same period last year and an increase in nominal supply of 3%. However, contingency initiatives related to recovery after the cyber attack resulted in a

negative development in Maersk Line volumes of 2.5% and increase in unit cost of 3.9% at fixed bunker prices."

Maersk Line reported a profit of \$220m compared to a loss of \$116m last year.

Market demand growth remained at 5% compared to the same period last year while nominal supply grew 3%, Maersk said. The development in market fundamentals was reflected in freight rates, which increased 14% compared to the third quarter of 2016, but declined slightly from the second quarter of 2017.

Maersk's average freight rate was up from \$1,811 per feu in the third quarter of last year to 2,063 per feu this year. But unit costs also rose, from \$1,991 per feu last year to \$2,135 per feu this year.

Maersk said its acquisition of German carrier Hamburg Süd was progressing as planned, with expected closing by the end of this year. Maersk Line has a binding offer to divest Mercosul Line and has received unrestricted approval from the Brazilian regulators to acquire Hamburg Süd.

Meanwhile, APM Terminals reported an underlying profit of \$110m, up from a loss of \$126m last year, but was "negatively impacted by the challenging market conditions" with overcapacity in the industry leading to pressure on profit and margins, and additional costs related to the cyber attack.

The reported loss of \$267m and negative return on invested capital of 13.3% was affected by impairments of \$374m related to terminals in markets with challenging commercial conditions, Maersk said.

Maersk added that its orderbook of seven 20,600 teu second-generation Triple-E vessels, and 13 smaller ships, represented 7.4% of its current fleet and that it had no current plans for new orders.

In the presence of Dr Rouhani;

Phase 1 of Shahid Beheshti Port Development Plan in Chabahar inaugurated

President Hassan Rouhani inaugurated Phase 1 of Chabahar's Shahid Beheshti Port Development Plan with guests from 17 foreign countries taking part.

President Rouhani told reporters after putting Phase 1 of Shahid Beheshti Port Development Plan into operation: "The North-South Corridor is very important for the region and the world and today, we are happy that its first phase has been put into operation and we hope that we can construct the other phases as soon as possible".

Dr Rouhani added: "This port has a special position and situation, which can shorten the North-South Corridor and connect it to the ocean".

Stating that other international south-north corridors will end in the Persian Gulf, he said: "This corridor is and its operation is very important for the economy".

In the first phase of the port of Shahid Beheshti, 15 million cubic meters of dredging, 203 hectares of new land, and 1,650 breakwaters have been constructed, and its basin depth is 16.5 square meters.

Currently, 100,000-ton ships are capable of mooring, and this can play a significant role in the import and export of basic goods.

The next four phases of Shahid Beheshti Port will be completed and put into operation, which will eventually reach 82 million tonnes.

A total of \$1 billion has been spent on preparing and equipping the first phase of Chabahar's



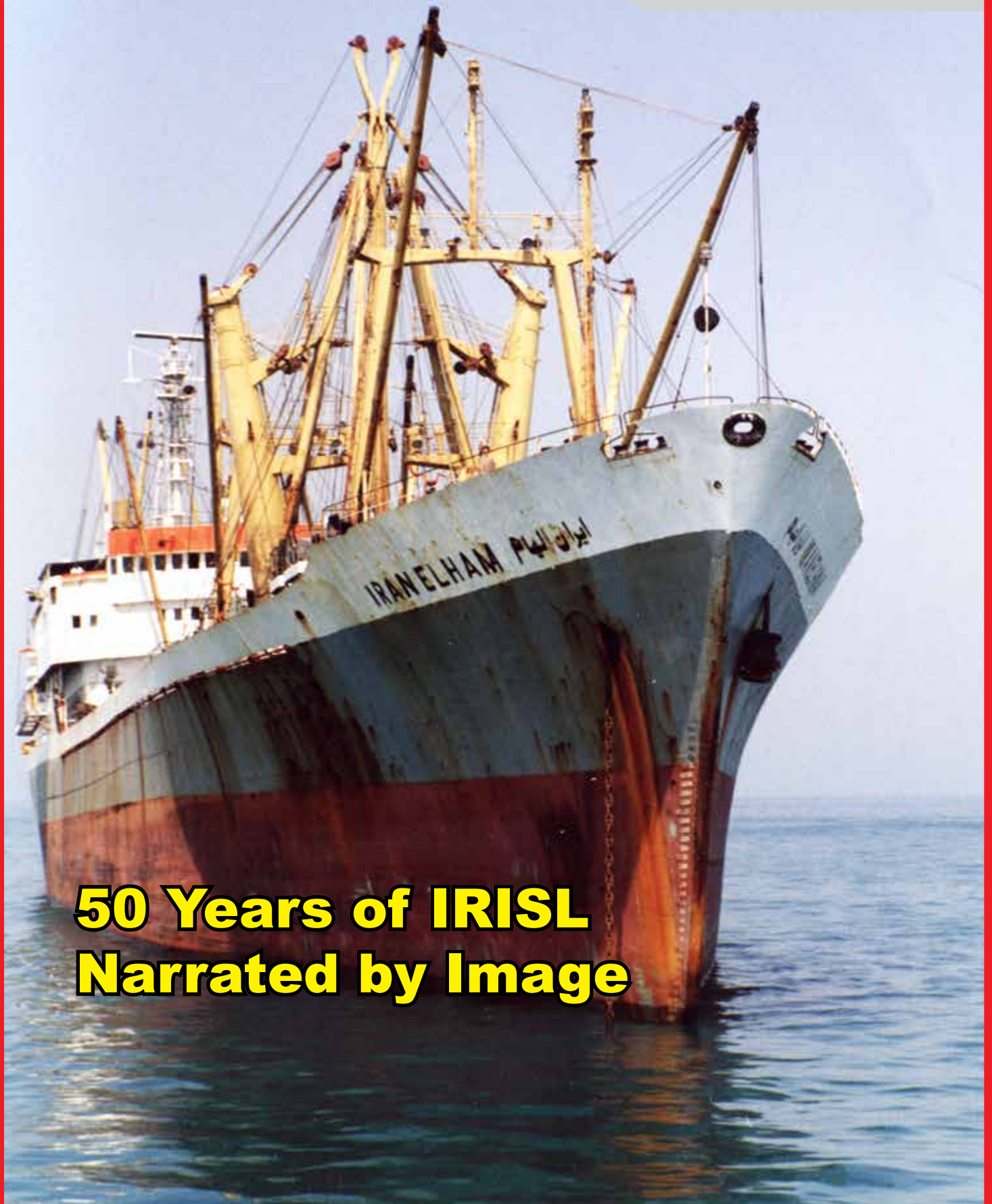
Shahid Beheshti Port.

Chabahar Port is an interconnector between South-East Asia, Central Asia and Afghanistan. The development of Chabahar Port is a driving force for the country's economic development, especially the South East, and port operations can create added value and employment in the south-east of Iran.

The president said: "Neighbouring countries east of Iran, like Afghanistan and our northern neighbours in Central Asia are linked to southern Iran and the open waters and the ocean through this corridor, and this matters politically to us and will develop our relations with eastern and northern countries and even Europe in the future". He also said that the operation of this port is very important for Sistan and Baluchistan province, adding: "Connecting the nationwide railway to Chabahar can also create an even better condition for this region".

Chabahar's Shahid Beheshti Port is one of the largest development projects that has been able to increase the capacity of the port from 2.5 million tonnes to 8.5.

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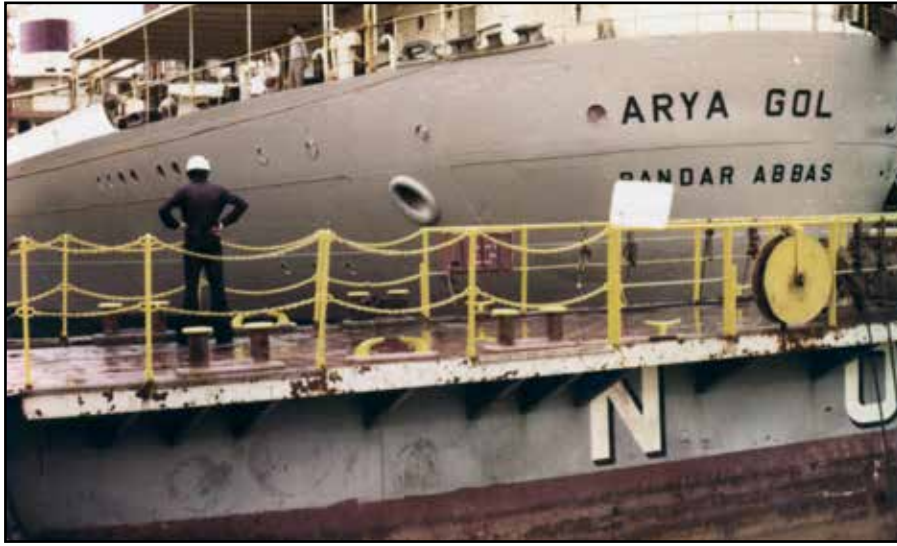


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