A model for a state-owned shipping company in South Africa: Lessons from other BRICS countries

by

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DECLARATION

1. I, **Christopher "Kennedy" Mokone**, declare that:

   i) I am the author of the study reported in this dissertation / thesis, and save for where I have so indicated, it is my original work.

   ii) I have not submitted this study for any other degree or examination at any other university.

   iii) The study does not contain any other person's data. However, where data has been sourced from any other person, I have specifically acknowledged the source.

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To the Almighty! for the strength, good health and the grace.

This work is **dedicated to the following seven people who have since departed**, may their souls continue to rest in peace*:*

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ABSTRACT

A variety of South African goods are exported around the world on foreign vessels. A cursory analysis indicates, inter alia, R 12,8 trillion in global export value was transported between 2012 and 2022 on foreign vessels. This is because South Africa doesn't run a merchant fleet or has a state-owned shipping company(Franck, 2016). However, the government has published a Bill signalling its intention to establish a state-owned shipping company. Neither the South African Shipping Company Bill, nor government's maritime policies explain their proposed model for a state-owned shipping company.

The study was conducted through a qualitative research methodology and premised on documents collected through the internet and company websites. This study therefore proposes a model suitable for a South African state-owned shipping company; drawing from the members of BRICS, (Brazil, India, China and South Africa). South Africa is the only member of BRICS, without a state-owned shipping company. The study found state-owned shipping companies in BRICS countries were established in the 1940s during the Second World War. At that time South Africa had a state-owned shipping company, Safmarine, which however, was sold privately half a century later. The study found BRICS countries do not have a homogenous model that can be followed by South Africa to establish a similar institution. Each country's model is unique to their country.

Therefore, this study concludes there is no specific model from other BRICS countries that can be followed by South Africa. However, there are lessons which can be drawn from state-owned shipping companies in BRICS. There are further lessons to draw from South Africa itself, on how it established and operated Safmarine for 50 years. These lessons relate to the establishment, operational management, ownership, funding and capitalization models, as well as growth strategies. The study concludes how South Africa can develop its own model of a state-owned shipping company drawing lessons from other BRICS countries.

Keywords

shipping company, state-ownership, BRICS, models, Safmarine, Petrobras, Cosco

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ABBREVIATIONS AND ACRONYMS

AfCFTA - African Free Continental Trade Agreement

AIM Strategy - African Integrated Maritime Strategy

Armscor - Armaments Corporation of South Africa

AU - African Union

BEE - Black Economic Empowerment

BRICS : Brazil, Russia, India, China and South Africa

CMTP - Comprehensive Maritime Transport Policy

COSCO -China Ocean Shipping Company

DTIC - Departement of Trade, Industry & Competition

ESKOM - Electricity Supply Commission

FOB - Free On Board

FTSE - The Financial Times Stock Exchange

IDC - Industrial Development Corporation

ISCOR - Iron and Steel Corporation of South Africa

LNG -Liquefied Natural Gas

LPG - Liquefied Petroleum Gas

MSC - Mediterranean Shipping Company

NFLS - National Freight Logistics Strategy

NPA - National Ports Authority

Petrobras - Petróleo Brasileiro S.A

SADC - Southern African Development Community

SAFMARINE - South African Marine Corporation

SASCO - South African Shipping Company

SCI - Shipping Company of India

Transpetro - Petrobras Transporter S.

UK - United Kingdom

UN - United Nations

UNCTAD - United Nations Conference on Trade and Development

US - United States of America

USD - United States Dollar

USSR - Union of Soviet Socialist Republics

VLCC - Very Large Crude Carrier

CHAPTER 1

1 Introduction

1.1 Background of the study

This study explores a model for the South African government's quest to own a shipping company. According to Franck (2016:1), "98% of South Africa's trade is by sea, all of which is carried by foreign owned vessels." South Africa ends up relying on foreign governments and companies for essential imports and exports (Business Tech, 2022).

This study draws lessons from Brazil, Russia, India and China, to explore various models used in these countries. The choice of these countries is because of South Africa's participation as a community member state of the bloc. Below is a short explanation on how the country became a participant.

In 2011, South Africa was invited to be a member of the community states of Brazil, Russia, India and China, which later became known collectively as "BRICS", (Hou, 2013:358). South Africa has since become a prominent voice in coercing other countries to join BRICS. Upon acceptance of the invitation and its subsequent participation, it became apparent it was the only member lacking state owned vessels within BRICS (Ensor, 2013). In 2013, it was reported R 34 billion of cargo was carried to and from the country (Ensor, 2013). While these figures do not concern the profitability of the trade, they demonstrate deficiencies which set-in motion the policies needed to enable the country to participate in the oceans economy.

South African maritime policy is one characterized by elements of a developmental state. This is because since 1994, various policy positions have been adopted, amended, repealed and reviewed.

Operation Phakisa was launched in 2014. The first phase aimed to fast-track developments in the maritime economic sector (Department of Planning, 2014). Accordingly, Operation Phakisa (2014) confirmed the country has 2800 kilometres of coastline. According to Franck (2016:18) the second phase of Operation Phakisa aimed to ensure 40 per cent of South African minerals are exported through SA-flagged ships.

A Comprehensive Maritime Transport Policy (CMTP) was published three years later in 2017 (Department of Transport, 2017). The CMTP (2017) argued South Africa's oceans define it as a maritime country. This echoed a National Development Plan 2030's (2012), the coastline size signifies the country's position as a major strategic shipping route. Despite these observations, there was no announcement on state vessel ownership or a state-owned shipping company.

It was only at the end of 2022 the government made publicly known, its intention to establish a state-owned shipping company (Notice 1376 GG 47428, 2022). Amongst other reasons for such government intentions, was a reiteration the country is the only member of BRICS without a state-owned shipping company. However, while this idea seems novel, the study highlights it would not be for the first time South Africa had a shipping company (Dlamini, 2020)

According to Dlamini (2020) the South African government established a shipping company in 1946, the South African Shipping Corporation (Safmarine). Although Safmarine is discussed in the beginning of the study, it serves as a case study within a historical context and background, on a model for a state-owned shipping company in South Africa.

1.2 Problem statement

A variety of South African goods are exported to the world on foreign vessels. A cursory analysis of annual reports of the Department of Trade, Industry and Competitions (the DTIC), indicates R 12,8 trillion in global export value was realised between 2012 and 2022. BRICS export value was R 2 trillion over the same period. Exports to the European Community totalled R 3,4 billion. Franck (2016) estimates 300 vessels and 21 000 seafarers will be required to support just 40 percent of South African trade. Ideally, most exports outlined above should have been on South African-owned vessels or vessels registered under the South African flag. The country does not have state-owned vessels nor flag-registered ships. Except for The Orchid, registered under the Ship Register in 2015, South Africa has not registered any merchant vessel in three and a half decades (Franck 2016:3).

It is the government's intention to establish a shipping company. While government has employed various regulatory and service models in the maritime sector, it is yet to

produce a model supporting state owned vessel ownership. This study explores models that can develop a South African shipping company. Lessons are drawn from BRICS, given potential trade-offs. This is important because no similar study has been conducted covering the government's intentions of owning a shipping company.

1.3 Study aims.

This study aims to explore a state-owned shipping company model for South Africa. To achieve this, the study will draw lessons from other BRICS countries.

1.4 Research questions

- What are existing state-owned models of shipping companies within BRICS?
- Which model will be suitable for a South African state-owned company?
- What measures will have to be taken for successful implementation of the proposed model for South Africa?

1.5 Research objectives

- To explore various models of state-owned shipping companies in other BRICS countries.
- To recommend a model for a South African state-owned shipping company
- To recommend measures that should be implemented for realization of a South African state-owned shipping company.

1.6 Study Overview

Chapter 1 discusses the background to the study. It states the objective of the study and its importance to the body of knowledge. The chapter outlines the South African government's perspective on a need for a state-owned shipping company and the rationale behind the idea.

Chapter 2 introduces collected literature to support the study's main objective. The literature is reviewed in this chapter. Any gap in literature is outlined. The chapter discusses an overview of the South African maritime sector, its development, policies and legal framework. The chapter introduces BRICS countries because the South African government referred to them when producing the idea of a state-owned shipping company.

Chapter 2 furthermore discusses state-owned shipping companies in Brazil, Russia, India and China and draws lessons in developing a model for a South African state-owned shipping company. To cover all the mentioned areas, the chapter is divided into sections.

Section 2.1 covers Safmarine as a case study of the formation, service offering, shareholding and funding model, operational management, diversification and growth.

Section 2.2 focuses on state-owned shipping companies within BRICS member states. The section follows a similarly to the Safmarine model. The literature review focuses on Petrobras and its subsidiary Transpetro (Brazil), Sovcomflot (Russia), Shipping Corporation of India (India) and the China Cosco Shipping Corporation.

Section 2.3 covers policy and legislative framework of the South African maritime sector. Additionally, the section analyses the South African Shipping Company Bill, (the “Sasco Bill”) being used to establish a South African Shipping Company, (“Sasco”).

Chapter 3 discusses, the research methodology utilised in the collection, sampling and analysis of data. It explains the rational for the choice of research method between qualitative and quantitative methods. The chapter justifies why the research has leaned more on the side of a qualitative research, despite some elements of literature tilting more to quantitative research.

Chapter 4 presents the findings of the literature review against the research questions posed. Where necessary, some of the findings are clarified in this chapter.

Chapter 5 discusses results presented in the previous chapter. It discusses the results to show an overview of the models in used in those BRICS countries. Recommendations are canvassed in this chapter together with views of the researcher.

Chapter 6 concludes the study. The chapter gives a background conclusion on findings of the study to justify the conclusions reached. The Chapter also outlines limitations of the study. It makes recommendations for further studies.

CHAPTER 2

2 LITERATURE REVIEW

2.1 Introduction

The focal points of this chapter are three-fold. The first deals with historical background of South Africa in relation to ownership of a shipping company by the state, from the early 1940s. The second point evaluates South Africa's maritime sector participation and position on state-ownership of a shipping company, after 1994. This evaluation takes the form of revising maritime policies during the period, up to the time when government published the South African Shipping Company Bill (SASCO Bill, 2022). The third point focuses on an overview of state-owned shipping companies in other BRICS member states from the same period of the 1940s to date. The chapter is divided into three sections: 2.2, 2.3 and 2.4.

2.2 Historical overview of the South African state-ownership of shipping company: Safmarine

The establishment of Safmarine should be understood within the context of the aftermath of the Second World War. The Second World War erupted in 1939 when Germany attacked Poland (Strydom et al., 2016). According to Strydom et al (2016) Germany refused to withdraw its troops from Poland despite requests and persuasion from Britain. This prompted Britain to declare war against Germany (Ingpen, 1996).

The Second World War disrupted supply chains globally and led to cargo backlogs destined for Britain, Japan and Europe (Ingpen, 1996). According to Ingpen (1996) emigration from Britain and Europe was rife. Refugees were waiting for repatriation (Ingpen, 1996). Ingpen (1996) furthermore states soldiers who were posted in various parts of the war were eagerly waiting to be repatriated to their homes. According to Ingpen (1996), South Africa was not spared the fallout of Britain's decision to declare war against Germany. Accordingly the Union government relied on overseas shipping lines for all its international trade before the war (Ingpen, 1996).

When the war was declared, matters became worse because most shipping lines trading in South Africa were called for national duty (Dlamini, 2020). According to Dlamini (2020), about ten coastal ships operating in South Africa were called back for wartime duties.

The coastal ships recall led to a shortage of shipping operations in South Africa and the challenge persisted beyond the Second World War. There was a market for ocean freight and passenger transport after the second world war. According to Ingpen (1996) at the time there had been little or no incentive for the development of a merchant navy, viable in South Africa. To exacerbate matters, there was a shortage of skilled manpower in the maritime sector of South Africa, (Ingpen, 1996). Owing to this shortage; cargo required to be moved, was plentiful (Ingpen,1996). According to Ingpen (1996) people also wanted to be transported to various international destinations.

In addition to the cargo referred to above, there was a need for mail to be transported overseas, (Dlamini, 2020). Before the internet and electronic email, communication with the outside world was through sending and receiving mail. The government did not own a shipping company that could transport posted mail to and from South Africa. According to Dlamini (2020) Union Castle Steamships Company was contracted by the South African government to transport mail to and out of the country. Union Castle Steamships Company was a British company (Dlamini, 2020).

According to Dlamini (2020), the Union Castle dominated the shipping market at the time. Although Union Castle Line's operations were predominantly in the international market, its impact was also felt in South African coastal shipping (Dlamini, 2020). However, there was growth in shipping market opportunities in the southern African region (Ingpen, 1996). This attracted other shipping companies to also be interested in servicing the market (Ingpen, 1996).

Based on the above, the Union Castle enjoyed preferential treatment from the government of South Africa. The agreement was on condition that it would be granted government subsidies if it undertook to transport mail to and from Britain (Dlamini,2020).

The establishment of Safmarine should be understood within the context of the aftermath of the Second World War when the state-owned shipping company was conceptualized in the latter years of the 1940s, through to its expansion in the 1950s. To properly illustrate Safmarine's development, Ingpen (1996)'s narrative on its establishment and sale is paramount.

2.2.1 Safmarine' early developments: South Africa – USA Transatlantic Route (1940s)

The Second World War compelled the South African government to seek equipment from other parts of the globe (Ingpen, 1996). This was understandable, because the world was at war with itself. According to Ingpen (1996) this expedition was driven by a need for procurement of wartime equipment.

According to Ingpen (1996) Dr Hendrick Van Der Bijl was the Director of War Supplies within the South African Union in 1940. Dr Van Der Bijl was also the Chairman of the Board of the Industrial Steel Corporation of South Africa (ISCOR). ISCOR was a South African state-owned steel company (IOL, 2004). As part of his responsibilities to acquire war time equipment, Dr Van Der Bijl sent a team of delegates to the US, where discussions on supply of equipment were underway.

The delegation was led by GH Swingler, who was the City of Cape Town's Electrical Engineer at the time (Ingpen, 1996). Mr Swingler was assisted by John Glen Finlay, who was a trusted personal assistant to Dr Bijl and manager of the Steel's Sales Company of South Africa. It was during the visit to New York the group sent by Dr Bijl, met with Mr Hendrick Mercer. Mercer was the founder of American States Marine Corporation.

American States Marine Corporation was moving large tonnes of steel from the United States to Britain at the time. The company had few ships operating in South Africa (Ingpen, 1996). According to Ingpen (1996), these were owned or chartered by Mercer through the American States Marine Corporation. Additional to the movement of steel to Britain, Marine States Corporation was moving homeward based cargo from India and Suez Canal (Ingpen, 1996). The company was well entrenched in these markets before the war and it could rely on this route when market conditions where not profitable in the South and East Africa – USA route (Ingpen, 1996).

According to Ingpen (1996), State Marine Corporation secured valuable and important cargo from India through various business agreements. These agreements, according to Ingpen (1996), were concluded at the time when the business was requesting the South African government for a partnership to establish a South African state-owned shipping company. Henry Mercer envisaged a South African-based company could load cargo to India for State Marine Corporation (Ingpen,1996). This would help

integrate the US – South Africa route (Ingpen, 1996). According to Ingpen (1996) Mercer saw this as an opportunity for vessels belonging to a South African-based shipping company to end in South Africa when loading in the US. These vessels were to proceed to India, thus expanding their route (Ingpen, 1996).

The Indian route could be handed over to a South African based shipping company Mercer envisaged (Ingpen, 1996). However, a partnership agreement was still pending (Ingpen, 1996). Delays were occasioned, among others, by the Second World War, (Ingpen, 1996). It was during a meeting John Glen Finlay met his old friends Ian Elliot and Victor Malcolm (Ingpen, 1996). Elliot and Malcom were in New York representing the British Steel Purchasing Company (Ingpen, 1996). It was Elliot and Malcom who introduced Finlay to Henry Mercer (Ingpen, 1996).

According to Ingpen (1996), it was during the meeting in 1940, Mercer indicated his interests in partnering with a South African based shipping company to expand the United States Operations in the Southern African region. The possibility of a partnership between Mercer's States Marine Corporation and a South African based shipping company was officially mooted (Ingpen, 1996). There was a visit in New York by the group of people sent by Dr Bijl (Ingpen, 1996). According to Ingpen (1996), these initial discussions did not gain much traction. However, it was only in 1942, two years later, the idea was resuscitated (Ingpen, 1996).

According to Ingpen (1996), in 1942 on the second visit to the USA, Mercer once more showed interested in forging closer ties with South Africa through his company, State Marine Corporation. While parties agreed in principle, their plans were delayed by the second world war (Ingpen, 1996). Plans to establish closer American-South African shipping ties had to be kept in abeyance (Ingpen, 1996).

Around July of 1943, Ian Elliot was chairman of the Eastern Group Supply Council (Ingpen, 1996). He visited South Africa in this capacity and met with Prime Minister General Jan Smuts and some members of parliament. A year later, Elliot would visit the USA and meet with Henry Mercer where a joint shipping venture between South Africa and the USA was crunched. Accordingly, and as Ingpen (1996), would record it, on 4th April 1945 the first formal initiatives to make the venture a reality was through a sealed letter from Elliot to Finlay (City of Cape Town engineer). He sought guidance on the way forward. The letter to Finlay was accompanied with an envelope to one

John Martin. John Martin was with Rand Mines at the time. He was also believed to be confidential adviser to Dr van der Bijl (Ingpen, 1996).

Elliot was enthusiastic about the establishment of shipping relations between the USA's State Marine Corporation with South Africa (Ingpen, 1996). According to Ingpen (1996), this was evident in his insistence should Finlay not find the idea appetizing, he was to pass the entire concept and the letter to Martin, for the latter's consideration. At this point the war in Europe was nearing its end (Ingpen, 1996).

2.2.2 Towards the1950s: Safmarine and the end of the second world war

The period between May and August 1945 heralded the end of the Second World War (Ingpen, 1996). According to Ingpen (1996), Germany finally withdrew its troops from Poland and acceded to global pressure. Developments marked the beginning of greater opportunities for Henry Mercer's Marine State Corporation and Dr van Der Bijl's Safmarine.

A new and peaceful world order began to take shape. South Africa was in the forefront of world peace and security, (Dubow, 2008). According to Dubow (2008)General Jan Christian Smuts is accredited, with the drafting of the preamble of the United Nations in 1945. The preamble remains the anchor of all operations of the United Nations.

In 1945, when General Smuts was in the US for the business of the drafting of a new United Nations Charter, Henry Mercer was strategically targeting the pending sale of vessels from the US (Ingpen, 1996). These vessels were used during the war, and the US government wanted to dispose of them. According to Ingpen (1996) the process of selling ships by the US government commenced around 1946.

The United States Maritime Commission was responsible for the disposal of victory and liberty vessels (Ingpen, 1996). According to Ingpen (1996), Henry Mercer began all necessary applications, on behalf of South Africans, for the purchase of some of the victory ships on sale. Sir Arthur Harris, who would later become the Managing Director of Safmarine, was also involved in the process of purchasing of victory ships from the US government, (Ingpen, 1996). Sir Harris noted the frustrations he was going through with US authorities and bureaucracy (Ingpen, 1996). He further noted the US government was in certain instances disposing vessels for no charge (Ingpen, 1996). The free offers were even extended to enemies of the US during the war, i.e.

Italy. However, there was no appetite on the US side to allow South Africa to get any vessels (Ingpen, 1996).

It was at this point the stature and influence of General Smuts in the United Nations, became useful, (Ingpen, 1996). According to Ingpen (1996), General Smuts was contacted by Dr van der Bijl to help Safmarine to purchase for cash, the AP3-type Victory vessels. The move was being blocked by an Argentinian company also eyeing the same vessels for the South America – South African trade, (Ingpen, 1996). The Argentinian company sought to purchase eight ships (Ingpen, 1996). Not only were Argentinians frustrating the possible deal, but the American Maritime Commission was also delaying the sale (Ingpen, 1996). According to Ingpen (1996) Dr van der Bijl impressed on General Smuts to speak to people in higher echelons of Washington to enable Safmarine to secure the three ships essential for commencement of its operations.

2.2.3 Objectives and Purpose of Safmarine

The objectives for establishing Safmarine can be better understood through looking at what the public was told before Safmarine's launch. According to Ingpen (1996), a press statement was released on 25 June 1946, which read as follows:

> *"South African Marine Corporation has been formed for the express purpose of enabling South Africa to build up a merchant marine and to carry an increasing proportion of her imports/exports in South African bottoms.*
>
> *The formation of this corporation is the result of an agreement concluded between Dr HJ van der Bijl and Mr Henry Mercer, founder and president of the States Marine Corporation of the United States of America, a powerful and efficient shipping concern whose connections are worldwide.*
>
> *The proposal for the formation of the South African Marine Corporation has received enthusiastic support and backing from the most powerful business interests in South Africa.*
>
> *Sir Arthur Harris, Marchal of the Royal Air Force, now domiciled in the Union of South Africa, who has been associated with the Mercer-Van der Bijl undertaking since his release from his duties as Bomber Harris, and who has made a thorough study of the proposition both in the United States and in South Africa, will be managing director of the South African Marine Corporation.*

The ships of the South African Marine Corporation will be registered in Cape Town. They will sail under the South African flag and be manned as soon as can possibly be achieved by entirely South African crews. This will of course give an outlet for many magnificent young South Africans who wish to make the sea their career.

It is the intention of the corporation to employ and encourage to the utmost extent practicable, depending on their capabilities, local organisations and facilities for the repair and maintenance of their ships and, in the future, to encourage the building of ocean-going ships.

It is not our intention to enter competition with existing agencies and stevedoring businesses as long as they can and will effectively meet our needs.

The ships of the corporation will be managed by one of the leading shipping agencies of the country on behalf of the corporation.

We shall set out to capture for South Africa her fair share of the trade to and from this country. Our immediate intention is to charter ships, pending the completion of purchase negotiations and building programmes.

The corporation will not seek government subsidy.

The ships we have in mind for the immediate present are essentially modern fast cargo vessels and will not be equipped to carry more than a few passengers, probably about eight to twelve.

The corporation is registered with initially a nominal capital purely in order to expedite our affairs and will very greatly expand during the ensuing months." (Ingpen, 1996:15)

The launch of SA Shipping Corporation, SAFMARINE

An extract from the Cape Times signifying the enthusiastic reporting and publication of the news of the formation of a South African Shipping Corporation,

The launch of Safmarine, was to build up a merchant marine for the country (Ingpen, 1996). The press statement referred to a partnership between United States Marine Corporation and the new South African Shipping Corporation (Safmarine) (Ingpen,1996).

The above press statement signified the launch of the South African Marine Corporation, which was later commonly known as SAFMARINE. According to Ingpen

(1996), the statement received much media publicity and one of the media houses, the Cape Times, published an article as shown in the figure below:

New S.A. Shipping Company

Cargo-Liner Service to and from U.S.

A NEW South African shipping company, the South African Marine Corporation, has been formed as a result of an agreement between Dr. H. J. van der Bijl and Mr. Henry Mercer, founder and president of the States Marine Corporation. The corporation has the support of some of the most powerful business interests in the Union, and will not seek a Government subsidy.

This was announced in Cape Town last night by Sir Arthur Harris, formerly Commander-in-Chief of the R.A.F. Bomber Command.

Sir Arthur said he had been associated with the Mercer-van der Bijl agreement since he left the Royal Air Force, and that after studying the position in the United States for two months he had come to the Union, where he had studied the position for a further month.

The ships belonging to the South African Marine Corporation would be registered in Cape Town and would sail under the South African flag. As soon as possible they would be manned by South Africans and thus would provide opportunities for young South Africans to follow a seagoing career.

Sir Arthur, who is to be managing director in South Africa of the new corporation, added that the corporation intended to make use of local repair and maintenance facilities and to employ South Africans as far as possible.

For the present the ships would be managed by one of the leading shipping agencies in the Union. It was not intended to compete with existing agencies and shareholding firms so long as they met the corporation's needs efficiently.

"It is the intention of the corporation to capture for South Africa a fair share of the trade to and from the country," he said.

CHARTER SHIPS FIRST

"Until our ships are built and our building programme is established we will make use of charter ships. The ships that we have in mind are fast, modern cargo ships with speeds of between 18 and 19 knots and with a limited amount of passenger accommodation."

He hoped that the first of the charter ships would be operating on the United States-South African run in a few months.

For the present the corporation was registered with a nominal capital—this had been done to expedite affairs—but this capital would be expanded very considerably in the next few months.

The States Marine Corporation ran a regular service between the United States and the Union before the war, and its service will be re-instituted with the arrival of the Messenger in Cape Town to-day from the United States.

New Role

Sir Arthur Harris, formerly Commander-in-Chief of the R.A.F. Bomber Command, who is to be managing director in the Union of a new South African shipping company, the South African Marine Corporation.

Figure 1 Ingpen (1996:18), Newspaper Article on launch of SAFMARINE.

However, matching the enthusiasm was criticism of the government's intention to launch a shipping company. Not only did this criticism come from foreign shipping interests, but from local lawmakers too (Ingpen, 1996).

According to (Ingpen, 1996), South Africa's parliament was critical of the launch, with some of its members arguing the country was best served by foreign vessels. These arguments were advanced despite the reality of second world war supply chain disruptions encountered by the country. However, according to Ingpen (1996), the project leader of the launch, Dr Van der Bijl, was not perturbed by local and international criticism of this venture. This was because, "…having seen the dawn of successful ventures such as Eskom, Iscor, Armscor, Vecor and others, Van der Bijl was not to be deterred by such criticism" (Ingpen, 1996:18).

Despite the criticism, and within a month of its launch, Safmarine attracted the interests of the South African mining sector (Ingpen, 1996). This development was to have an impact on how the company would be funded and managed. This was to be

expected given the interests and links between the mining sector and the shipping of the sectors minerals to foreign markets. This prompted a revisit of the funding and shareholding structure of Safmarine before commencement of operations.

2.2.4 Safmarine funding and shareholding

In 1940 when Safmarine was conceptualized, the United States Marine Corporation proposed it would fund the entire project (Ingpen, 1996). According to Ingpen (1996), Henry Mercer had occasionally mentioned to potential South African partners, neither was the intention of State Marine Corporation to have a majority stakeholder in the venture. The aim was to have a South African based partner (Ingpen, 1996).

The initial plan by Mercer was to provide partial funding, through States Marine Corporation; it would procure ships from South Africans (Ingpen, 1996). The deal looked attractive to Dr Van Der Bijl and his team (Ingpen, 1996). However, the war was scuppering the plans to establish a South African Shipping line (Ingpen, 1996).

According to Ingpen (1996), the USA government was reluctant to sell ships to Mercer's States Marine Corporation during the war; which would later be transferred to a South African company. Although this was the official reason behind the USA government's refusal, it would later transpire the US policy was a company with foreign interests must not be supported (Ingpen, 1996). The reasoning was State's Marine Corporation financial interests in Safmarine had a direct impact on US shipping lines (Ingpen, 1996). These US shipping lines were subsidised by the US government to compete in international trade (Ingpen, 1996). The US government viewed the State Marine Corporation – Safmarine relationship as a betrayal of US interests by State Marine Corporation (Ingpen, 1996).

In May 1946, in a meeting in Cape Town, Henry Mercer, Dr Van der Bijl and Arthur Harris agreed to register a private company (Ingpen, 1996). Following the registration would be a registration of a public company. According to (Ingpen, 1996) the plan, during the time was to offer 20% of the public company's shares to the public. A private company, South African Marine Corporation, was registered on 21 June 1946 (Ingpen, 1996). According to (Ingpen, 1996), at registration, its nominal share issue was £1 000.

A month after its incorporation, Safmarine raised a further £600 000 through increasing the share capital (Ingpen, 1996). Additionally, the mining sector demonstrated its support and interest in the establishment of this South African State-owned shipping company. This happened when mining giant Anglo-American Corporation advanced a £500 000 loan to Safmarine. In exchange, Safmarine offered the mining company a seat on its board of directors (Ingpen, 1996). Accordingly, Sir Ernest Oppenheimer, the Chairperson of Anglo, became a member of the Board of Safmarine (Ingpen, 1996).

Dr van Der Bijl then started to invite businesses to take up shares in Safmarine (Ingpen, 1996). He used this as a strategic move to secure southbound cargo. Prominent Industrialists would be invited to take up seats on the board, provided their companies would buy shares in Safmarine (Ingpen, 1996).

By the beginning of 1947, the South African Union and local mining industry owned 58% of Safmarine (Ingpen, 1996). According to Ingpen (1996), Henry Mercer's State Marine Corporation, and an American-based company called CF Sprague & Sons, held the remaining 42% stake. This led to Safmarine being a fully-fledged public-private partnership wherein foreign interests influenced its international business opportunities. Safmarine was subsequently converted to a public company (Ingpen, 1996).

According to Ingpen (1996) businesses in the mining sector started to buy more shares in Safmarine. This move can be attributed to Dr Van Der Bijl's industrialization skills coupled with commodities the mining sector exports internationally (Ingpen, 1996). For instance, Anglo-Vaal, a subsidiary of Anglo American, was transporting its manganese through Safmarine (Ingpen, 1996). As a result, it secured a stake in Safmarine [presumably independent from its holding company] (Ingpen, 1996). However, according to Ingpen (1996), some of the mining houses had problems in their own sectors and started to dispose of their interests in Safmarine (Ingpen, 1996). According to Ingpen (1996), events turned in the beginning of 1950s.

Around 1950, companies such as Anglo American, which had already acquired a stake in Safmarine through the loan advanced in the earlier year, intended to sell its shares (Ingpen, 1996). According to Ingpen (1996) this move was attributed to newly

discovered minerals in the then northern Free State, (which is now part of the Vaal area of Gauteng province).

The unintended consequences of the mining houses actions would later be felt in the 1950s (Ingpen, 1996). This was when most of the shares previously owned by mining houses, were bought and taken up by international companies (Ingpen, 1996). According to Ingpen (1996) Anglo American Corporation sold its stake, thus inviting more foreign interests into Safmarine.

Additionally, pressure was mounting on States Marine Corporation to cut ties with Safmarine (Ingpen, 1996). According to Ingpen(1996) this was because the US government and its American States Commission, viewed Henry Mercer's State Marine Corporation as foreign interests. This posed a dilemma for States Marine Corporation, because it had already undertaken not to own a majority stake in Safmarine (Ingpen, 1996). Given the lucrative growth of the USA – South Africa's market, it was not easy for States Marine to opt out of Safmarine (Ingpen, 1996). The availability of Anglo American's shares was a perfect opportunity for States Marine to rather take over Safmarine. According to Ingpen (1996) State Marine Corporation then resolved to disguise its assurances and used third parties to increase its stake in Safmarine.

Anglo American shares were sold to Barclays Bank (Ingpen,1996). Unbeknown to the Safmarine's board, and the managing director, Sir Arthur Harris, was Barclays Bank was a conduit for American State Corporation's takeover of Safmarine (Ingpen, 1996). According to Ingpen (1996), these shares were bought on behalf of States Marine Corporation. Additionally, it later transpired not only was American State's Marine Corporation increasing its shares through Barclays Bank. But it was also using other American-based companies, and people who had intricate knowledge of Safmarine's ownership problems, to acquire more shares (Ingpen, 1996). This left States Marine with a 52% stake in Safmarine (Ingpen, 1996).

According to Ingpen (1996) matters were exacerbated by a dispute between Anglo-Vaal and Safmarine. This was over the freight rate of manganese (Ingpen, 1996). In retaliation, Anglo-Vaal disposed of all its shares in Safmarine (Ingpen, 1996). This implied Anglo-Vaal shares were available for anyone to purchase (Ingpen, 1996). This posed further risk of States Marine Corporation acquiring these shares, to gain more

control of Safmarine. States Marine complete control of Safmarine was also affecting operations (Ingpen, 1996). However, and according to Ingpen (1996) this required urgent action and manoeuvring, to save Safmarine from being eventually owned by America's State Marine Corporation.

In response to this dilemma, Sir Arthur Harris decided to persuade a company called Clan Line to take up shares in Safmarine, (Ingpen, 1996). Although Clan Line was a foreign company, Sir Arthur Harris thought it prudent to approach them to prevent a complete take over by Henry Mercer's American State's Corporation (Ingpen, 1996). Moreover, Sir Arthur Harris had also gotten wind of Clan Line's intention to aggressively compete for Safmarine's market share of the southbound route from Europe (Ingpen, 1996). This was despite Clan Line's main operations being on the Southampton and London route, throughout the west coast of the United Kingdom, (Ingpen, 1996). Relations between Safmarine and Clan lines were important because, according to Ingpen (1996), around 1952 there were moves from States Marine Corporation to establish a new holding company in South Africa that would maintain the American identity outside Safmarine.

According to Ingpen (1996) Henry Mercer was trying to separate States Marine Corporation's foreign interests from American stringent requirements for support. In 1953 Henry Mercer established Global Shipping Company (Ingpen, 1996). He would then use this company to charter ships to Safmarine. This would allow him to use States Marine to apply for a building and operating subsidy in America (Ingpen, 1996). The formation of Global Shipping company exacerbated animosity between Safmarine and States Marine Corporation, which ended in distrust (Ingpen, 1996). This was because Global Shipping was placing orders for ships and chartering them to Safmarine at a higher cost (Ingpen, 1996). In 1953, a vessel named *Sira*, together with *Simoa* and *Sjoa*, all with 12 000 dwt, were chartered to Safmarine by Mercer's Global Shipping Company (Ingpen, 1996). Suspicions rose when pressure was exerted on Safmarine to take over an additional vessel from Global Shipping (Ingpen, 1996). According to Ingpen (1996:37) "…some felt that Mercer was off-loading surplus tonnage on to Safmarine".

According to Ingpen (1996) Henry Mercer's State Marine Corporation was forced to pull out of Safmarine by the US government. These subsidies were processed by the United States Maritime Commission (Ingpen, 1996). However, in 1959 the US

government wanted 50% of government's imports to be carried on American owned ships. In response to this requirement, the South African Union imposed the same policy on its own imports to counter the US government (Ingpen, 1996). According to Ingpen (1996), this led to discontent. It was at this time Henry Mercer had learned that his application for a US government subsidy was declined due to his association with Safmarine. States Marine Corporation was disposing its stake in Safmarine (Ingpen, 1996).

Additional to the pressure by the US government on Mercer, were developments in the shipping industry. This was at a time when the shipping industry was going through a technical revolution (Stopford, 2008). According to Stopford (2008), the shipping industry was introducing palettization and containerization (Stopford, 2008). This caused freight rates of bulk cargoes to witness a slump (Ingpen, 1996). According to Stopford (2008), traditional systems of break-bulk liner shipping were outpaced by the increasing volumes of world trade. Unitization and Multi-modal systems were infiltrating the industry (Stopford, 2008). Pressure from the US government notwithstanding, Henry Mercer would have taken those industry developments into consideration, when disposing State Marine's stake in Safmarine.

Henry Mercer's stake was on sale for R1.73 cents per share (Ingpen, 1996). The share price was on the backdrop of plummeting freight rates in the shipping industry. The boom that was occasioned by the 1956 – 57 Suez Canal closure was nearing its end, Stopford (2008). According to Ingpen (1996:40) Safmarine, "…could not declare a dividend in that year", owing to the eminent departure of one of its major shareholders, States Marine Corporation. According to Ingpen (1996) public shareholding in Safmarine also declined to 14%, this from 19% in previous months of the year. This led to the intervention by the Industrial Development Corporation in 1959 (Ingpen, 1996).

In 1959, the IDC conducted a due diligence on Safmarine as a viable investment. According to Ingpen (1996) it did not find the investment to be viable. According to Ingpen (1996), the position of the IDC on this deal prompted Jock Finlay to be accompanied by Captain George Evans to New York for negotiations with Henry Mercer. This move was prompted by a view from some in the IDC, while this deal was not viable, *"…this is probably the last foreseeable opportunity for South Africa to acquire a controlling interest in a South African based shipping company."* (Ingpen,

1996:40). The New York visit led to a revised purchase plan, which included taking over the Global Shipping Company debt (Ingpen, 1996). However, the IDC wanted further analysis and was not satisfied with the revised purchased plan (Ingpen, 1996). This prompted the involvement of the South African cabinet (Ingpen, 1996).

Despite its hesitance, the IDC came with funds to rescue Safmarine from further ownership by foreign interests (Ingpen, 1996). The IDC provided R 3,6 million during the time for a 50% stake in Safmarine (Ingpen, 1996). This was done as an effort to keep majority ownership of Safmarine within South African and out of reach of foreign interests (Ingpen, 1996).

2.2.5 Operations and Management

Stopford (2008), points out the shipping industry is complex. According to Stopford (2008), while the industry may look like one economic unit, it is mired with subdivisions. The industry is composed of four markets, that are closely related (Stopford, 2008).

According to Stopford (2008) these markets are: a) The freight market, with its focal point on the transportation of goods by sea: b) The second-hand ships' market, where the sale and purchase of used ships takes place: c) the newbuilding market where new ships are ordered, built and delivered to buyers, and: d) the demolition market where ships are scrapped and sold for parts.

The influence on a shipping company's operational governance, differ based on conditions from one sector to the other (Stopford, 2008). Safmarine was established to participate in the freight market. Within this context Safmarine operations were structured to accommodate the complexity of the industry.

Dr Van der Bijl's experience in setting up State owned companies, such as Iscor, Eskom and the Industrial Development Corporation (IDC), was instrumental in the running of Safmarine. He was one of the most, "…far-sighted South African industrialists of the twentieth century" (Ingpen, 1996:12). According to Ingpen, (1996), Dr Van der Bijl was one of the most distinguished academics with a Bachelor of Science (Honours) and two Doctorates from Leipzig and Cape Town Universities, (Ingpen, 1996).

According to Ingpen (1996) when Safmarine began its operations in 1946, Dr Van der Bijl facilitated the setting up of its board and first office space. He also organised the sitting of the first board meeting on 3rd July 1946. It was at this meeting, Hermann

Boehmke, a prominent attorney based in Cape Town, was appointed as the first board chairperson of Safmarine on 3rd July 1946 (Ingpen,1946). According to Ingpen (1996) the board meeting also confirmed Dr Van der Bijl's choice of Arthur Harris as the first managing director of Safmarine. This marked the beginning of management of Safmarine.

2.2.6 Safmarine maiden vessels

Safmarine commenced its voyage with three victory ships (Ingpen, 1996). Henry Mercer facilitated the purchase of the victory ships from the USA on behalf of Safmarine (Ingpen, 1996). At the time, the USA was disposing of some of the victory ships that were built for second world war's carriage of equipment (Ingpen, 1996).
The ships were the *Newbern Victory*, *Westbrook Victory* and *Westerly Victory* (Ingpen, 1996). Upon conclusion of purchase agreements, completion of necessary sea trials and rebranding of the ships, their names were changed before they took their maiden delivery voyage to South Africa (Ingpen, 1996).
The *Newbern Victory* was renamed *Constantia*, and arrived in Cape Town on 22 August 1947 (Ingpen, 1996). She was followed by *Westerly Victory* in October of the same year, renamed *Morgenster* (Ingpen, 1996). And the last one to arrive was the *Vergelegen*, previously known as *Westerly Victory* (Ingpen, 1996). According to Ingpen (1996), there was a definite pattern on the type of cargo Safmarine was transporting at the time. Relations between Safmarine and the mining sector yielded the transportation of manganese ore by the three vessels to Baltimore in the USA (Ingpen, 1996). This became Safmarine's maiden core business, (Ingpen, 1996).
The *Constantia* was a cargo ship steamer (Ingpen, 1996). According to Ingpen (1996) she was built for service in 1947 by a Baltimore based shipping company. She had a length of 156 metres, with 10 779 dwt (Ingpen, 1996). Ingpen (1996) furthermore states the three ships, combined with their chartered consorts, would load 8 000 tonnes of manganese to Baltimore, where three days would be required for grabs to offload. This showed the growth of the RSA -USA route.
However, the transportation of ores was often disrupted by lack of rolling stock in the railway sector (Ingpen, 1996). Safmarine's focus on international trade was aided by American demand for manganese. Trade for Safmarine was less affected by coastal shipping (Ingpen, 1996). Safmarine expanded its business beyond South African ports

and started to load in Lourenco Marques, this being Maputo as it was formerly named until 1976 (Ingpen, 1996).

According to Ingpen (1996), while en route to the USA from Durban, Safmarine vessels would anchor in Walvis Bay, in South-West Africa, to load copper concentrates or ingots (Ingpen, 1996). These minerals were transported to the port from inland areas such as Tsumeb, in Namibia. The *Morgenster* proved to be a worthy return on investment for Safmarine, this within a year since she was purchased (Ingpen, 1996). She propelled Safmarine into being the most successful business on the South Africa – United States route (Ingpen, 1996).

Figure 2Ingpen (1996), 1947 August 22's arrival of the Constantia in the Cape, the first SAFMARINE vessel

This development was commendable, particularly when considering the competitive nature of the South Africa-USA trade route. The success of Safmarine could be attributed to South African businesses preferential bookings of their export and import cargo (Ingpen, 1996). According to Ingpen (1996), companies such as OK Bazaars, Jack McMaster and others, instructed their US based agents to book cargo with Safmarine vessels before any other liner was considered.

The above strategy according to Ingpen (1996), even led to the chartering of additional vessels by Safmarine. This led to Safmarine's ability to cater for cargo from SA to USA and back, thus covering each direction every three weeks (Ingpen, 1996). The marketing and brand positioning of Safmarine started to take shape.

Safmarine embarked on an aggressive public relations exercise overseas to secure more cargo for its vessels (Ingpen, 1996). This led to support from small businesses based in Johannesburg; committing to support Safmarine as a new company in the maritime sector (Ingpen, 1996).

Despite the success Safmarine experienced in its first decade of operations, it only gained positive reporting from local media (Ingpen, 1996). According to Ingpen (1996), scepticism from media outlets in countries where Safmarine had fierce competition, grew with time (Ingpen, 1996). Its operations were also affected by political developments outside the maritime industry (Ingpen, 1996).

Operations of Safmarine in the early 1950s were influenced by political developments in South Africa (Ingpen, 1996). According to Ingpen (1996) this was because the country held elections in May 1948, where political power and administration changed. The United Party of General Jan Smuts, who was instrumental in the establishment of Safmarine, lost elections to the National Party of General D. F Malan (Ingpen, 1996). The significance of the National Party's victory for Safmarine was its election campaign was rooted in localising the South African economy (Ingpen, 1996). According to Ingpen (1996) the Union government started to assert local players must have a more meaningful role in the industry. This further led to Safmarine exploring opportunities presented by South Africa's trade growth (Ingpen, 1996). This implied Safmarine was to secure a higher market share of cargo headed to Britain (Ingpen, 1996). This affected Union Castle Line's shipping contract with the government.

In response to these political developments and government assertions, Union Castle Line registered two freighters in Cape Town (Ingpen, 1996). According to Ingpen, (1996) the idea was to preserve its dominance in the coastal shipping market, as well as its mailing contract with the government.

2.2.7 Safmarine early market share

According to Ingpen (1996), operations on the British west coast ports improved in the 1960s. Safmarine was able to secure 22 sailings a year from Britain to South Africa

(Ingpen, 1996). This increased its market share and put it on a footing to compete with Union Castle. According to Ingpen (1996), this also meant Safmarine could service the countries of Northern and Southern Rhodesia, (respectively modern-day Zambia and Zimbabwe), as well as Nyasaland, (modern day Malawi). Servicing these SADC countries was made possible by the availability of suitable export facilities in both South African and Mozambican ports (Ingpen, 1996). According to Dlamini (2020) southbound cargo was also increasing in the late 1970s and Safmarine had the lion's share of it. This demonstrated the company's growth.

2.2.8 Safmarine Expansion and Diversification

The growth of the business was largely due to its diversification strategy; which from the inception of Safmarine, was premised on acquisition of stakes and control in other companies (Dlamini, 2020). According to Dlamini (2020), almost two decades after its entrance into the market, Safmarine acquired Thesens and became the controlling shareholder of the company. When it sold its stake two years later, this was meant to acquire a 40% stake in a newly formed company, Unicorn Lines (Dlamini, 2020). This led to ambitions to expand Safmarine in other regions of the world. During the 1990s the business organogram showed Old Mutual and Safren as having an interest in Safmarine (Ingpen, 1996). In the 1960s, Safmarine South-East Asia, known as Safsea was established (Ingpen, 1996). This propelled the volume of cargo Safmarine moved from Hong Kong to South Africa (Ingpen, 1996). Safmarine became the company with the largest amount of cargo moving between these two destinations, within a period of five years (Ingpen, 1996).

During the 1960s, Safmarine furthermore expanded its interests and diversified into air transport (Ingpen, 1996). According to Ingpen (1996) the business started to invest in aircraft operating companies such as Air Cape. The business went as far as opening offices in the UK. According to (Ingpen, 1996), through the UK office, Safmarine was able to oversee the delivery of bulk carriers and refrigerated ships and cargo liners. The aircraft company offered charter services for companies that were exploring oil opportunities along the coast (Ingpen, 1996). According to Ingpen (1996), in 1970, SAFAIR Freight Pty Ltd was formed by Safmarine. The fleet of SAFAIR expanded as years went by (Ingpen, 1996). SAFAIR's core business being air freight charter,

leasing, engineering, maintenance and aircraft conversions (Ingpen,1996). In partnership with SWIFT, Safmarine secured a 46% stake in the latter to also get involved in ground handling at airports (Ingpen, 1996). Through collaboration with agencies, it extended its services to Zimbabwe, through Zimbabwe's shipping (Ingpen, 1996).

During early 1990, Safmarine's interests in the airline industry were boosted by its acquisition of a 37,5% stake in Trek Airways (Ingpen, 1996). According to Ingpen (1996), the airline operated passenger services between Johannesburg and Luxembourg. This led to the formation of another airline, Flitestar, towards the end of 1991, which became a local passenger line (Ingpen, 1996). According to Ingpen (1996) Flitestar was becoming a competitor to South African Airways (Ingpen, 1996).

However, the aircraft business could not compete with South African Airways, which was protected by government regulations on internal passenger flights (Ingpen, 1996). According to Dlamini, (2020), a relationship between Maersk and Safmarine led to the formation of another company, Ocean Africa Container Lines. However, towards 2012, OACL would be owned by Grindrod, which acquired a 51% stake in the venture. Recently on its website, Maersk completed the integration process of all Safmarine operations. The complex manoeuvring began in the 1990s, eventually leading to ownership of Safmarine by Maersk.

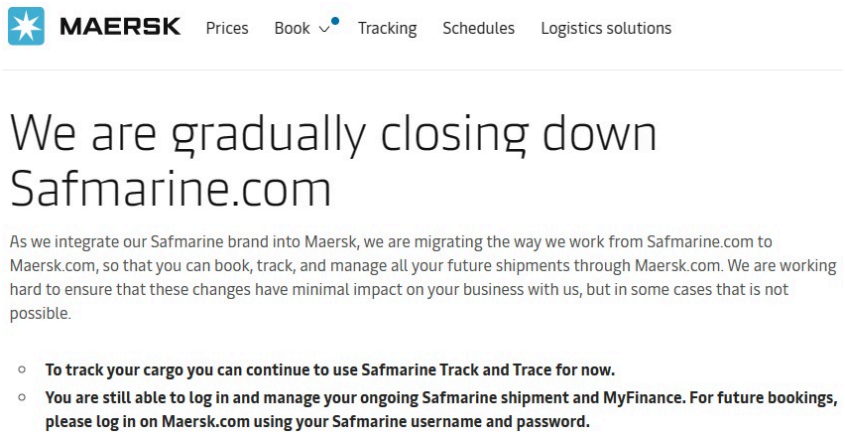

Figure 3 Maersk website (2023), confirmation of SAFMARINE's complete takeover.

This is an announcement confirming the disappearance of the Safmarine brand from all Maersk services. These would reflect a Maersk brand service when historical

Safmarine customers log into the latter's website. The above signalled the end of Safmarine as it was known since 1946, implying acquisition by Maersk.

2.3 Review of policies and legislative framework guiding state participation in the maritime sector through ownership of a shipping company in South Africa.

2.3.1 Policy environment in the maritime sector.

On 27th April 1994, South Africa ushered a new political dispensation where all her eligible citizens elected a government of their choice for the first time. This event set in motion racial inclusivity in all sectors of the economy. The maritime sector was one of the many sectors transformed to eradicate the hegemony of racial separation and opportunities for whites only that were created by the apartheid governance system (Department of Transport, 2017:24). Below is a brief discussion of those policies essential in the maritime sector since the 1994 democratic dispensation:

2.3.2 White Paper on National Transport Policy of 1996

The White paper on National Transport Policy was the first policy document developed, aimed at addressing South Africa's transportation challenges after 1994. Like other policy documents that followed, it was a culmination of stakeholder participation which lasted for over a year.

The white paper provides that maritime transport encompasses all forms of transport by sea, but with more focus on the freight market. The paper downplays the role of sea transport in the passenger market. The policy outlines, its strategic objectives to facilitate and enhance expansion of international trade, tourism and exports. It also aimed, '…to ensure economic decisions are, left to market forces' (National Transport Policy White Paper, 1996:31). From the onset, and with the benefit of hindsight, government did not see its role in the maritime sector as steering transformation. The policy confirms government placed its hope on the market to work towards transformation. It was only seven years later government woke up to realize its economic principle, as outlined in the policy, of maintaining a competitive climate through avoidance of protectionist maritime practices, did not work to transform the maritime sector. In response to this failure, government adopted the 2003 Charter.

2.3.3 South African Maritime BEE Charter of 2003

The Charter set its long-term vision, as the development of South Africa to become one of the top 35 nations, by the year 2014. It noted 35 countries controlled 95% of the world's fleet (The South African Maritime BEE Charter, 2003:4). Unlike the national transport policy that preceded it, the charter noted a need for a deliberate strategy to increase skills, capital and economic opportunities in the maritime sector. This would have been welcomed by those who were locked out of participation in the sector. The previous transport policy left participation and growth to market forces. The policy did not have black economic empowerment as its objectives. The closest the white paper got in relations to black economic empowerment, was land passenger transport. No mention of sea transport related to black economic empowerment was made.

While the previous policy left empowerment to market forces, the charter recognized this as a stumbling block to transformation of the sector. Government and the trade union movement supported the charter. This was because the charter identified black economic empowerment as a key indicator for transformational success in the maritime sector.

It is not entirely surprising international stakeholders (shipowners), were never in support of the charter. It would also make sense the charter did not get much support from international markets (Ports and Ships, 2003). This is because the charter aimed to reduce their participation in the South African maritime sector. The charter did this through support of The Ship South African Campaign, which was a strategy to persuade local cargo owners, stakeholders in the mining and liquid fuels industries to increase the utilization of South African ships for carriage of cargo. This led to a need for a freight logistic strategy.

2.3.4 National Freight Logistics Strategy of 2005

The National Freight Logistics Strategy (NFLS), sought to address logistical challenges, including sustained monopolies in the freight logistics sector. It identified there was a mixture or co-existence of good and bad in the South African infrastructure (Department of Transport, 2005:7). The strategy saw the country's geographical positioning as a disadvantage when compared with global routes (Department of Transport, 2005:3).

NFLS lack of an integrated policy, strategy, planning and forecasting on national and regional levels as a reason for disconnect between national plans and regional planning. It also identified lack of interconnectivity, standard harmonisation and system integration as leading to unequal development on infrastructure and maintenance (Department of Transport, 2005:6).

In specifically addressing maritime related challenges, the NFLS identified historical design of ports as poor. There was no investment in port handling equipment and other operational systems. This, according to the NFLS, was also exacerbated by lack of human development. At the time, the NFLS estimated that R 12bn would be required for the National Ports Authority (NPA) capital expenditure. Port productivity was very low when compared with international benchmarks There was no competition in port operations, which accordingly leads to inefficiencies (Department of Transport, 2005:24).

According to Shaw (2006) South African ports required significant interventions in the areas of cargo handling, as well as in congestion problems. Port congestion was reducing the effectiveness and cost efficiency of South African supply chain processes (Shaw, 2006:11). Pattern of global and domestic trade were changing already and putting pressure on the port of Durban. Adding to these challenges, parliament identified dual mandate of state-owned enterprises in the maritime sector and different government perspectives as problems. The transport industry also felt it did not have support from government in collaborative efforts.

2.3.5 South African Maritime Policy of 2008

Government developed yet another policy for maritime, albeit with more emphasis on investigating how previous policy objectives could be integrated and developed. This policy acknowledged there had been lack of communication between government and stakeholders on maritime matters. The policy statement recognized the role of the South African Maritime Safety Authority, (SAMSA). Its statement provides SAMSA is the industry's first point of contact with government and provides vital services. A reading of this policy does not show much difference from past policies, where the maritime sector is concerned. This policy has detail of areas of maritime it seeks to redress i.e. It dwelled more on operational areas, such as ship and boat building and ship repairs. It also looked at shipping and maritime logistics and emphasized, "South

Africa's ability to influence shipping costs lies with the ability to manipulate those areas of the chain it has control of or has some measure of control." (Department of Transport, 2008:26). Ports, rail and road systems, were collectively identified by the 2008 maritime transport policy as forming part of the maritime supply chain.

The 2008 South African Maritime policy was the first document to express the following in its policy statement 11:

> "The South African Government shall have a cabotage policy, in line with the guidelines established under the auspices of the United Nations Commission on Trade and Development (UNCTAD)" (Department of Transport 2008: 25).

The importance of policy statement 11, demonstrated an intention to protect the local maritime sector through cabotage. According to Dlamini (2020:1) cabotage refers to '…the exclusion of foreign vessels or the imposition of restrictions a coastal jurisdiction places over the loading and discharge of cargo between its coastal ports". It can be adapted by each country in accordance with its own coastal market considerations and dynamics (Dlamini, 2020). Cabotage can be restrictive or liberal in form, with the former emphasizing utilization of domestically-build vessels, locally registered companies and high percentage of national crews as conditions for trade reserves. Deliberate cabotage takes a form less restrictive in that it relaxes certain conditions for a period, thus placing competition above development in most instances, (Dlamini, 2020).

The 2008 policy considered cabotage in line with a reversal of free on board (FOB) shipment terms. The policy argues further in statement 11 in the following terms:

> "The enabling environment for market entry by new players would have to deliberate on the reversal of free on board (FOB) shipment terms, so that South African exporters can have a choice of ships, including the use of SA-owned ships" (Department of Transport 2008: 26).

Ship ownership, financing and registration details were diverted to various legislative prescripts to detail government's intention to drive their intentions. Nevertheless, the policy provides a need for harmonious and sustained development of an African fleet, in cooperation with the AU and the African Maritime Transport Charter.

2.3.6 Revised African Maritime Transport Charter of 1994 (adopted in 2010)

The African Maritime Transport Charter (AU Charter) recognized member states efforts to develop their own maritime transport sector. South Africa is a member of the African Union. In its Third Session in Addis Ababa in 1993, the Conference of African Ministers of Maritime Transport reiterated a need for countries to cooperate with one another in finding solutions to problems hindering development in the maritime sector within the continent (African Union,1994). Articles 2 of the AU Charter respectively, provide for member states to adhere to solidarity and independence, harmonization and co-ordination, and the right of free access to the sea for land-locked member states, provided they comply with laws and regulations of the transit states.

South Africa's geographic positioning creates a competitive advantage within the South African Development Community (SADC), because of the various countries land locked and dependent on her sea waters. The country could have easily developed its infrastructure to cater for new markets the AU Charter was bringing on to its ports. However, just like domestic policies that could not be implemented, the AU developed a new strategy to implement the charter and realize its success through the African Integrated Maritime Strategy of 2013.

2.3.7 African Integrated Maritime Strategy (2050 AIM Strategy) of 2013

The AIM strategy sets 2050 as a year in which Africa would foster an increase in her wealth creation, using her oceans and seas, thus developing a sustainable thriving blue economy. This position is commendable when gauged against the AU Charter, which did not set any target by when its objectives should have been met. However, the goals of the 2050 AIM Strategy, do not seem to be congruent with its vision because they still outline a need for, "…a comprehensive understanding of existing and potential challenges, including allocation of resources to identified priorities over a pre-determined timeframe" (African Union, 2013:11). The implication of this approach were, Africa did not know what its maritime challenges were or how they were hindering progress. Data on maritime activities in the continent is not easy to obtain. South Africa, which hosts one of the continent's largest ports, has also not been able to provide reliable data on maritime activities in the continent. It is submitted collection of data needs to be expedited for AIM 2050 to be realized.

2.3.8 Operation Phakisa of 2014

Operation Phakisa was launched in 2014, (Department of Planning, 2014). Its main purpose was to fast-track, among other areas, developments in the maritime economic sector, (Department of Planning, 2014). Ironically, this was the year set as a target for achieving the long-term vision of the 2003 Charter, (The South African Maritime BEE Charter, 2003). It can be argued government realized in the year of the deadline for the charter, it had not met its target, and thus launched Operation Phakisa. In Sesotho the word, “Phakisa’, loosely translated means, “hurry up”. Government was not in a hurry to meet the already late long-term vision of the charter.

2.3.9 Comprehensive Maritime Transport Policy of 2017

The intention of the 2008 South African maritime transport policy to integrate all government policies in the maritime sector, only found expression almost a decade later with the adoption of the Comprehensive Maritime Transport Policy (CMTP) in 2017. The CMTP makes this point even clearer when it provides the following:

> “The policy is consistent with, and compliments government‘s broad strategic, economic and social objectives. The broad government policy is contained in various policy documents”, (Department of Transport, 2017:26).

The CMTP recognizes further, the national policy environment and all its related instruments have evolved over the years. Policies being discussed in this paper have found expression in the CMTP. Any further discussion of the CMTP will amount to a repetition of points already extracted from past policy positions and implementation strategies comprising the policy environment in the maritime sector.

However, the policy did not address state-ownership of a shipping company. It also did not discuss any model that would have to be followed in the event the state decides to own a shipping company. This has led to the publication of the South African Shipping Company Bill.

2.3.10 South African Shipping Company Bill (2022)

On 20th November 2022, the South African government released a Draft South African Shipping Company Bill, (hereinafter referred to as “SASCO Bill”). This was coupled with an invitation for public participation as required by law (Notice 1376 GG 47428, 2022). The bill promulgates for participation in the carriage of exports and

imports through a national carrier. Section 3(a) of the SASCO Bill sees this as the object of the South African Shipping Company.

The release of the SASCO Bill signalled a clear intention by the SA government to own a shipping company from the idea developed in 2011. According to section 3 of the SASCO Bill, SASCO will own and manage a strategic fleet of vessels, acquired or built, and registered in terms of the South African Ship Register. SASCO will furthermore engage in tanker, bunkering, container, bulk cargo, customs clearing and coastal shipping, and other services.

According to section 5, financing of SASCO is envisaged to be through funds allocated by an industrial development fund. Section 5(1)(c) provides for money to be apportioned through parliament. Additionally, the section provides for the establishment of an Industrial Development Fund. Since South Africa already has an Industrial Development Corporation (IDC), the fund called upon by Sasco Bill is a new financing vehicle all together.

Section 6 of the bill seeks to protect SASCO against existentially threatening disputes. The section militates against any attempts at placing SASCO under judicial management or liquidation. Parliament, through section 6, is empowered to be an arbiter on matters related to judicial management or liquidation of SASCO. In contrast to the protectionism displayed, section 9(1) unequivocally provides the state is the shareholder. The minister exercises rights on behalf of the shareholder in terms of section 9(2). This may lead to a separation of powers collision between executive and legislature.

Section 9(3) empowers the minister to transfer shares without consulting parliament. This may contradict government's intention to own a shipping company and arguably points to lack of a proper model for a shipping company. When shares are transferred from government, SASCO may be prone to commercial risks that may defeat the protectionism envisaged in section 6 above. An appropriate model will then have to recommend a viable shareholding structure, if shares are to be transferred to parties other than the state.

Section 10(1), provides SASCO's main function is to engage in commercial shipping business. It must furthermore, and as envisaged in sections 10(2)(a) to (i), be globally competitive, provide efficient shipping services, maintain a professional and skilled

workforce. SASCO must maximise the company's economic use of ships and consider selling out its ships space to potential shippers.

2.4 BRICS and the politics of establishing a state-owned shipping company.

2.4.1 Introduction

This section of chapter 2 discusses the role that politics and political considerations have influenced decisions on the establishment of state-owned shipping companies in countries of Brazil, Russia, India and China. Within this context, the chapter explains a brief overview of political developments since the end of the Second World War.

2.4.2 The politics of establishing state-owned shipping companies

The preamble of the SASCO Bill provides, for the promotion of an efficient international shipping service as one of the main purposes of SASCO. The approach of the SASCO Bill, is the shipping industry has, "…a distinctive international flavour" (Stopford, 2008:44). According to George (2013) the shipping industry is an essential global economic development player. The shipping industry referred to as, "…the invisible industry that puts clothes on our backs, gas in our cars and food on our plates" (George, 2013:287). This is more so because seaborne trade takes place between countries. Thus, seaborne trade has an international character. Owing to its international posture, the shipping industry operates in a globally and politically influenced space.

According to Stopford (2008), the prosperity of the industry is often dependent on the stability of the world's political environment. Consequently, Stopford (2008) cautions against attempts to ignore the role of politics in national and international aspects of the business affecting the shipping industry. As a result, the shipping industry has not been spared from world political conflicts that continue to have an impact on the global economy (Stopford, 2008). The same can be said of its growth and development.

Stopford (2008) furthermore argues due to the shipping industry's concern with international trade, governments policies form part of the operational patterns of agreements within the industry. According to Stopford (2008), one of the most notable political redesigns affecting the shipping industry, has been the Bretton Woods Conference of 1944. According to Ikenberry (1992) Bretton wood was a postwar

politically engineered settlement between nations. The fundamental outcome of the conference, in relation to the shipping business, was the global freedom of trade. This ushered in an era for, "…international economic stability, which allowed companies and investors to operate freely across the globe" (Stopford, 2008:385).
According to Stopford (2008) this development further helped to dismantle European empires in the 1950s and the removal of bilateral trade preferences (Stopford, 2008). Another development was the drop in costs of sea transport (Stopford, 2008). According to Stopford (2008) this led to more access to areas too remote for any possible economic development. With each decade, countries started to improve their inland transport infrastructure, based on prospects for economic development been brought by world economic and political stability (Stopford, 2008). According to Stopford (2008), sea trade expanded from 0.55 billion tons in 1950 to over 7 billion tons in 2005. This can be attributed to the redesign of politics and economic arrangements in the world, (Stopford, 2008).

Political and economic realignment did not cease with Bretton Woods. There had been many other political developments in the world affecting seaborne trade between 1944 and 2023. The most prominent was the establishment of the United Nations (UN), in 1945 (Strydom et al., 2016). According to Stopford (2008), later in the 1960s within the UN, there was the 1960s establishment of the United Nations Convention on Trade and Development (UNCTAD). UNCTAD became more relevant for seaborne trade because third world countries use UNCTAD to lobby for access to the shipping industry (Stopford, 2008). In previous years, the world witnessed the collapse of the Soviet Union, which was followed by China opening its territory for free trade in the 1990s (Stopford, 2008).
In the context of post 1994 South Africa, their invitation to be a member of the Brazil, Russia, India and China (BRICS) in 2011, promises further political and economic realignment. These countries collectively became known as BRICS (Hou, 2013:358). According to Salzman (2019), BRICS was inspired by a paper authored by Jim O'Neill of Goldman Sachs in 2001. The paper was written after the September 2011 attacks in the USA. In the paper, O'Neill is said to have realized the, "…future of 'globalization' would no longer be synonymous with 'Americanization' " (Salzman, 2019:24).
This influenced Goldman Sachs' investment strategy as a bank, (Salzman, 2019). This was because BRICS was seen as a way of increasing South-South economic

cooperation infused in non-Western world discontent with US global leadership Salzman (2019). However, the irony is unlike its BRICS' peers, South Africa has no state-owned shipping company.

2.5 Establishment of state-owned shipping in other BRICS countries

2.5.1 Establishment of Petrobras / Transpetro (Brazil)

In 1953, the government of Brazil resolved to embark on an industrialization programme (Victor et al., 2011). According to Victor et al., (2011) the success, or otherwise, of this programme would be premised on the exploitation of the country's natural resources.

According to Stopford (2008) Brazil is known as a world leader in the exportation of iron ore. Additionally, the country sought to explore its oil resources, which were not in high quantities in 1953 (Victor et al., 2011). However, the oil became Brazil's gateway to an industrialization programme (Victor et al., 2011). To give effect to its plan, the government launched a campaign called, "*O petróleo é nosso*", translated means, "Oil is ours" (Petrobras, 2023).

In 1954 Petrobras would be founded as a state-owned company, responsible for producing oil (Victor et al., 2011). During this time two existing refineries were incorporated into the new business, Mataripe and Presidente Bernades Refinery (Petrobras, 2023). However, when the business started, it neither had significant oil reserves nor expertise to produce or refine oil. To address these challenges, Petrobras launched a training and development programme with focus on oil exploration (Petrobras, 2023). This led to the creation of the Petroleum Improvement and Research Centre (Cenap) in 1955. The results of the training and development programme were realized five years later. The first refinery under Petrobras was constructed in 1961 (Petrobras, 2023).

In addition to refineries, the National Oil Tanker Fleet (Fronape), was incorporated into the new company, Petrobras (Petrobras, 2023). Fronape was established in 1950 to receive the *Venus*, an oil tanker acquired from a Swedish company (Transpetro, 2024). The fleet acquired from Fronape launched Petrobras diversification into the shipping industry. This led to the incorporation of Petrobras Transporte S.A., fondly

known as Transpetro in 1998 (Transpetro, 2024). Despite being a subsidiary of Petrobras, Transpetro became a *de facto* state-owned shipping company in Brazil.

2.5.2 Establishment of Sovcomflot (Russia / former USSR)

The United Soviet Socialist Republic's government and now Russian Federation founded Sovcomflot Group in 1973 (Sovcomflot, 2023). According to the website of Sovcomflot, (2023), the establishment of the company was influenced by market challenges prevailing at the time. This was when Russia experienced a poor yield of its crop, which affected grain feed supply in the previous year (Sovcomflot, 2023).
During the times of poor crop yield, demand for grain was at 40 million tons annually (Sovcomflot, 2023). This required an arrangement for grain transportation by sea, between the US and Canada (Sovcomflot, 2023). Meanwhile, an agreement on Certain Aspects of Maritime Navigation was in force. Accordingly, the agreement provided for the USSR and the USA to divide their cargo transportation needs on a One Third principle (Sovcomflot, 2023). The implication was US and Russia would share cargo on 33% each. This meant when cargo from the US headed to Russia, the latter could allocate 33% to the Russian fleet. Russia was expected to apply the same principle to cargo headed to the US. The remaining 33% would be allocated to vessels foreign to those two countries. Although this agreement was temporary, its ramifications had a long-term effect.
Suspicions within Russia were its fleet was paying inflated prices for utilizing US vessels based on the One Third principle, while it was paid market related rates for transporting US inbound and outbound cargo (Sovcomflot, 2023). It was at this point the idea of setting up a bareboat charterparty for government was explored, (Sovcomflot, 2023) . According to Coghlin et al., (2014), a bareboat charter allows for the leasing of ships without crew, where the charterer is in control and determines all operations of the ship. The Russian government stretched it further and leased ships over a period with an option to buy (Sovcomflot, 2023). The strategy led to the birth of Sovcomflot.

Sovcomflot was not the only state-owned shipping company established by the Russian Federation (Moe and Brigham, 2017). According to Moe & Brigham (2017) Atomflot was established to manage and operate Russia's icebreakers for the

Northern Sea Route Project, including the provision of ice pilots. Atomflot offers icebreaker escort services for vessels using the northern sea route, (Moe & Brigham, 2017). According to Moe & Bringham (2017) the project does not allow for any financial and operational scrutiny. This creates challenges for a proper assessment of the company (Moe & Brigham, 2017).

Another state company that existed in the USSR was Sovracht (Sovcomflot, 2023). According to Sovcomflot (2023) company website, Sovracht was founded in 1929. It has since become an independent company, (Sovcomflot, 2023). It would become the company aiding the establishment of Sovcomflot in 1973.

Sovcomflot is the most reliable company through which state-ownership of shipping companies in Russia can be assessed. According to Sovcomflot (2023), Sovcomflot became the first company after the fall of the USSR to publish its financial statements in accordance with accepted international standards. Sovcomflot is currently Russia's largest shipping company (SCF Group, 2023). It has a fleet of 50 crude oil tankers among its fleet. Its board of directors comprises executives from the Presidential administration of Russia.

2.5.3 Establishment Shipping Corporation of India (India)

A major feature of India's maritime participation was the establishment of the Shipping Corporation of India (SCI, 2023). This is a state-owned enterprise that manages national and international lines under the Ministry of Shipping, (CNBC, 2023). According to SCI (2023), the Shipping Corporation of India was founded in 1961 through amalgamation of the Eastern Shipping Corporation and Western Shipping Corporation (SCI, 2023). Through this amalgamation, the SCI acquired its first fleet. SCI became the country's first state-owned shipping company.

According to Srivastava (1968), the SCI commenced its operations with 17 ships. These were 2 tankers, 2 passenger-cum-cargo ships and 13 cargo liners. These ships made it possible for the business to service the East and West Coasts of West India, stretching the service to the West Asian Gulf. These routes were launched 4 months after the amalgamation process. At the time India was one of the world's major players in the exportation of iron ore in the world.

However, in 1964, SCI diversified its operations and focused on the transportation of crude oil. Eleven years later, it purchased its first large crude carrier (SCI, 2023). The SCI was also able to participate in the Indian East Coast – Red Sea, India - USA pacific coast – Canada, and India west coast – Australia routes. In 1975, SCI's participation on these routes helped to establish relations with other shipping lines across the world. Notably, SCI forged relations with the Islamic Republic of Iran Shipping Lines, this to support India's demand for crude oil (shipindia.com, 2023).

2.5.4 China's COSCO Shipping Corporation: The beginning

In the mid-1950s Chairman Mao Zedong of the People's Republic of China pushed the idea of establishing a Chinese owned shipping fleet (COSCO, 2023). This kick-started a process towards the development of an ocean policy for China. To understand COSCO, it is important to look at China's shipping history post the Second World War.

China had just emerged from the Second World War, and was re-building relations with countries such as Poland and Czechoslovakia (COSCO, 2023). At the time when the idea of a state-owned shipping company was raised, the aftermath of the Pacific War was still visible ("Britannica," 2024). However, there was shortage of skills set to advance China's plans (COSCO, 2023).

According to COSCO (2023) China relied on its relations with other countries to develop professionals to set up a state-owned shipping company and engage in human resource development. Poland and the Czechoslovakian Republic trained the human capital China required to advance its shipping fleet project (Cosco, 2023). When the development of professionals was taking place, efforts to start shipping companies between these countries commenced (Cosco, 2023). Together with Poland, in 1951 China a joint stock shipping company was set up by the two countries (COSCO, 2023). According to COSCO (2023) the company became known as Chipolbrok. Because of the success of this project, China expanded its cooperation initiatives to set up another joint-stock shipping company. In 1959, the Czechoslovakia International Ocean Shipping Company was established between China and the Czech Republic (COSCO, 2023).

The China Shipping Corporate Limited (COSCO) is the largest shipping and logistics state-owned company in China (Zheng and Smith, 2017). The company was established in 1983, following several rounds of historical mergers and integration of shipping companies state-owned in China. These restructuring processes took place over years, until the formation of COSCO Group (Zheng & Smith, 2017). According to Zheng & Smith, these restructuring processes created a complex company structure and services opaque to anyone not familiar with COSCO and all its activities.

According to Granados (2006), during the transitional period of 1946 -1952, China's ocean policy was geared towards economic development focused, guano (fertilizers), fisheries and shipping (Granados, 2006). This became more evident when in 1947, a National Conference on Port Development was hosted by the Republic of China's Ministry of Transportation (Granados, 2006). The port development conference resolved and supported, capital investments, formulation of maritime trade law and establishment of a maritime court (Granados, 2006). And there was a need to develop a shipping route to connect China with the rest of the world. The route passed through the archipelagos, which were not developed owing to disputes about their ownership. As a result, and according to (Granados (2006) China's irredentism policy against the archipelagos of Spratlys, Paracels, Pratas Islands and the Macclesfield Bank was important to naval planners.

This was after the Ocean Shipping Bureau was founded three years earlier by the Ministry of Transport (COSCO, 2023). The Bureau was tasked with facilitating the establishment of a Chinese fleet. The Bureau was instrumental in accelerating the process of a new company for China (COSCO, 2023). In between the foundation of the Bureau and the establishment of a shipping company, there was a programme to repatriate Chinese who were in Indonesia. This programme arose at a time when the government of China did not have its own vessel (COSCO, 2023).

In 1959, a decision by the government of renting ships to assist in the repatriation programme of Chinese who were in Indonesia. Some of the ships were sourced from Greece. According to COSCO (2023) the repatriation programme also served as a rehearsal for China of vessel management and ownership. The country gained confidence in its ability to own and manage a vessel fleet. The ministry of transport ocean policy eventually led to the development of a Chinese shipping and maritime sector.

According to Zheng & Smith (2017) the Ministry of Transport in China established the China Ocean Shipping Company in 1961. According to COSCO (2023), the exact date on which the Chinese Shipping company was, "…founded as an international ocean shipping company," was on 27 of April 1961.

On 28th April 1961, the first passenger liner, 'Guang Hua'' sailed to Jakarta and Indonesia (COSCO, 2023). According to COSCO (2023) this signified China's rejuvenation and striving towards its pre-pacific war times before civil decline and foreign invasion (COSCO, 2023). According to Zheng & Smith (2017), COSCO is currently the second largest shipping company by number of vessels and shipping capacity in the world. It trails behind the Maersk Group (Zheng & Smith, 2017).

Within a historical context, COSCO has not stopped to develop its presence in seaborne trade. It continued to develop through a complex, network of companies established under the COSCO Shipping.

Some of these companies are: Cosco Shipping Holdings, Cosco Shipping Corporation Limited and Cosco Shipping Lines. All these companies have other companies with which they were merged, for instance, China Ocean Shipping and China Shipping Company were merged to form COSCO Shipping Corporations Limited. For convenience, "COSCO" in this paper refers to all companies within this state-owned shipping group. Where necessary, reference is made to a specific company under the COSCO brand.

2.6 Service offering

2.6.1 Transpetro & Petrobras services

Transpetro offers a terminal and pipeline service (Transpetro, 2024). These services are rendered in conjunction with Petrobras, (Petrobras, 2018). Terminals are used to process and transport oil to warehouses. According to the Annual Report of Petrobras (2018), the terminals are also involved in the processing of oil exported to international markets and which is sent through 13 refineries within Brazil.
In addition, the business also offers a natural gas regasification process at some of its terminals (Transpetro, 2024). This is supported by a pipeline service that joins regional

networks that distribute gas to service stations and other distribution bases (Petrobras, 2018). In 2018, the business moved 564 million metric tonnes of cargo through its terminals. To achieve these, over the past 70 years, Petrobras and Transpetro have invested significantly in vessels, port terminal and a logistics infrastructure (Petrobras, 2018). According to the annual report of Petrobras (2018), further investment has been on vessels that have capacity to produce, store, offload oil and natural gas to shuttle ship tankers were built.

Petrobras has 123 vessels. These comprise 43, owned by the business, and 80 chartered (Petrobras, 2018). Additionally, Transpetro supports Petrobras services through a vessel fleet of 6 Carriers, 6 Crude Oil Tankers, 5 Product Tankers and 9 Shuttle Tankers, (Transpetro, 2024). All Transpetro vessels are owned by the business and registered under the Brazilian flag, (Transpetro, 2024). A further R$ 1.454 billion was invested towards the construction of four new vessels as well as maintenance of logistics infrastructure (Petrobras, 2018). This resulted in the delivery of 3 Aframax class vessels and a Gas Tanker (Petrobras, 2018). These vessels were added into Petrobras' service, offering 7400 kms of eastern coastline facing the Atlantic Ocean.

The coastline is complemented by almost 50 000 km of navigable river system in Brazil, where most of the 56 inland terminals warehouses are built (Petrobras, 2018). Inland terminal warehouses have a combined storage capacity of 10 thousand metric tonnes. This allows for different modes of transportation to reliably supply oil, oil products, biofuels and gas (Transpetro, 2024). Petrobras owns all 56 terminals. However, 9 are contracted to third parties involved in transportation and storage services.

2.6.2 Sovcomflot Ice-breaking service

Sovcomflot principal service offerings are in seaborne transportation of crude oil and petroleum products, offshore upstream services and seaborne transportation of liquefied natural gas (Sovcomflot, 2023). According to Ernst & Young (2021), in 2020 management divided the company into two divisions: industrial and conventional shipping. The divisions are furthermore divided into five segments, which are managed per divisional allocation. These segments are the offshore service and gas

transportation, which fall under industrial shipping. Crude Oil and oil products transportation are located under the conventional shipping division of the business.

The *Offshore services* segment is concerned with loading of oil from offshore facilities. These facilities are oil rigs which are in the ocean, where oil is extracted from the seabed. The offshore service utilizes specialized service vessels and shuttle tankers. Through its icebreaking supply vessels, Sovcomflot offers an ice breaking service for drill rigs.

Figure 4 Pinterest website, https://za.pinterest.com/pin/360780620134126794, an image of one of Gazprom's oilrigs in Russia.

Through this segment, Sovcomflot also offers early-stage emergency response and distress calls. Floating storage, offloading units and logistical support are offered under the industrial segment. A fleet of 19 shuttle tankers is commissioned to support these offshore services.

The business has a *Gas transportation segment* that renders a liquefied natural gas (LNG), and liquefied petroleum gas service (LPG). The business LNG business has grown since 2000. The *crude oil transportation segment* comprises 53 carriers

servicing the market. The service has culminated into sea transportation of crude oil to European ports on a regular basis. Lastly, *Oil products transportation segment* utilizes 36 oil petroleum carriers to transport refined petroleum and other oil products. This is the segment where Sovcomflot is rendering its service through chartered carriers, owned through joint ventures. According to Ernst & Young (2021) dry bulk services are only classified as, *other segments*. To this extent, the segment consists of 2 dry bulk carriers used to support seismic vessels on time charter party agreements (Ernst & Young, 2021).

2.6.3 Chartering through inland waters with the SCI

According to the SCI (2023) the company service offering includes tankers, bulk carriers, container, offshore break-bulk, coastal and passenger service, chartering, lighterage, dry docking and ship building/technical consultancy. Below is a non-exhaustive summary of some of the service offerings and what they entail.

The SCI is the largest owner of tankers in India. It has a diversified fleet ranging from Aframax, Suezmax to VLCC tankers and bulk carriers (SCI, 2023). It has a tanker commercial department responsible for scheduling and deployment of tankers that transport oil to refineries (SCI, 2023). This is done in conjunction with lighterage operations to ensure a speedy turnaround at ports of call. The main products moved by these tankers and bulk carriers are LNG, crude oil and clean petroleum products. In addition, the business carries between 8 to 10 million tonnes of indigenous crude also moved to refineries for processing (SCI, 2023).

The SCI's chartering service includes vessels being chartered for SCI, and those SCI may require supporting its operations. These are called, In Chartering and Out Chartering. Given the nature of this service, it is important to clarify its operation in more detail. Below is an extract from SCI on bid invitations.

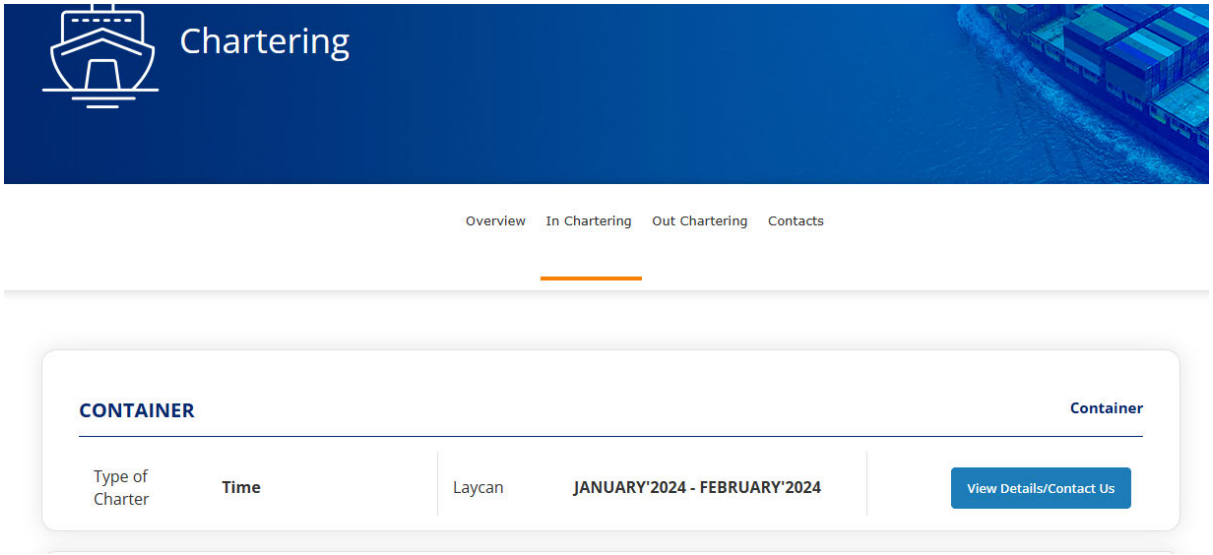

Figure 5 Source: SCI (2023): An extract of In Chartering service offering. This informs the shipping market that a certain type of vessel is required for hire. It shows the date and duration of hire.

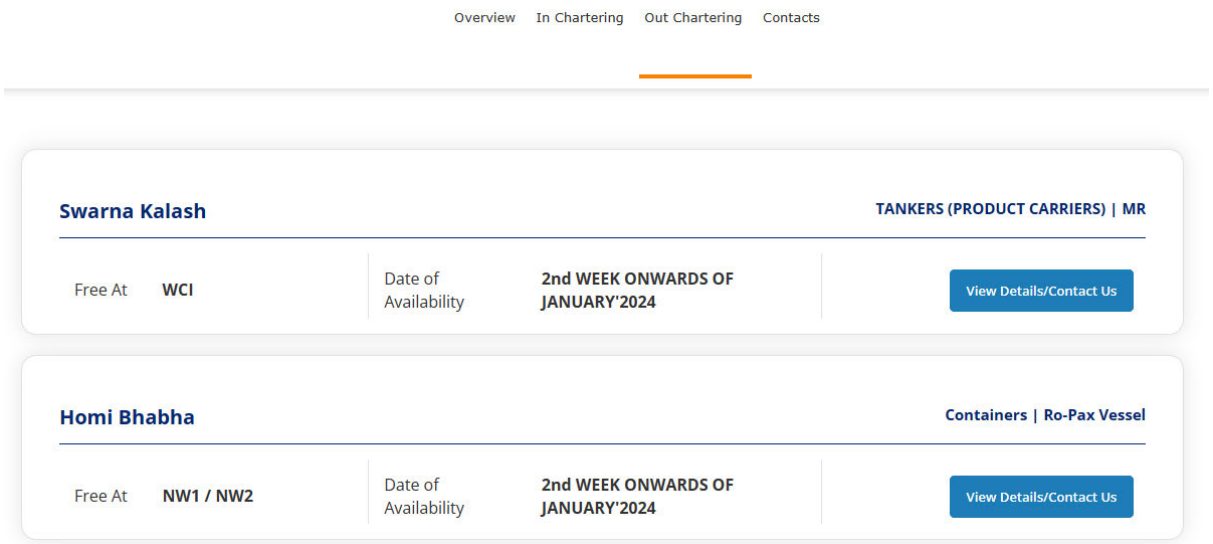

Figure 6 Source: SCI (2023), An extract of Out Chartering service offering. This informs the shipping market that a certain type of vessel is available for hire and the date of availability.

Details of the requirements are published for potential charterers and shipbrokers to gain information on the type of vessels the SCI seeks, as shown below:

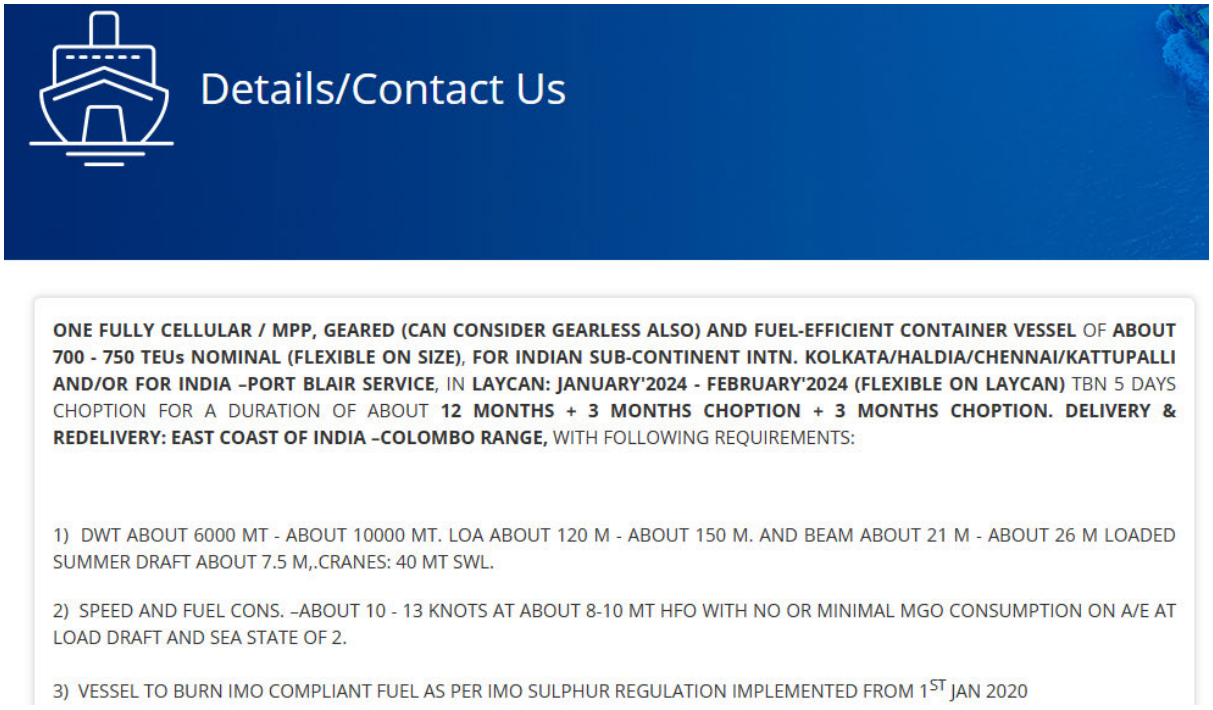

Figure 7 Source: SCI (2023): An extract of details of the ship and specifications to be met by potential charters.

The SCI publishes its requirements online for bidders to make offers for vessels. Bidders who meet the requirements for the vessels required, are invited through this process. The process is open to all shippers across the world who may be interested and meet the specifications required by SCI. As shown in figure, the service may be for bulk or containerized services.

Containerized cargoes are managed under the Liner and Passenger Services Division of the business. The service includes the movement of cargo in and out of India. To optimize its overseas service, SCI has partnered with the Mediterranean Shipping Company (MSC), and HIMALAYA, to ensure a 63 day round voyage UK-C Cellular Container Service, caters the UK and European based ports. Thus, this has positioned SCI as the only company providing liner break-bulk service to the Indian trade.

Inland waterways are used to support businesses in India far from main ports. According to the SCI (2023), this is done in line with government's policy calling for an India centric service. To meet these policy objectives, the SCI break-bulk service offering entails coastal movement of cargo on a space charger basis. Additionally, the passenger service core business is the ferrying of passengers from the mainland to

the Andam & Nicobar group of islands. This service is offered through 27 domestic passenger and cargo transportation services operated and managed through the SCI.

The SCI also offers a Shipbuilding and Technical Consultancy service in shipbuilding (SCI, 2023). In 2017, the SCI entered technical consultancy services with the private sector to keep up with technological developments in the maritime sector (SCI, 2023). According to the SCI (2023), this involves consultancy on identifying vessel types and sizes, receipt and evaluation of offers for potential ship buyers. The service also involves the assessment of viability and feasibility study of markets. The SCI also helps with monitoring of finances during ship construction and management of all post-delivery requirements (SCI, 2023). This service is open to all potential clients around the world.

Sano & Yasukawa (2019:1)Lighterage operations in India are also offered by the SCI. According to Sano & Yasukawa (2019:1) lightering operations take place, "…when a large fully-loaded ship faces difficulty in accessing a port due to insufficient water depth". According to the SCI, the business pioneered this service in 1975. This became the backbone for crude oil transportation, when large vessel tankers could not enter ports due to their sizes or because of their laden draft (SCI, 2023).

2.6.4 COSCO's service and its complexity

The services of Cosco are offered through a web of subsidiary companies in different regions of the world. Within this opaque service offering structure, the business has been able to develop a service offering that include services listed below:

"International freight; Supporting international freight; providing booking, chartering and time chartering services for domestic and foreign cargo owners; leasing, construction and trading of ships and containers, cargo agency business and seafarers for management of enterprises, spare parts manufacturing business, and ship escrowing business" (Cosco's Annual Report, 2022:

According to the Annual Report of COSCO Shipping Holding Co (2022) the management of the company's international and domestic maritime container transportation services and related businesses, is vested in COSCO Shipping Lines. This represents a service network, difficult to dissect.

According to Zheng and Smith (2017), the business of Cosco has diversified into seven main services, designed as clusters in the past years. These are shipping, logistics, finance, equipment manufacturing , shipping services, social and information services, as shown in figure 8 below.

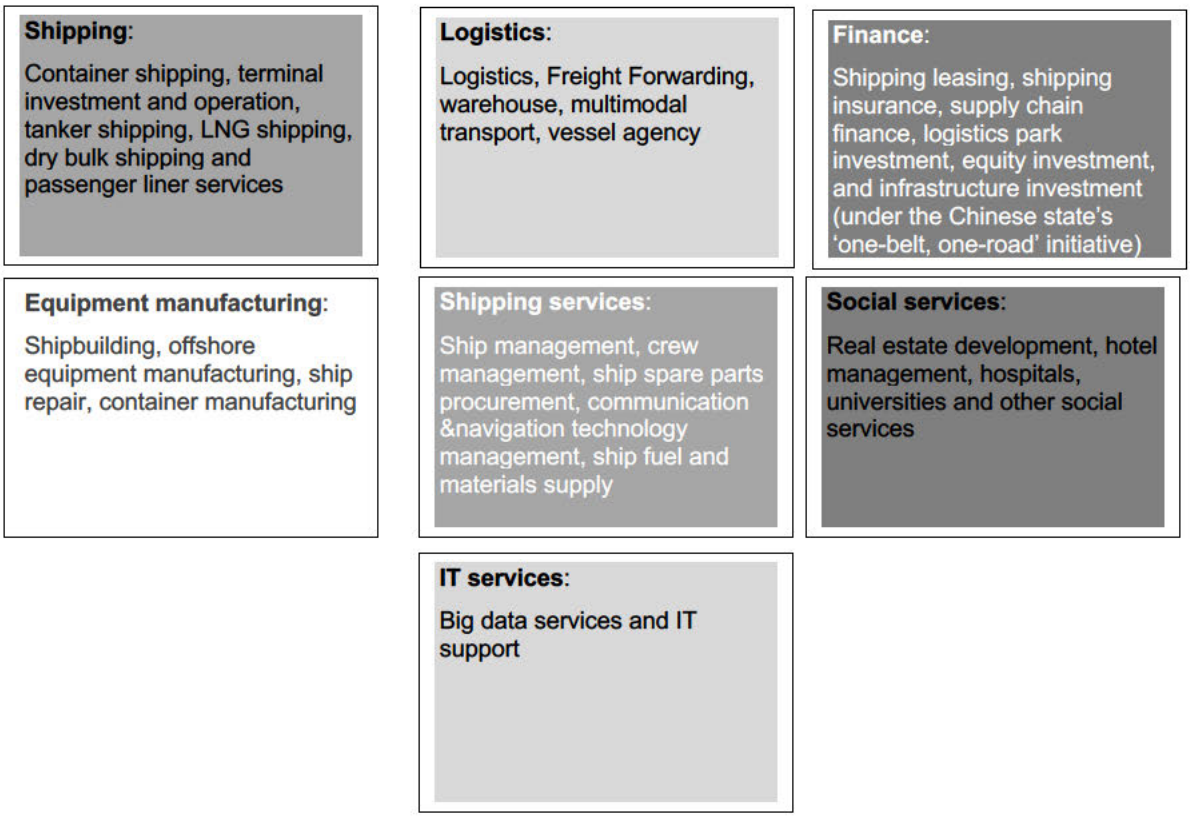

Figure 8 Source: Zheng & Smith (2017:238), Cosco Operational Structure

According to Zheng & Smith (2017), the above structure of Cosco can be described as a cluster-based operational structure. The company has created headquarters in all regions where it conducts its business. These regions include Hong Kong, Germany, the United States, Australia and South Africa (Zheng & Smith, 2017). Within this service offering structure, companies are designed and incorporated to focus on specific offerings on behalf of the holding company. A case is COSCO Shipping Port CO., Ltd.

COSCO Shipping Port Co., Ltd is a subsidiary of COSCO Shipping Holdings. It is a port operator which has invested and developed 47 terminals in 38 ports worldwide (Zheng and Smith, 2017). According to COSCO Holding (2023)'s website, the portfolio of terminal service offerings is based in China, Southeast Asia, the Middle East, Europe, South America and the Mediterranean. Through these operations, COSCO's presence and service offering model is region specific. According to the COSCO Annual Report (2022) the business explains the above as a dual-brand strategy allowing for continued leverage on advantages derived from a synergy of brands service offering.

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2.7 Ownership, capitalization and shareholding

2.7.1 Petrobras' model of ownership, capitalization and shareholding.

According to Petrobras (2023), the federal government of Brazil owns a 50,26 % stake of common shares in Petrobras. The government has a 28.67% stake of the total share capital of the business (Petrobras, 2023). The remaining shares are owned by the National Bank of Economic and Social Development (BNDES and BNDES Participacoes S.A, known as BNDESPAR (Petrobras, 2023).

The capitalization of Petrobras, dates back to when the company relied on government subsidies in the first 20 years of its incorporation, between 1953 and 1973 (Victor et al., 2011). Capitalization of Petrobras is in the form of public shares traded on the Brazilian Stock exchange. This is where Brazilians can trade their common and preferred stocks (Petrobras, 2023). Foreign investors are also afforded an opportunity to trade in Petrobras. This is conducted through the New York Stock Exchange and Buenos Aires Stock Exchange, located in the USA and Argentina, (Petrobras, 2023). Trading by foreigners is permissible to individuals and legal entities that wish to trade common or preferred shares (Petrobras, 2023).

Petrobras holds annual general meetings to appraise its shareholders on the business performance, strategic plans and operational matters, (Petrobras, 2018). According to the Petrobras Annual Report (2018), the business is obliged by Article 39 of the By-laws, to hold annual general meetings within four months of the end of a fiscal year (Petrobras, 2018).

In 2018, the business embarked on efforts to recover its reliability and reputation with investors and the public. This was in addition to annual general meetings and was aimed at informing shareholders of anti-corruption measures implemented (Petrobras, 2018).

By end of 2018, Petrobras's market capitalization had surpassed USD 100 billion (Petrobras, 2018). According to its Chief Executive Officer, Roberto Castello Branco, this makes the business the largest company in Latin America (Petrobras, 2018).

2.7.2 Sovcomflot's model of ownership, capitalization and shareholding.

In 1973, during the USSR times, the ownership and capitalization process was reliant on government funding, which came through arrangements with Sovracht (Sovcomflot, 2023). At the time, Sovcomflot was a state-owned shipping company wholly owned by the Russian government. However, with time and the fall of the USSR, ownership of the company changed.

Sovcomflot is still a Russian Federation owned company (Sovcomflot, 2023). However, the Russian Federation owns 82.8% of the company's issued shares (Ernst & Young, 2021). Treasury shares equal 1.6%, while the remaining 15.6% shares can be traded to the public, because they are free float, (Sovcomflot, 2023). Public shares are traded in Russian-based indices and international stocks such as the FTSE (Sovcomflot, 2023).

(Ernst & Young, 2021)In 1973, during its establishment, the capitalization of the business was through the Commercial Operations' Office (COO) of Sovfracht (Sovcomflot, 2023). During this time, two bulk carriers were procured from Yugoslavia, (Sovcomflot, 2023). According to Sovcomflot (2023), these ships had a dwt of 44 500 tones. They were named the Sovfracht and the Sovinflot. A payment of 14 million foreign currency Rubbles was made in instalments during the charterparty. According to (Sovcomflot, (2023) the company was able to pay off the lease and own the vessels. This led to an annual realization of 44 million Rubbles. Recently published financial results suggest the company is financially sound and fully capitalized (Ernst & Young, 2021). This can also be attributed to the company's policy of issuing bonds to the international markets through one of its subsidiaries, SCF Capital Designated Activity Company, which is based in Ireland. Through this company, Sovcomflot has been issuing Eurobonds (Sovcomflot, 2023). This has been one of the borrowing strategies through which the business also measures its borrowing rate in the international market (Ernst & Young, 2021).

In 2021, the business total assets were valued at USD 7,7 billion (Ernst & Young, 2021). According to Sovcomflot financial statements, the business realized a profit of USD 266 million in the 2020 financial period. According to Ernst & Young (2021) the

profits are due to the state-owned shipping company's investment in joint ventures. These joint ventures enable the business to operate as a ship owner and charterer of vessels world-wide (Erns & Young, 2021). According to Ernst & Young (2021) some of the joint ventures are with companies, subsidiaries of Sovcomflot; thus enabling the business operations include other countries worldwide.

The establishment of Sovcomflot, heralded the beginning of a commercialized foreign cargo charter operation for the Russian Federation, which was the United Soviet Socialist Republic at the time (Sovcomflot, 2023). According to Sovcomflot (2023) it became the first company after the fall of the USSR to publish its financial statements in accordance with acceptable international standards.

2.7.3 SCI's model of ownership, capitalization and shareholding.

The SCI is a state-owned shipping company. While the business was wholly owned by the government during its foundational stages in 1961, its ownership patterns have evolved over the years. Accordingly, the government owns 63.75% of the company's equity shares; thus, making the government of India, the majority shareholder (SCI, 2023).

The business is listed on the Bombay Stock Exchange Ltd and the national Stock Exchange of India (SCI, 2023). The Annual Financial Statements of the SCI for the year 2021 show it has equity shareholders and raises additional capital through follow-on public offers. Additional to its listing, the SCI has loans with commercial banks whose credit lending amounts to 75% of secure credits .

A reading of a notice to the public for unclaimed shares, for the year 2010, attests to public participation in ownership of the shares of the business (SCI, 2023). In the years preceding 2010, the company has listed other unclaimed shares.

These lists show details of the shareholders, their addresses, value of their shares and date of transfer. The list contains details of 600 individual shareholders, all with addresses in India. This is important because it suggests only individuals of Indian descent are shareholders in the State Shipping Company of India; thus implying the

equity is reserved for Indians only (SCI, 2023). However, since 2022, the government of India has initiated a process that will affect the future ownership structure of the business.

The government has developed a scheme through which non-core assets of the Shipping Company of India will be separated or removed from the SCI. To give effect to this decision, the government has invoked the provisions of Section 230 and 245 of the Companies Act, 2013 of India to establish the Shipping Corporation of India Land and Assets Limited.

2.7.4 COSCO's model of ownership, capitalization and shareholding.

COSCO's model of ownership can be described as complex (Zheng & Smith, 2017). This is because several companies are formed and managed through various established boards and which report to the parent firm (Zheng & Smith, 2017).

According to Cosco Annual Report (2022) the business capitalization model includes borrowing of huge sums to the tune of RMB 35 billion. Considering the vast network and complexity of the business structure, it would be understandable for a company the magnitude of COSCO, to have a capitalization model equally as complex as its operations. The ownership of COSCO lies in the government of China in the main. The structure of ownership and subsidiaries is shown below:

Figure 9 SOURCE: COSCO website (https;//en.coscoshipping.com)

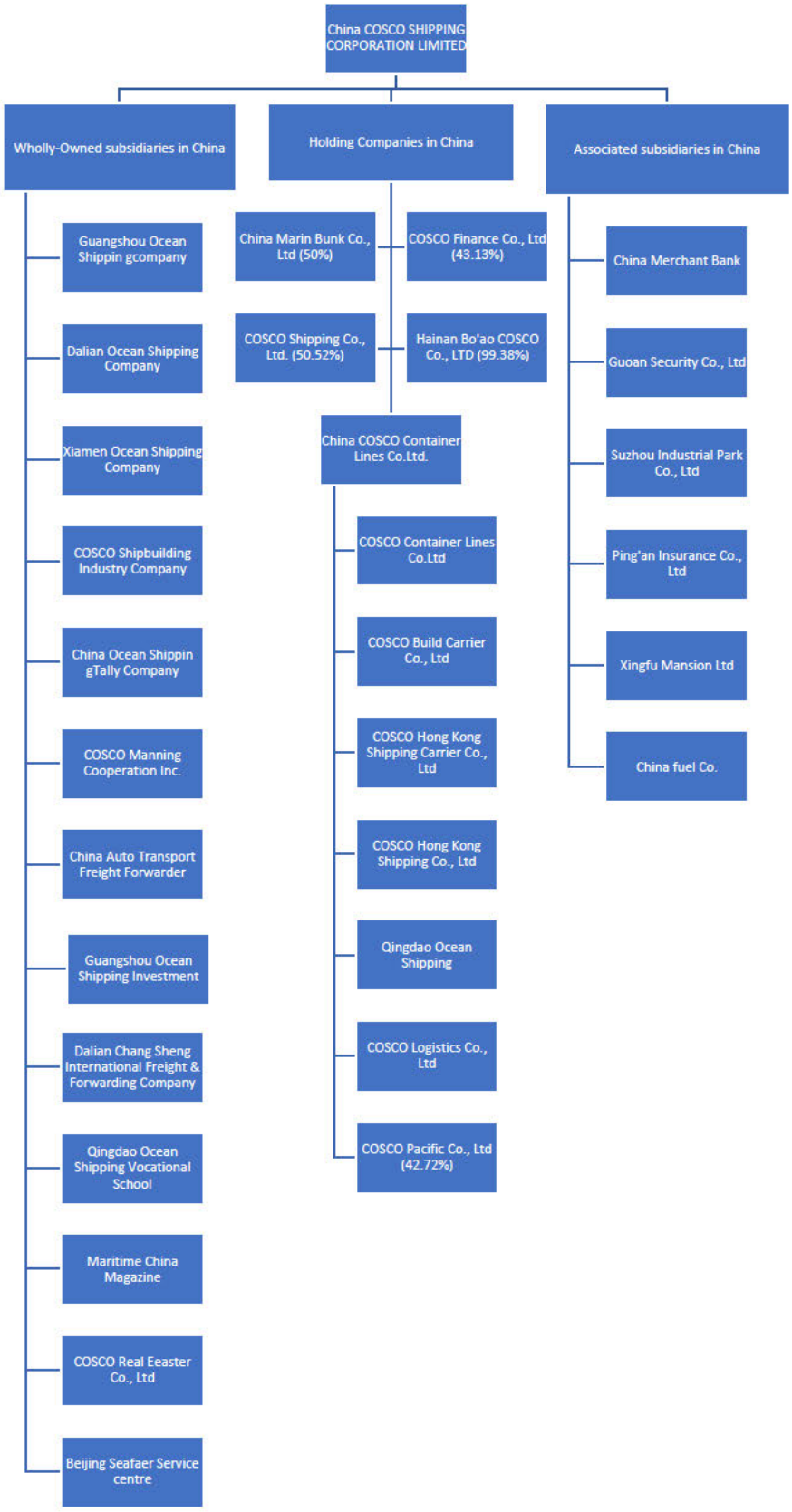


Figure 10 SOURCE: Adapted from COSCO (2023), subsidiaries website (https;//en.coscoshipping.co

2.8 Operations and Management

2.8.1 Petrobras Operations and Transpetro's as a support structure

Petrobras has a management system comprising the board of directors, and executive management committee, (Petrobras, 2018). It also has an independent audit committee, which is elected by the controlling shareholder, (Petrobras, 2018). Given is listing in various countries, it has a shareholder and investor relations unit, which is designed to support both individual and institutional shareholders. This is designed to support its logistics, refining, gas, oil exploration and production divisions.

The divisions have since been turned into profitable subsidiaries, (Petrobras, 2023). In addition, the business reports to various regulatory institutions nationally and internationally, monitoring its performance and standards, (Petrobras, 2018). All these enable efficiency in the management of human capital consisting of 47 500 employees. Together with its subsidiaries, the business has 63 000 employees.

Transpetro is a subsidiary of Petrobras with maritime transportation as its core business, (Transpetro, 2024). Like Petrobras, Transpetro has a board of directors and management committee independent from Petrobras, (Transpetro, 2024). According to Britannica (2024), about 75% of oceangoing vessels involved in coastal trade are managed and operated by Petrobras. These in turn are left to the care of Transpetro. According to the Petrobras Annual Report (2018), waterway terminals are operated by means of mono-buoys, spread mooring and piers by Transpetro.

The operation of waterway terminals allows for petroleum production and transportation to the mainland, enabling Transpetro to support the off-loading and, maintenance and inspection of ocean terminals. This allows for coastal navigation of petroleum and derivatives.

The oil produced by Petrobras is transported by Transpetro. Where necessary and based on rise of demand volumes, on other natural gas carriers contracted by Petrobras. Clients are in China, Americas, Europe and other areas in Asia, (Petrobras, 2018). The business runs a virtual commercial platform where products are ordered by its clients. This allows for proper scheduling of vessel slots and transportation to all markets, (Petrobras, 2023).

2.8.2 Operations and management of Sovcomflot

The core business of Sovcomflot, is the transportation of crude oil and petroleum products, offshore upstream services and the seaborne transportation of liquefied natural gas (Sovcomflot, 2023).

According to Ernst & Young (2021), the group operates through subsidiaries in various countries, including Liberia, Ireland and the United Kingdom (Ernst & Young, 2021). In Liberia it offers vessel owning and operation services. Through its Ireland subsidiary, SCF Capital Designated Activity Company, Sovcomflot offers a financing service (Ernst & Young, 2021)

Table 1: Sovcroft's Subsidiaries.

At 31 December 2020, the Group had 130 vessel owning and operating subsidiaries (2019 -131) incorporated in Liberia, Russia, Malta and Cyprus. The most significant subsidiaries of the Group, in which the Group's percentage holding remained unchanged from 2019, comprised:			
Name	Country of Incorporation	Effective percentage holding	Principal activity
PAO Novoship	Russia	89.46%	Holding Company
SCF Overseas Holding Limited	Cyprus	100%	Holding company
SCF Tankers Limited and its subsidiaries	Liberia	100%	Vessel owning and opertion
Intrigue Shipping Limited and its subsidiaries	Cyprus	89.46%	Vessel owning and operation
SCF Gas Carreirs Limited and its subsidiaries	Liberia	100%	Vessel owning and operation
OOO SCF Arctic	Russia	100%	Holding company
OOOSovcomflot Varandey	Russia	100%	Ship operation
OOO SCF Shelf	Russia	100%	Ship operation
OOO SCF Geo and its subsidiary	Russia	100%	Ship operation
OOO SCF Novy Port	Russia	100%	Ship operation
OOO SCF Prirazlomnoye	Russia	100%	Vessel owning and operation
SCF Management Services (Novorossiysk) Ltd	Russia	100%	Ship management
SCF Management Services (Cyprus) Ltd	Cyprus	100%	Ship management
SCF Management Services (St. Petersburg) Ltd	Russia	100%	Ship management
SCF Management Services (Dubai) Ltd.	Dubai, United Arab Emirates	100%	Ship management and supervision of operations
Sovcomflot (UK) Ltd	UK	100%	Agency
Sovcomflot (Cyprus) Limited	Cyprus	100%	Accounting and financial consultancy
SCF Capital Designated Activity Company	Ireland	100%	Financing

Table 2 SOURCE: Sovcomflot Consolidated Financial Statements (2021)

Through its subsidiaries, the state-owned shipping company has been able to register some of its vessels under foreign flags (Ernst & Young, 2021). Sovcomflot's operations are anchored in its ownership of 132 vessels (Ernst & Young, 2021). According to its financial statements, the vessels comprise, "53 Crude Oil Carriers, 36 Oil product Carriers, 19 Shuttle tankers, 11 Gas carriers, 10 ice breaking supply vessels and 2 dry bulk carriers and 1 chartered seismic vessel" (Ernst & Young, 2021:13).

According to Ernst & Young (2021) operations of subsidiaries are conducted through reports submitted to the board of directors of Sovcomflot. The board decides on the allocations of resources to all the segments of the company and assesses its performance. This is done through the development of strategic plans and management of all business activities. The next layer of management is the Executive Board (Ernst & Young, 2021), which is responsible for day-to-day activities of the company. The board of directors and the executive boards are regarded as the corporate governing bodies of Sovcomflot.

2.8.3 SCI operations

Since 1975 the SCI was the only company operating tankers, product carriers, international container services, Liquid/dry bulk services, liquid petroleum gas and liquefied natural gas, offshore services and passenger services. Management of the business is through a board of directors appointed by the government of India.

The Shareholder, the government of India, do not get involved in the operations of the SCI. However, and according to SCI (2023) the shareholder sets clear targets that must be met by the SCI. These targets are coupled with clear timelines (SCI, 2023). Below is an extract of a Memorandum of Understanding, recently entered between the SCI and the Government of India, showing targets to which the government sets and commits SCI management:

Shipping Corporation of India Ltd. (Consolidated) – MoU 2023-24				
S.No	Name of Parameter	Unit	Wightage	Target 2023-24
1	Revenue from Operations	Rs. Cr.	5	6534
2	Ship Availability as a % of Total Ships	%	20	100
3	CAPEX	Rs. Cr.	10	615
4	Exports as a % of Revenue from Operations	%	8	30.39
5	EBITDA as a percentage of Revenue	%	10	38.21
6	Return on Capital Employed	%	15	9.48
7	Asset Turnover Ratio	%	5	49.61
8	Acceptance/Rejection of Invoices of Goods & Services through TReds Portal within specified time	%	5	100
9	Procurement from GeM as per approved Procurement Plan	%	2	100
10	Trade Receivables as a number of days from Revenue from Operations	Number of Days	5	45

11	Total Return to Shareholders	%	15	100
		Total	100	

Table 3 SOURCE: State Shipping Corporation of India (2023)

An unusual aspect of the SCI operations, is its vessel charter service. The chartering service is managed through the Chartering Department of the SCI, (SCI, 2023). The department coordinates chartering services for international and domestic shipping, (SCI, 2023). The development of human resources has been key in ensuring operational management responses to market demand, (SCI, 2023). According to SCI (2023), this has been in line with the government's policy of improving human capacity in the maritime sector.

In 1988, the government of India and the SCI set itself to become an advanced seafaring maritime nation (SCI, 2023). The company identified lack of skills in the sector; lack of fleet personnel and a need to train and develop existing personnel as essential to India's maritime and SCI success (SCI, 2023). In 1988, the SCI embarked on a human capital development programme to make its dream a reality. The programme was to develop capacity, skills and training in the maritime sector. This led to the development of the Maritime Training Institute of India (MTI) (SCI, 2023).

MTI was established in 1988 (SCI, 2023). From its inception, the institution was set on a path to feed the maritime sector of India with training and skills that add value to the sector. Some of the courses offered covered Nautical Science, which is offered through affiliation with the Indian Maritime University. In partnership with UNCTAD, the institution has developed the TRAINMAR Programme, which has positioned India as one of the leading maritime countries in the world (SCI, 2023). According to the SCI (SCI, 2023) it is the only shipping company in the world that has invested and set a training facility of the scale and magnitude of the Maritime Training Institute of India.

2.8.4 Operations and management COSCO

Operations and management of Cosco can be understood within the service offering and ownership structure of the business. It has been indicated in the service offering discussion on China, operations of the COSCO are decentralized to regions where the business has the interests of the company. Operational control is vested in companies

registered in different parts of the world. These companies are subsidiaries of Cosco Holdings Limited (Zheng & Smith, 2017).

COSCO has thrived by deploying its skilled staff to regional markets, emerging markets and third country markets (COSCO, 2023). According to COSCO (2023) this strengthens and accelerate its digital supply chain initiatives. Management in regions is tasked with implementing the holding company's initiatives. It has been stated the company has created headquarters in all regions where it conducts its business. These regions include Hong Kong, Germany, the United States, Australia and South Africa (Zheng & Smith, 2017). According to Zhen and Smith (2017) operations of COSCO are also managed through branch offices, based in more than 32 countries. These are supported by regional headquarters. According to Zheng & Smith (2017), functional divisions play a more supporting role in the management and operations of COSCO. However, this cannot be confirmed with certainty (Zheng & Smith, 2017).

According to Zheng & Smith (2017) the complexity of the operational structure of COSCO can perpetuate state interference in management and operational issues. According to Zheng & Smith (2017) this has also made it possible for the Chinese state to supress competition between state-owned shipping enterprises. This is often achieved by forcing these state-owned enterprises to merge when there is potential for conflict of market interest. This structure, as Zheng & Smith (2017) have observed, requires an in-depth analysis of operations of COSCO on a global scale, which extends beyond the scope of this paper.

2.9 Growth

2.9.1 Petrobras growth path

On 09th January 2024, Petrobras stock was trading at $ 16,22 on the New York Stock Exchange (Nasdaq, 2024). Earnings per share were at $ 4.12. The business market capitalization, on the day, was over $ 104, 9 billion. The business is already setting itself in a growth path aligned to future oil demands (Nasdaq, 2024).

According to its current Chief Executive Officer, business projects by 2050, will see a demand for 20 million barrels of oil (Petrobras, 2023). This is projected in line with

International Energy Agency projections, (Petrobras, 2018). In line with these projections, Petrobras strategy is to ensure operations are sustainable, reliable and safe (Petrobras, 2023). The business intends to increase its competitiveness in the logistic systems operated by Transpetro. It seeks to continue with a competitive and efficient cost and investment structure (Petrobras, 2023).

To support the above-mentioned strategy, management identified a need to support and increase Transpetro's market share in the maritime sector. The business intends to achieve this through increasing the current fleet of 36 vessels operating under the international sea transport division of Transpetro, Transpetro International. The business aims to explore its pre-salt project, which is a process of extracting oil from the ultra-deep waters of the sea (Petrobras, 2023).

According to Petrobras (2023), a total 150 000 square km is required for a pre-salt region. In partnership with companies such as Shell, Total Energies, and CNODC, plans are underway to explore and produce oil in the ultra-deep waters around the Santos Basin and the Campos Basin (Petrobras, 2023). Petrobras has since been positioning itself to dominate the Brazilian oil and gas market (Victor et al., 2011).

2.9.2 Sovcomflot's growth path

In 2000, Sovcomflot implemented a growth strategy focused on energy shipping (Sovcomflot, 2023). According to Ernst & Young (2021), to achieve this, the business intends to expand the segments part of its service offerings.

The business intends to expand its *offshore services segment.* It plans to achieve this by adding 3 ice-breaking LNG carriers (Ernst & Young, 2021). According to Sovcomflot (2023) the business of its *gas transportation segment*, has developed a sustainable competitive advantage through its LNG shipping expertise. This enables Sovcomflot to implement large scale LNG projects in the far east of Russia, as well as the Artic. Sovcomfrot has invested in LNG and increased its fleet of 5 LNG Carriers an additional two, between 2019 to 2020. There were 4 LPG carriers during the same period. According to Ernst & Young, in 2020, the business has placed an order for 3 LNG carriers. These carriers were still under construction in 2020.

A total amount of $ 872 million has been contracted for this project (Ernst & Young, 2021). Sovcomflot has invested $ 872 million to expand the crude oil transportation segment. Two Aframax crude oil shuttle tankers were scheduled for delivery in 2021, to support the crude oil transportation segment. Thus, the Baltic port of Primorsk realized substantial growth (Sovcomflot, 2023).

2.9.3 Growth path of the SCI

According to SCI (2023), one of its major achievements has been the completion of the International Ship & Port Facility Security Code (ISPS), certification process of 70 Ships in 2004. This has shown the company to be forward looking. It also demonstrated the business' understanding of the impact of operational safety to profit realization.

The growth of the SCI has led to diversification in offshore segment and acquisition of anchor-cum-towing supply vessels. This has led to separation of non-core assets so they can be managed by a different company. This, according to SCI (2023), will allow for the business to expand. Under Indian law, SCI is considered a company, as defined by Section 2(45) of the Companies Act 2013 of India. The business was incorporated under the Indian Companies Act of 1956. The expansion programme necessitates the registration of a new company housing non-core assets.

In 2021, the company had embarked on a process of demerging its non-core assets (SCI, 2023). The process means there is an intention to form another state-owned company, wherein non-core assets will be housed (SCI, 2023). According to an SCI (2023) Report of its independent directors of 2021, reasoning behind this new growth path has been the Indian government's intention to unlock the business value and assets through a disinvestment facilitation process. Accordingly, this will lead to the creation of a new company, focused on the core business of SCI; while leaving non-core assets in the control of the new company. This will lead to a parallel company owned by the state but with interest in shipping.

The Independent Committee of the Directors of SCI recommended the demerger process to continue, and thus approved the scheme (SCI, 2023). It further noted the demerger will not be detrimental to shareholders, but would unlock asset value and

allow the business to focus on its core business activities. The government has developed a scheme through which non-core assets of the Shipping Company of India will be separated or removed from the business. To affect this decision, the government has used Section 230 and 245 of the Companies Act, 2013 powers to establish the Shipping Corporation of India Land and Assets Limited. This has set the tone for the Shipping Company of India's growth path.

2.9.4 COSCO as part of the road and belt growth initiative.

According to Zheng & Smith (2017) COSCO's growth and expansion strategy is reflective of Chinese state policy of dominating the global maritime sector. This, coupled with the company's pressure to reduce transit time and increase efficiency in its service offering, gives an idea of how the business growth strategy is headed. In recent years, the company has also embarked on pilot projects aimed to expand its logistics networks (Zheng & Smith, 2017).

The projects involve the selection of employees in other companies i.e. Danish Shipping agency Penta Shipping Group, to match them with small businesses in China as an experimental approach to enhance industrial policy in China, while creating new market opportunities (Zheng & Smith, 2017). According to UNCTAD (2021), there had been growth in crude oil exports, which is mostly influenced by import demand from China and India. This has led to growth in demand for ultra-large tankers (UNCTAD, 2021). Given the demand, COSCO continues to position itself as a company that can offer viable supply chain management through its subsidiaries.

COSCO'S growth strategy is aligned to the Chinese "Belt and Road Initiative" (Cosco, 2023). According to Butt et al.,(2021) the Belt and Road initiative (BRI), refers to the "Silk Road Economic Belt," and the, "21-Century Maritime Silk Road," programmes. The former concerns itself with the way in which China intends to grow its land transport initiatives, with the aim of connecting central Asia, Russia and Europe (Butt et al., 2021). The, "21-Century Maritime Silk Road," refers to the use of China's Coastal ports to link China with Europe, through the South China Sea and the Indian Ocean, (Butt et al., 2021). Additionally, and according to Butt et al., (2021), China has followed this strategy to allow for the building of a transitional belt and zone linking Africa,

Europe and Asia. Accordingly, investment and financing COSCO is an integral part of China's growth along the 21-Century Maritime Silk Road.

COSCO describes its growth strategy as aiming for an improved integration of the industry, through financing and extending the shipping supply chain (COSCO, 2023). It aims to achieve this through technological innovation ensuring a move away from traditional shipping, to a more supply and industrial chain reformed management. COSCO (2023), furthermore, asserts its commitment to contributing positively to China's 21st Century Maritime Silk Road. This programme aims for sustainable development of the Chinese economy, of which COSCO is an integral part. In so doing, the business aims to continue with its, "Go Global" strategy, which was adopted from the Chinese government's global outlook programme (COSCO, 2023). This strategy is used by COSCO to entrench its global container liner routes in seven holding companies, described above as located in Europe, North America, Southeast Asia, West Asia, Africa and South America (COSCO, 2023).

2.10 Concluding summary

The chapter explored existing literature on state-owned shipping companies in South Africa and other BRICS countries. The policy and legal framework that shapes South African maritime industry was outlined. A comparison of past and present positions of state-owned shipping companies in South Africa and other BRICS countries was discussed.

CHAPTER 3

3 Research Methodology

3.1 Introduction

In this chapter the methodology to be followed in realizing the objectives of the research is outlined. It also explains the procedure followed for data collection and analysis, which will mostly be document-based. According to Nzama (2023) research entails a careful investigation or inquiry in any branch of knowledge, through a search for new facts.

According to Salkind (2012:23), research is a process, "…through which new knowledge is discovered." Saunders et al (2009), argues the development of new knowledge does not have to be dramatic such that it must lead to a new theory.

According to Nzama (2023) research also entails a systematized effort to gain new knowledge. The research aim, questions and importance of the study informs the methodology suitable to conduct the research. Below is an outline of the aim, questions and why this research is important.

3.2 Research Aim, questions and importance of the study

The aim of the research is to explore a model that works for a state-owned shipping company in South Africa. The research aims to achieve this by drawing lessons from other BRICS countries.

The question arising from the study are:

- What are existing models of state-owned shipping companies in various BRICS countries?
- Which model, if any, is suitable for a South African state-owned shipping company?
- Which policies/legislations will need to be reviewed to support a model for a South African state-owned shipping company.

At the time of conducting this research, there had been no study conducted to explore a model for a state-owned shipping company in South Africa. However, the South African government published a Bill in November 2022 titled "The South African Shipping Company Bill" (referred to as "SASCO Bill"), thus signifying a decision to

establish a state-owned shipping company. This study is the first of its kind to explore various models considered to support the South African government's intention to own a shipping company.

A research methodology suitable to the aim, objectives and importance of the study must be selected. Accordingly, Gumede (2012) points out that a selected research methodology must be accompanied by an approach seeking to find solutions to research questions.

3.3 Quantitative and qualitative research

To achieve the above-mentioned, research must identify the methodology it will utilize to answer the questions posed and find solutions to the research problem. According to Gumede (2012) research can be discussed under two categories, qualitative and quantitative research. These categories form the basis on which research questions can be answered (Gumede, 2012). Gumede (2012), advises a decision to use qualitative or quantitative research, must be supported by the following considerations:

- Whether measures can be systematically or non-systematically created, formalised or standardised.
- Whether concepts can be in the form of classifications, motives, or themes and can be deduced in numerous ways.
- Whether these concepts are in the method of different variables and have explicit meanings, and
- Whether theory is immensely untailored and is either deductive or frequently inductive.

According to Gumede (2012), there is no need for a contest between quantitative and qualitative research methodologies. However, Gumede (2012) notes the difference in hypotheses, measures, concepts and data collection are among other factors to be considered when a choice between two research methods is made. Below is a brief discussion of each research methodology:

3.3.1 Quantitative Research

Various Oxford Dictionaries define quantitative research. These dictionaries are focused on various academic and professional disciplines, ranging from the social sciences, health, communications and many more. To illustrate the point on

quantitative research methodology, below are verbatim extracts of quantitative research definitions, from three dictionaries:

- According to the Dictionary for Dentistry's Oxford University Press (2010:183) quantitative research is, "…*information that can be expressed in numerical terms, counted, or compared on a scale. It uses methods such as experimentation, observation, and survey".*
- The Dictionary for Media Communication defines quantitative research as, *"Methods of investigating phenomena which involve the collection and analysis of numerical data. Such methods are particularly associated with surveys and* experiments" (Chandler and Munday, 2011:161), and
- *"Quantitative research often involves the formulation of a null hypothesis, the data are typically numerical, such as counts, percentages, or statistical figures",* is a definition preferred by the Concise Medical Dictionary (2020:493).

A common feature in the definitions extracted from the dictionaries, is the numerical element in all these definitions. Essentially and loosely explained, quantitative research is a game of numbers. According to Goertzen (2017), quantitative research methods are concerned with collecting and analysing data structured and represented numerically.

According to Gumede (2012), the researcher needs to identify an objective that can be measured before a choice of quantitative research methodology is made. Additionally, "…the researcher needs to be familiar with the quantitative studies" (Gumede, 2012:48). Goertzen (2017) states statistical analysis can also be a way through which findings of quantitative research can be evaluated.

According to Goertzen (2017) this is partly because quantitative research represents complex problems through variables as part of its key characteristics. Quantitative research, as Goertzen (2017) explains, enables a summary, comparison and generalization of results. This is possible given numbers are a characteristic through which information can be assessed (Goertzen, 2017).

Gumede (2012) points out that research must be one covering a lot of breadth in a short space of time, which should accommodate the researcher's low interest in working with people. A very high preference to work in a standardized structure is a key element of a choice in quantitative research (Gumede, 2012). Accordingly,

Gumede (2012) suggests a need for skills in statistics and deductive reasoning, coupled with technical and scientific writing, when a researcher's approach tilts towards a quantitative research methodology option.

Quantitative research has its own advantages. According to Goertzen (2017) quantitative research allows for replication. Furthermore, allows for sharing of documented information due to its generalized nature, Goertzen (2017). It can also enable the research to discard any anecdotal information that may not help to demonstrate existing trends (Goertzen, 2017).

The limitation in using a quantitative research method is mainly the time quantitative research sometimes requires for data to be collected, analysed and results then made known. Additionally, owing to its numerical character, quantitative research does not provide the rationale behind certain outcomes, for instance, quantitative research does not always tell the reader why a community takes a certain stance on a topic, but it can tell how many members of a community agree with a certain type of thinking.

A relevant example is one used by Wenger (1999), in a longitudinal and gerontological study in the United Kingdom. According to Wenger (1999) a study on aging and older adults (gerontology), meant to evaluate their needs in the 1970s, went astray and focused on a sample of the quantity of elders in need of support instead of the quality of support responding to participants' concerns about the quality of support they were receiving.

To avoid this problem, it is important to note this study does not focus on the numerical statistics of state-owned shipping companies in BRICS countries. The study focuses on a model that can work for South Africa, drawing lessons from BRICS countries. This implies the number of state-owned shipping companies is not important. Quantitative research may be relevant for certain aspects of the study, but may not be an ideal research methodology through which this study be conducted.

3.3.2 Qualitative Research

Many scholars have attempted to define qualitative research. However, and according to Aspers and Corte (2019) literature defining the distinctive features of qualitative research, is meagre. Consequently, various authors give their own definitions in line

with core elements of their research (Aspers & Corte, 2019). It is necessary to pause and look at some of these definitions.

Salkind (2012), argues qualitative research methods have been around for thousands of years. Sharing of ideas premised on qualitative research (Salkind, 2012). Qualitative research is based on the philosophy or a desire to address specific problems, wherever they arise, (Saunders et al, 2019). Aspers and Corte (2019) echo the long-time existence of qualitative research, by referring to founders of sociology such as Simmel, Weber, Durkheim and Karl Marx. According to Aspers and Corte (2019) these founders, while writing in Germany during the era of the Methodenstreit, (well known as “disputes about methods”), had to follow scientific methods that became known as forerunners to qualitative research. Despite this long existence, the meaning of qualitative research or its precise definition remains elusive.

According to Strauss and Corbin (1998) qualitative research can also take the form of analysing theoretical or philosophical statements and writings. This means the researcher is more instrumental in the analysis of collected data and is therefore expected to be objective in their analysis (Strauss & Corbin, 1998).

Gumede (2012), argues qualitative research is useful when most data are in word-format from observations, documents, transcripts or analysis. This does not explain what it is. However, Gumede (2012)’s approach is helpful in that it outlines the difference between qualitative and quantitative research methodology. Thus, the researcher can get an idea of what qualitative research entails.

According to Flick (2007) qualitative research should be seen as a label attributed to several approaches. Stiles (1998), points out most often qualitative research becomes a residual category for anything not quantitative. The views of both Flick and Stiles should make sense when Gumede (2012)’s argument of the quantitative research is considered. According to Gumede (2012) quantitative research is more formalized and can be controlled without ambiguity. The only inference to be drawn from Gumede (2012), is qualitative research is not as formalized as the belief of its proponents. According to Aspers and Corte (2019) the Dictionary of Statistics and Methodology refers to anything, “qualitative” as studies of subjects hard to quantify; art history is given as an example.

Qualitative research, cannot be precisely defined. However, it is important to turn to what should be considered when deciding on the use of qualitative research. Given this lack of definition, below are Gumede (2012)'s factors that must be considered, when qualitative research is the choice for research, and these are:

- An understanding and familiarity with qualitative studies.
- A research question exploratory or interpretive, with limited or missing literature
- Relatively long-time study must be the focal point.
- In-depth study as a focal point, and
- A belief there are multiple structured realities.

Qualitative research has its own advantages. According to Kalu (2017) qualitative research is useful where quantitative studies cannot measure complex phenomena. Kalu (2017) furthermore, argues qualitative research allows for systematic demonstration of a transparent and accountable research process on the part of the researcher for the duration of the research process. Accordingly, Kalu (2017) states the entire research methodology must be anchored on transparency, accountability and reflexivity as part of the orderly process of research. The trustworthiness of qualitative data allows for its transferability and can still derive relevance on application in a different context (Kalu, 2017).

However, and in contrast to the advantages mentioned-above, various disciplines have shown common pitfalls in qualitative research, these include, among others:

- Qualitative research is focused on small-scale case-study work, thus of irrelevance to policy makers (Valentine, 2006), and
- Researchers have often questioned if qualitative research can be trusted because it approaches the concepts of validity and reliability in a different manner (Kalu, 2017).

A reading of the arguments advanced by various scholars explains the difference between quantitative and qualitative research. However, for the purpose of this study, emphasis should be on the nature of the research and questions it poses, this to dictate if the research should be conducted using a quantitative or qualitative research methodology. It is on this basis the research should not constrain itself with the choice

between the quantitative and qualitative methodologies, but the outcome of the research.

According to Becker (1996) the general goal of both quantitative and qualitative research methodologies is to understand the world better, albeit, through substantial differences and focus on certain aspects. Gumede (2012), summarizes the differences between quantitative and qualitative research methodologies in the following tabular form:

Quantitative Research	**Qualitative Research**
Hypotheses are explicitly formulated and stated.	Hypotheses are itemized in the procedure of research objectives.
Concepts are in the method of different variables and have explicit meanings.	Concepts can be in the form of classifications, motives, or themes and can be deduced in numerous ways.
Measures are systematically created and standardized before data collection.	Measures are not systematic and created in an informal manner.
Data are usually in the number format from measurements.	Data are in word format from observations, documents, transcripts or analysis.
Theory is immensely untailored, and it is deductive.	Theory can be untailored or recognized and it is frequently inductive.
Procedures are customary and replication is anticipated.	Procedures are individual and replication is extremely rare.
Analysis occurs by using statistics, charts or tables and discussing what or how they show a relationship to hypotheses.	Analysis occurs by extracting themes from evidence and organising data to present a coherent consistent picture.

Table 4 Gumede (2012). Differences between Quantitative and Qualitative Research Methodologies.

While the research is biased towards a qualitative approach, it must be borne in mind a quantitative analysis cannot be completely ruled out. This is because a comparison of data from BRICS countries may require statistical analysis. Additionally, and according to Abbot and McKinney (2013), qualitative research methods rely more on descriptive detail in reporting human processes, than the quantity of such human processes. However, according to Wenger (1999) a combinational use of quantitative and qualitative research is helpful because it allows for emergence of typology in data. Wenger (1999), illustrates this point further by referring to a study on aging, which was conducted in the United Kingdom. In it, intensive qualitative study led to the emergence of typology, but required a quantitative data analysis to test the

hypotheses. According to Wenger (1999), this led to different interpretations of the quantitative data analysis over a period. Admittedly, Wenger (1999)'s research was longitudinal and may not be wholly applicable to a study on a model for a state-owned shipping company in South Africa.

3.4 Research design

Research design can be described as a, "…logical progression of stages or tasks, from problem formulation to the generation of conclusions necessary in planning or carrying out a study" (Maxwell, 2009:214). According to Abbot and McKinney (2013:Glossary), a research design can also be described as, "…the modes of observation that allow scientists to collect observations in systematic and structural ways."

According to Mbhele (2014) it is through a research design the researcher outlines a plan and structural framework that explains how problems identified, will be solved by the research. According to Mbhele (2014) the structural framework envisaged by the research should be grounded in theory and available literature assisting in the exploration of epistemological truth. This, as Mbhele (2014) explains further, can be achieved through a review of existing literature to create cohesion in the analysis of data. The research seeks to explore and learn from state-owned shipping companies in other BRICS countries.

Consequently, the study is conducted through a qualitative research method that leans on non-experimental research. According to Saunders et al. (2009) this is helpful when a study within research is necessary. An example can be when data collected from two different companies in two different countries, requires comparison, but entails some quantitative analysis before a conclusion is reached on such data quality. According to Salkind (2012) a non-experimental research method can be useful for historical and present analysis of available data to understand a phenomenon. Salkind (2012) outlines the flow through a diagram:

Salkind's Research Design Cheat Sheet

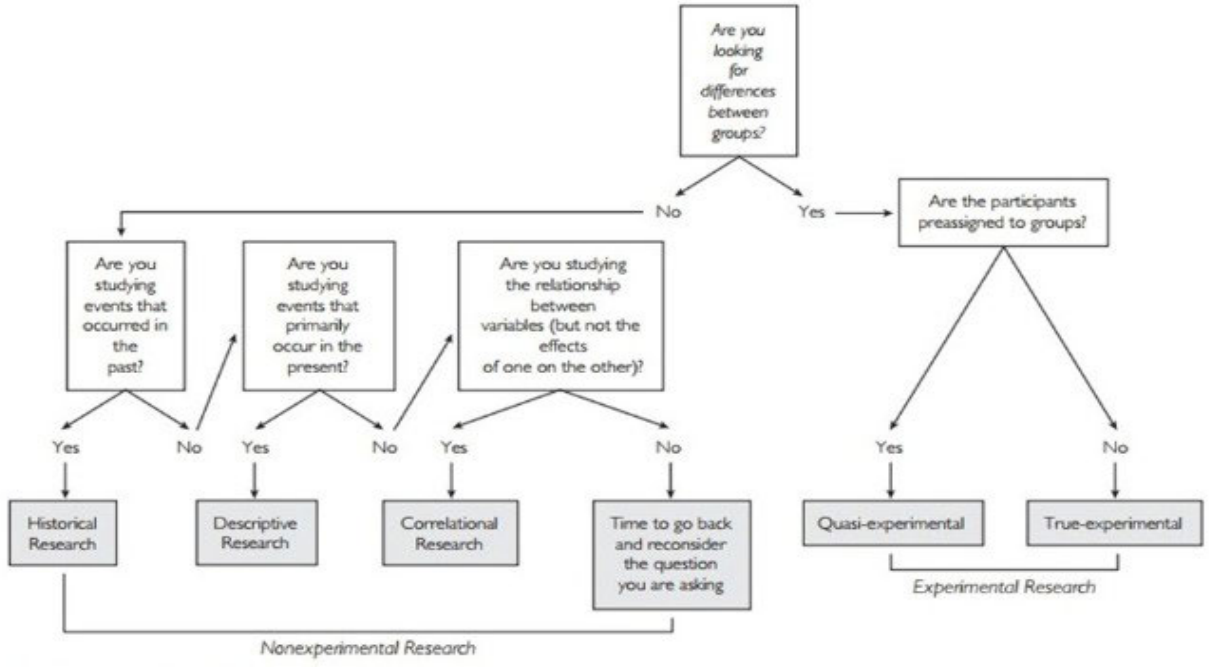


Figure 11 Salkind's (2012:16), Research Design cheat sheet

The study uses a non-experimental research design. This method is suitable because it allows for, "…ways of looking at research questions without the direct manipulation of a variable" (Salkind, 2012:197). The research design does not second-guess the problem by asking how things could become if certain trends were to be changed. The approach of the design conforms with an explanation in the introduction chapter of the study; a decision to establish a state-owned shipping company by the South African government has already been taken. The issue requiring further enquiry is the shape and form of the state-owned shipping company to be established. Consequently, the area of focus of the research is the determination of a model for effective state ownership of a company in South Africa.

The research design is separated into the following subsections: research philosophy; research type; research strategy; time horizon; sampling; data collection; data analysis method. Methodological limitations of the study are discussed in this Chapter.

3.5 Research philosophy

Research philosophy refers to metaphysics or set of beliefs a researcher holds as their view of the world (Stainton, 2022). According to Stainton (2022) the philosophy can be scientific, or society based, with the former being associated with quantitative research and the latter related to qualitative research.

The philosophy of research is anchored on a need for basic rational enquiry to understand the nature of reality (Kroeze, 2017). This must be coupled with an explanation of how the research has arrived at its conclusion. This can be summed up as a basic explanation of the concept of ontology and epistemology, which aids a discussion on the choice of philosophy for this research.

According to Saunders (2009), research can be divided into four philosophies, namely, Positivism, Realism, Interpretivism and Pragmatism. These, are the underlying principles, beliefs and assumptions how research is conducted. They pose difficulties for researchers and students in research.

According to Smith (2012) ontology is a science that explains every area of reality because it explains what really exists. Epistemology, on the other hand, explains how the study has arrived at its conclusion (Kroeze, 2017). According to Saunders (2009: 112), "…epistemology concerns what constitutes acceptable knowledge in a field of study".

The knowledge to which Saunders et al.(2009) refer is anchored on assumptions contained in research philosophy. According to Saunders (2009) the strategy and methods chosen based on the philosophy. Saunders (2009) clarifies the research philosophy, the approach and choices made throughout the research. This is because, "…the strategy depends on the practical considerations which form the basis on why a research philosophy is chosen" (Saunders 2009:108). Often the research philosophy will also guide the relevance of data to be collected. Saunders (2009), argues the important factor is the ability to defend the choices being made during the research, when compared with available alternatives . According to Kalu (2017) qualitative research and how it is selected depends mainly on how the researcher perceives the world. According to Guba and Lincoln (1989) a political climate can influence the relevance of a research topic based on how it evokes excitement within that political climate. Given choosing a research topic is a mammoth task, it is also important for the researcher to justify why it chose a topic (Guba and Lincoln, 1989).

Accordingly, Saunders (2009) cautions against the danger of thinking one research philosophy is better than another and losing the essence for which a philosophy is chosen. According to Saunders et al., (2009) different philosophies must be chosen in relation to the purpose of the research. This is achieved through a careful

consideration of different philosophies and their implications. These are well outlined in what Saunders et al., (2009) call "The Research Onion". Below is a depiction of the research onion and layers to be considered, based on the research philosophy chosen.

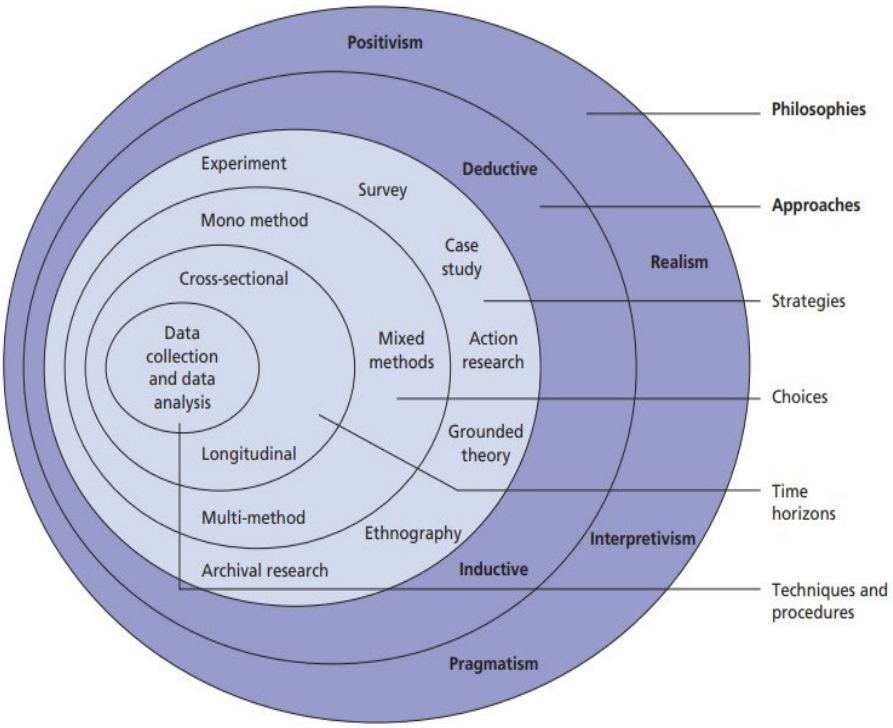


Figure 12 Research Onion, Saunders (2009:108)

Figure 3.2: Research Onion, Saunders (2009:108)

Based on the research onion by Saunders et al., (2009) the research philosophy can be premised on either positivism, realism, interpretivism and pragmatism philosophies and approaches. Herewith a brief discussion of each philosophy.

3.5.1 Philosophical approaches of the research

Positivism

According to Ryan (2018) positivism is associated with quantitative research. According to Saunders et al. (2009) positivism philosophy is evident in research when a natural, scientific and philosophical stance is the adopted approach. According to Saunders et al., (2009) this happens when research is focused on social realities observed, and the result of a research is like findings by physical and natural scientists. Positivism and realism are similar in they both relate to scientific enquiries.

According to Saunders et al., (2009) realism is an epistemological branch of philosophical approach to knowledge development. This is because, in simple terms, Realism means, "…what you see, is what you get" (Saunders et al., 2009:114). This is referred to as Direct Realism, because it relies on the natural senses depicting what is real independently from what humans may want to think (Saunders et al., 2019).

Interpretivism

The basis for interpretation is to understand the procedure compels the enquirer, or researcher, to listen, ask, record and examine data (Schwandt, 1994). Epistemological and methodological commitments of the inquirer set the basis of interpretation. All depend on what the research seeks to achieve, often guided by individual perceptions and views of what constitutes social reality (Ryan, 2018).

Pragmatism

Thayer & Rosenthal (2019),According to Thayer & Rosenthal (2019), pragmatism, on the other hand, is about achieving results: getting things done (Thayer & Rosenthal, 2019). Thayer and Rosenthal (2019) argue the word pragmatism originates from the Greek word "pragma", which means "action". According to Moore, (1909), pragmatism as a philosophical principle, originated from the works of Mr. C.S Pierce in 1878. According to Moore (1909), pragmatism is a result of two tendencies, namely, primacy of practical reasoning, anchored on human postulation, and the modern meaning of hypotheses. Pragmatism seeks to push human beings to seek alternatives who can contribute to our lives when we are faced with alternatives (Moore, 1909). These tendencies ". . are handy ways of telling us what has happened or what we may expect" (Moore, 1909:13).

The discussions, on interpretivism and pragmatism approaches, are persuasive for research of this nature and can be complementarily applied. According to Mitchell (2018), pragmatism is useful for partnering philosophical mixed methods, because it enables a cycle of inductive, deductive and abductive reasoning when research is to produce useful knowledge.

This study interprets data in other BRICS countries in relation to state-owned shipping companies. The study, furthermore, explores a model that can work for a South African state-owned shipping company. Thus, an interpretivist and pragmatist approach

guides the philosophy of this research. This is because there is a need to explore what may work in relation to South Africa's quest for a state-owned shipping company.

According to Easterby-Smith et al., (2015) exploration of philosophy is important in research because it can help to refine the strategy of the research methodology by specifying the research methods to be used. A research philosophy may also outline the type of evidence the research will rely upon together with the origin of that evidence, guided by its correct interpretation (Easterby-Smith et al, 1997). Through a well-informed research philosophy, a researcher will be able to pose relevant questions which are helpful to advance the research and knowledge.

However, according to Klakegg (2016), the difficulty lies in attempts to remove the researcher from the work they have conducted. The researcher's assumptions about how the world functions, will influence expected outcomes or findings of the research, (Klakegg, 2016). The study is aimed at contributing to radical change by analysis of historical and present data. As a result, data collection should resonate with, Saunders et al (2009)'s argument, the extent to which data collection measures, as intended by the research, is key towards validating research findings. However, and according to Mkansi & Acheamphong (2012) a desire to articulate a research philosophy to be followed by the research, has often posed challenges for students and researchers.

Mkansi & Acheampong (2012)Mkansi & Acheampong (2012)Accordingly, Mkansi & Acheampong (2012) highlight conflicts emanating from a need to classify research philosophy within an ontological, epistemological and axiological framework. Although their argument was based on a study conducted in one university in the United Kingdom, it nevertheless generated findings of interest in understanding student's perceptions of research philosophy. According to Mkansi and Acheampong (2012) the confusion in philosophical stances by students also differ in accordance with faculties in which students are based. To clarify this point further, Mkansi & Acheampong (2012) found, doctoral students across different faculties have experienced difficulties in classifying and understanding research philosophy and its importance. Only 6.7% of students found philosophical classification easy to understand, while others highlighted the confusion in research philosophies is due to the ambiguous, descriptive differences, and similarities in the categorization of these research philosophies (Mkansi & Acheampong, 2012).

According to Mkansi & Acheampong (2012) students in the science and engineering faculties were less concerned about these philosophical classifications. This may be due to the nature of the study of science and engineering, which may require more experimental research methods, often relying on outcomes more than philosophical stance. Social Science students, according to the findings by Mkansi and Acheampong (2012), have shown more interests in research philosophies, thus demonstrating a research problem and approach, suiting their philosophical stance.

Whilst the above study might have been outpaced by developments in research due to time lapse, it gives insights on how students understand research philosophy and its relevance.

In context, the philosophy in this research follows a combination of pragmatism and interpretivism philosophical approaches. This is because the research aims to deal with the realistic nature of a model that can work for a state-owned shipping company in South Africa, while drawing lessons from other BRICS countries.

3.6 Data collection methods

Data collection methods depend on the type of research to be conducted. According to Nemaenzhe (2010) a data collection method depends on the nature of the research problem. This is to ensure the methodology used for the study has taken the type of data into account (Nemaenzhe, 2010).

The research expanded to state-owned shipping companies in the five countries of BRICS. This required a post-facto approach to understand the historical nature of state-owned shipping companies in BRICS' countries. Given the vast geographical location of the countries at the core of the research, it is impossible for the researcher to visit all of them to collect data. According to Kalu (2017) qualitative research concerns itself with richness and depth of data.

Consequently, secondary data collection is ideal as a method for information gathering. The study relied on a publicly available paper trail as a ground for good research. The internet is a convenient source of secondary data collection for this research because through it, most company websites are accessible.

According to Paradis et al., (2016) wherein no clear solutions exist for a particular problem, it is advisable to follow a qualitative research approach. This is because the collection of good information can lead to the production of information that will assist

in understanding a phenomenon (Paradis et al., 2016). According to Paradis et al (2016), the collection of data must be preceded by a carefully designed data collection phase, that determines where, how and the type of data to be collected. It is also important to understand the phases or stages at which such data may have to be collected and reviewed (Paradis et al., 2016). There are various methods of data collection, which justify the chosen method relevant to this research.

3.7 Nature of data

The research was anchored on available secondary data. The study was premised on document-based research. Information from websites, journals, books, company published reports, online and academic publications form part of the nature of data to be studied. According to Hancock et al., (2009), document-based research helps a researcher to broaden their understanding of how things came to be. This is achieved through reviewing available data.

3.8 Sampling strategy

Sampling can be divided into two primary strategies: namely, probability and nonprobability strategy (Salkind, 2018). These are discussed below to justify the strategy chosen in this research.

According to Saunders et al., (2009), a probability sampling strategy involves the identification of a sampling frame, a suitable size, the selection of a suitable technique and the sample itself. Probability sampling has rules to be followed (Saunders et al., 2019). These are, however, not relevant for this research. Most importantly, Saunders et al., (2009) cautions against using a probability sampling strategy, when the population for the research is less than 50 cases.

A non-probability sampling strategy is used when it is not possible to statistically choose a sample for research (Saunders et al., 2019). According to Saunders et al., (2009), this often happens in case study and market surveys. Nonprobability sampling is useful when there is an element of subjective judgement in sample selection i.e. In this study, Brazil, Russia, India and China have been selected because they are member states of the BRICS community with South Africa. Consequently, Saunders et al., (2009), cautions a nonprobability sampling strategy may be the most practical strategy in a situation similar to this study. But a nonprobability strategy may not assist to determine the extent of a problem, the subject of the research (Saunders et al.,

2019). This should be expected because, as already indicated, the research is focused only on BRICS countries by virtue of their membership.

Nevertheless, the study uses literature review and secondary data. Furthermore, the study will adopt a non-probability sampling strategy.

3.9 Data analysis techniques

Qualitative analysis is the applicable technique to analyse data. According to (Caudle, 2004:417), qualitative analysis means, "…making sense of relevant data gathered from sources such as interviews, on-site observations, and documents and then responsibly presenting what the data reveal".

According to Caudle (2004) content analysis requires adequate data and documentation to be collected for the purpose of qualitative data analysis. Content analysis is a good choice for secondary, document-based research (Videos, 2019). The research included collection of adequate data and documentation. This was supported by a hybrid initial data coding method, to categorise collected data into relevant themes. This was necessary due to the number of countries the research will have to analyse. This assisted in data management and examination of documents, policies, and conventions as part of trying to understand concepts (Videos, 2019). According to Caudle (2004:417, citing Patton, 2002), analysis will help the researcher to know which aspects to study.

3.10 Time horizon

A research study must have time frames within which it will be conducted. This poses challenges on researchers because the nature of the research may require a study to be undertaken over a long period of time, while other research studies may take a shorter time. To illustrate this point, Saunders et al., (2009) advise that in planning a research study, the researcher much ask whether they want the research, "…to be a 'snapshot' taken at a particular time" or a diary that is a "…representation of events over a given period?" (Saunders et al., 2009:155).

Upon the above-mentioned enquiry suggested by Saunders et al., (2009), the 'snapshot' approach would indicate a cross-sectional time horizon. The 'diary' perspective, will imply a longitudinal time horizon. The two-time horizons are explained below.

According to Pandis (2014), cross sectional studies are observational studies wherein exposure and outcome can be determined within the same time. According to Setia (2016), cross-sectional studies can be conducted faster and are not expensive. Cross sectional studies are also useful when participants are just selected without any formal criteria to include or select them for a study (Setia, 2016). Cross-sectional time horizons are helpful in giving information when the focus is on outcomes and exposure in research, where causal relations are not the focal point (Setia, 2016).

According to Kesmodel (2018), cross sectional studies are characterized by a lack of time dimension in the collection of data. According to Saunders et al. (2009), cross sectional studies are also useful when the research seeks to describe unusual incidences at a given point in time. This is because data is often collected at a given point in time (Kesmodel, 2018). However, cross sectional time horizons are not ideal for studying change and development, because these occur over a period. According to Saunders et al.(2009) longitudinal time horizons are able to study change through observations. Below is a brief discussion of longitudinal studies.

According to Ruspini (2003), longitudinal research involves the gathering of data related to several variables, wherein subjects are observed over time. Longitudinal data presents information showing the reader what would have happened across time. Longitudinal data is helpful to diachronically understand development and evolution (Ruspini, 2003). According to Salkind (2012b), changes in behaviour can be assessed through longitudinal methods at different points in time. This is possible because the subject groups do not change, they move with the research as it crosses timelines. However, this becomes costly because subject groups must be monitored over a long period of time (Salkind, 2018). One of the major disadvantages of longitudinal time horizons, has been subject groups drop out of experiments over time (Salkind, 2018). A longitudinal time horizon is not ideal for a study seeking to explore a model for a state-owned shipping company in South Africa and will not be viable for such a study.

A cross-sectional time horizon method was suitable for this study because there was no intention to compare the findings over time. The study, simply put, explores a model that can work for a South African shipping company, drawing lessons from BRICS. This allows for data to be collected at a point in time.

3.11 Methodological limitations

The study was limited to document-based data, publicly obtainable. While information can be accessed through the internet, the vast geographical distances between BRICS member states made it costly for more data collection from these countries for further research.

While the convenience of a secondary data collection method can aid this study through its cross-sectional timeline, the unintended consequences would have been the usage of unverified information. Ideally, information on some of the state owned companies should have been aided by engagement with management teams of the state-owned companies referred to in the research. This was not possible given the complexity and geographical locations of these companies. Failure to directly engage posed concerning limitations to the study. To guard against this possibility, an enquiry on collected data was preceded by gauging the academic, legal, and authentic standing.

3.12 Concluding summary

Consequently, this study has been conducted through a qualitative research method. The chosen research method was aided by a combination of pragmatism and interpretivism research techniques supporting the research philosophy and design. This is because the researcher anticipates a need to analyse, allows numerical data collected during case studies of various state-owned shipping companies in BRICS.

Data was collected through secondary sources, and using cost effective and convenient data collection methods. The study was empirical and relied on journals, international conventions, government policies and regulations, publications from websites of industry players and academic literature. A cross-sectional time horizon was applied.

The study is important because it explores a state-owned shipping company beyond the framework that has been outlined in the South African Shipping Company Bill. The study looks at models in other BRICS countries, thus justifying a qualitative research methodology that is anchored on available document-based data as an appropriate methodology for the research.

CHAPTER 4

4 Presentation of research outcomes

4.1 Introduction

This chapter seeks to present the findings of this study. The study aimed to develop a model for a state-owned shipping company in South Africa. To achieve its aim, the study relied on lessons it drew from other BRICS countries.

Furthermore, the study explored various models of state-owned shipping companies existing in BRICS countries. Through lessons from other BRICS countries, the study would recommend a model for a South African state-owned shipping company. Additionally, the study would recommend measures that should be implemented for realization of a South African state-owned shipping company.

The study understands the South African government has already taken a decision to establish a state-owned shipping company. This was the case when in November of 2022, the government released a Draft South African Shipping Company Bill (the "SASCO Bill"). The release of the SASCO Bill was coupled with an invitation for public participation as required by law (Notice 1376 GG 47428, 2022). It was never the aim, nor the duty of the study to interrogate the wisdom of the South African government's plan to own a shipping company.

Consequently, this study has not sought to comment on the correctness or otherwise of the decision by the South African government. The inference drawn by the study is the wisdom of decision makers has prevailed and is thus deemed to be correct. To understand the objectives set above, the following questions were posed in the study:

1. What are existing state-owned models of shipping companies within BRICS?
2. Which model will be suitable for a South African state-owned shipping company? And,
3. What measures will have to be taken for successful implementation of the proposed model for South Africa?

In line with the above study research questions, the following themes have been established: BRICS State-Owned models of shipping companies; suitable model for

a state-owned shipping company in SA; and measures for successful implementation of a model in South Africa. The themes are incorporated into discussions per country.

4.2 BRICS State-owned models of shipping companies

The study found BRICS countries do not have a homogenous maritime and model of a state-owned shipping company. As a result, they developed state-owned shipping company models responding to their developmental needs. All of them have developed state-owned shipping company after the Second World War.

However, the establishment of state-owned shipping companies in BRICS countries has been a consequence of the aftermath of the Second World War. During the period between 1945 and 1960, BRICS countries embarked on various strategies to be self-reliant. To achieve this, they placed their focus on developmental agendas and the availability of natural resources they can exploit. Each country had its own developmental agenda and this is what the study found.

4.2.1 South Africa

In 1946 South Africa established the South African Marine Corporation, known as Safmarine (Dlamini, 2020). The state-owned shipping company was founded through a partnership between the United States's State Marine Corporation, and the South African government (Ingpen, 1996). The government identified a need for supply of equipment for its industrialization programme and war time equipment (Ingpen, 1996).

Due to the Second World War, supply was low, and South Africa could not rely on foreign vessels to meet its needs. The country had to find other potential suppliers. It was at a conference in the US government officials met with officials from other parts of the world, who shared the common idea of procuring equipment for their own countries (Ingpen, 1996). The steel conference in New York became the place where a partnership to establish a state-owned shipping company was initially mooted (Ingpen, 1996).

South Africa adopted a funding model allowing for a partnership with a foreign company, State Marine Shipping Company of US (Ingpen, 1996). Additionally, South

African companies were encouraged to offer financial and market support for Safmarine (Ingpen, 1996). This was done in exchange for shares in Safmarine. The South African mining sector invested in Safmarine (Ingpen, 1996). This led to the capitalization of Safmarine to the value of £ 600 000,00 during Safmarine's inception (Ingpen, 1996).

Safmarine commenced its operations through acquisition of three victory ships from the US (Ingpen, 1996). These vessels were registered and sailed under the South African flag. In addition, the ships were crewed by South Africans who were trained and in Britain (Ingpen, 1996). However, Safmarine did not enter any stevedoring businesses (Ingpen, 1996). It relied on private businesses to meet its needs (Ingpen, 1996).

Management and operations of the business followed a model of a stock exchange listed public company. Day to Day operations were managed by a management committee appointed by the company board. Safmarine opened offices in the US, Europe and parts of Asia (Ingpen, 1996). Overseas offices looked at customers who were importing cargo into South Africa. Through these offices, the state-owned shipping company was able to secure cargo shipped for South African based companies. OK Bazaars was one such South African based company that committed its international sale of goods to be conducted through Safmarine (Ingpen, 1996).

The business operations also led to the export of mining minerals such as manganese from South Africa to the US (Ingpen, 1996). Safmarine's growth led to its diversification into other industries. It established SAFAIR, with its core business being air freight charter and leasing, engineering and maintenance, and aircraft conversions. In partnership with SWIFT, Safmarine secured a 46% stake in the latter to also be in ground handling at airports (Ingpen, 1996). Through collaboration with agencies, extended its services to Zimbabwe through Zimbabwe's shipping (Ingpen, 1996).

4.2.2 Brazil

In 1953, the government of Brazil resolved to embark on an industrialization programme (Victor et al., 2011). To achieve this, the country exploited the availability of oil on its shores, (Petrobras, 2023). Petrobras was formed as a state-owned oil

company (Petrobras, 2023). In addition to the above-mentioned refineries, the National Oil Tanker Fleet (Fronape) was also incorporated into the new company, Petrobras (Petrobras, 2023). From 1953 to 1973, Petrobras was funded by the government of Brazil (Victor et al., 2011).

Capitalization of Petrobras is in the form of public share trade on the Brazilian Stock exchange (Petrobras, 2018). This is where Brazilians can trade their common and preferred stocks, (Petrobras, 2023). Foreign investors are also afforded an opportunity to trade in Petrobras, (Petrobras, 2023). This is conducted through the New York Stock and Buenos Aires Stock Exchanges, located in the USA and Argentina (Petrobras, 2023). Trading by foreigners is permissible to individuals and legal entities wishing to trade common or preferred shares (Petrobras, 2023).

Oil exploration led to establishment of a shipping transport division within Petrobras, (Petrobras, 2023). Fronape was established in 1950 to receive the Venus, an oil tanker acquired from a Swedish company (Transpetro, 2024). It would be the acquiring of a fleet that launched Petrobras diversification into the shipping industry. Years later, the growth of the oil transportation necessitated the diversification of Petrobras into oil transportation by sea and pipelines (Transpetro, 2024). This led to the incorporation of Petrobras Transporte S.A., fondly known as Transpetro in 1998 (Transpetro, 2024). Despite being a subsidiary of Petrobras, Transpetro became a de facto state-owned shipping company in Brazil.

Over the past 70 years, Petrobras and Transpetro have invested in vessels, port terminal and logistic infrastructure (Petrobras, 2018). According to the annual report of Petrobras (2018) further investment has been on vessels with capacity to produce, store, offload oil and natural gas and shuttle ship tankers were built. In 2018, the business moved 564 million metric tonnes of cargo through its terminals. To achieve this, over the past 70 years, Petrobras and Transpetro invested in vessels, port terminal and logistics infrastructure (Petrobras, 2018).

Petrobras has 123 vessels (Petrobras, 2023). These comprise 43 owned by the business, and 80 chartered (Petrobras, 2018). Additionally, Transpetro supports

Petrobras services through a fleet of 6 Carriers, 6 Crude Oil Tankers, 5 Product Tankers and 9 Shuttle Tankers (Transpetro, 2024).

The business operations expand to China, America, Europe and other areas in Asia (Petrobras, 2023). This is where it supplies its oil and gas through carriers (Petrobras, 2023). It has a virtual platform enabling customers across the world to schedule their orders and book slots for delivery (Petrobras, 2023).

4.2.3 Russia

The United Soviet Socialist Republic's government and now Russian Federation founded Sovcomflot Group in 1973 (Sovcomflot, 2023). However, Sovcomflot was not the only state-owned shipping company. Russia had another state-owned shipping company called Atomflot.

According to Moe & Brigham (2017) Atomflot was established to manage and operate Russia's icebreakers for the Northern Sea Route Project, including the provision of ice pilots. Another state company that existed in the USSR, was Sovracht. According to the company website, Sovracht was founded in 1929, but has since become an independent company. However, Sovcomflot had to be established to service a different national interest. The idea to establish Sovcomflot was because of challenges related to the importation of grain. During the times of poor crop yield, demand for grain was at 40 million tons annually(Sovcomflot, 2023). This led to high costs of transporting grain through foreign vessels.

The Russian government was not happy with the service offering of foreign vessels, from the US. The Russian government entered a, "One Third principle" agreement with the US, wherein the two countries would split cargo from and to either country. However, Russia's view was its vessels were being charged a higher cost for loading goods from the USA, while pricing was cheaper for US vessels.
Sovcomflot principal service offerings are in seaborne transportation of crude oil and petroleum products, offshore upstream services and seaborne transportation of liquefied natural gas (Sovcomflot, 2023). Sovcomflot is currently Russia's largest shipping company (SCF Group, 2023). It has 50 crude oil tankers amongst its fleet. Management and operations of the business is divided into five segments, which are

managed per divisional allocation. These segments are the offshore service and gas transportation, which fall under industrial shipping. Crude Oil and oil products transportation are located under the conventional shipping division of the business. Additionally, the business has subsidiaries in different countries.

In 1973, during its establishment, the capitalization of the business was through the Commercial Operations' Office (COO) of Sovfracht (Sovcomflot, 2023). During this time, two bulk carriers were procured from Yugoslavia (Sovcomflot, 2023). However, in recent years, the market capitalization of the business was achieved through issuing bonds to international markets. This is conducted through one of Sovcomflot's subsidiaries, SCF Capital Designated Activity Company, which is based in Ireland. In 2021, the business total assets were valued at USD 7,7 billion (Ernst & Young, 2021). The literature shows Russian Federation owns 82.8% of the company's issued shares (Ernst & Young, 2021). Treasury shares equal 1.6%, while the remaining 15.6% shares can be traded to the public because they are free float, (Sovcomflot, 2023). Public shares are traded in Russian-based indices and international stocks such as the FTSE (Sovcomflot, 2023).

4.2.4 India

The Shipping Corporation of India was founded in 1961 (SCI, 2023). This was through the amalgamation of Eastern Shipping Corporation and Western Shipping Corporation, which were two state-owned shipping companies (SCI, 2023). Within 4 months after the amalgamation of process, SCI launched the East and West Coasts of West India, stretching the service to the West Asian Gulf routes. Vessels from the amalgamated companies were used to service these routes.

The SCI commenced its operations with 17 ships. These were 2 tankers, 2 passenger-cum-cargo ships and 13 cargo liners. At the time India was one of the world's major players in the world in the exportation of iron ore. However, in 1964, SCI diversified its operations and focused on the transportation of crude oil.

In 1975, 11 years from its incorporation, SCI purchased its first large crude carrier (SCI, 2023). This was to support India's crude oil demand. Furthermore, relations were

forged between SCI and the Islamic Republic of Iran Shipping Lines in response to the oil demand (shipindia.com, 2023). The SCI was also able to participate in the Indian East Coast – Red Sea, India - USA pacific coast – Canada, and India west coast – Australia routes. In 1975, SCI's participation on these routes helped to establish relations with other shipping lines across the world. To optimize its overseas service, SCI has partnered with the Mediterranean Shipping Company (MSC), and HIMALAYA, to ensure a 63 day round voyage UK-C Cellular Container Service that serves the UK and European based ports.

On the local market, the SCI functions as a business support implementation agent for Indian small businesses, far from main ports (SCI, 2023). Business use Inland waterways. According to the SCI (2023), this is done in line with government's policy calling for an India centric service. The coastal and passenger service is also managed by SCI, to support surrounding islands within Indian territory (SCI, 2023).

According to the SCI (2023), the company service offering includes tankers, bulk carriers, container, offshore break bulk, coastal and passenger service, chartering, lighterage, dry docking and shipbuilding/technical consultancy. The SCI is the largest owner of tankers in India (SCI, 2023). It has a tanker commercial department responsible for chartering service offering. The service includes scheduling and deployment of tankers to transport oil to refineries. The SCI also offers a Shipbuilding and Technical Consultancy service in shipbuilding (SCI, 2023).

The Indian government owns 63.75% of the company's equity shares (SCI, 2023). Additionally, SCI is listed on the Bombay Stock Exchange LTD, and on the National Stock Exchange of India (SCI). Through these listings it can capitalize, and secure loans form commercial banks. According to SCI (2023) 75% of the state-owned shipping company's secure credits are from commercial banks. Where necessary, additional capital is raised through follow-on public offers (SCI, 2023).

4.2.5 China

During 1946 to 1952 period, post the pacific war, China's ocean policy was geared towards economic development focused on three identified areas, namely, guano

(fertilizers), fisheries and shipping (Granados, 2006). Chairman Mao Zedong of the People's Republic of China pushed the idea of establishing a Chinese owned shipping fleet (COSCO, 2023). A skills shortage and lack of professionals in the shipping industry prompted China to leverage its relations with the Czech and Poland Republics. This yielded to agreements on human resource development between China and these two countries.

The literature shows relations between the three countries further led to establishment of partnerships in establishing state-owned shipping companies. In 1951, Poland and China established Chipolbrok. Chipolbrok was a joint-stock shipping company, owned by the two countries. In 1959 the Czechoslovakia International Ocean Shipping Company was established by China and the Czech Republic (COSCO, 2023). This was also a joint-stock company. These companies preceded by the China Ocean Shipping Company (COSCO), which was established two years later in 1961.

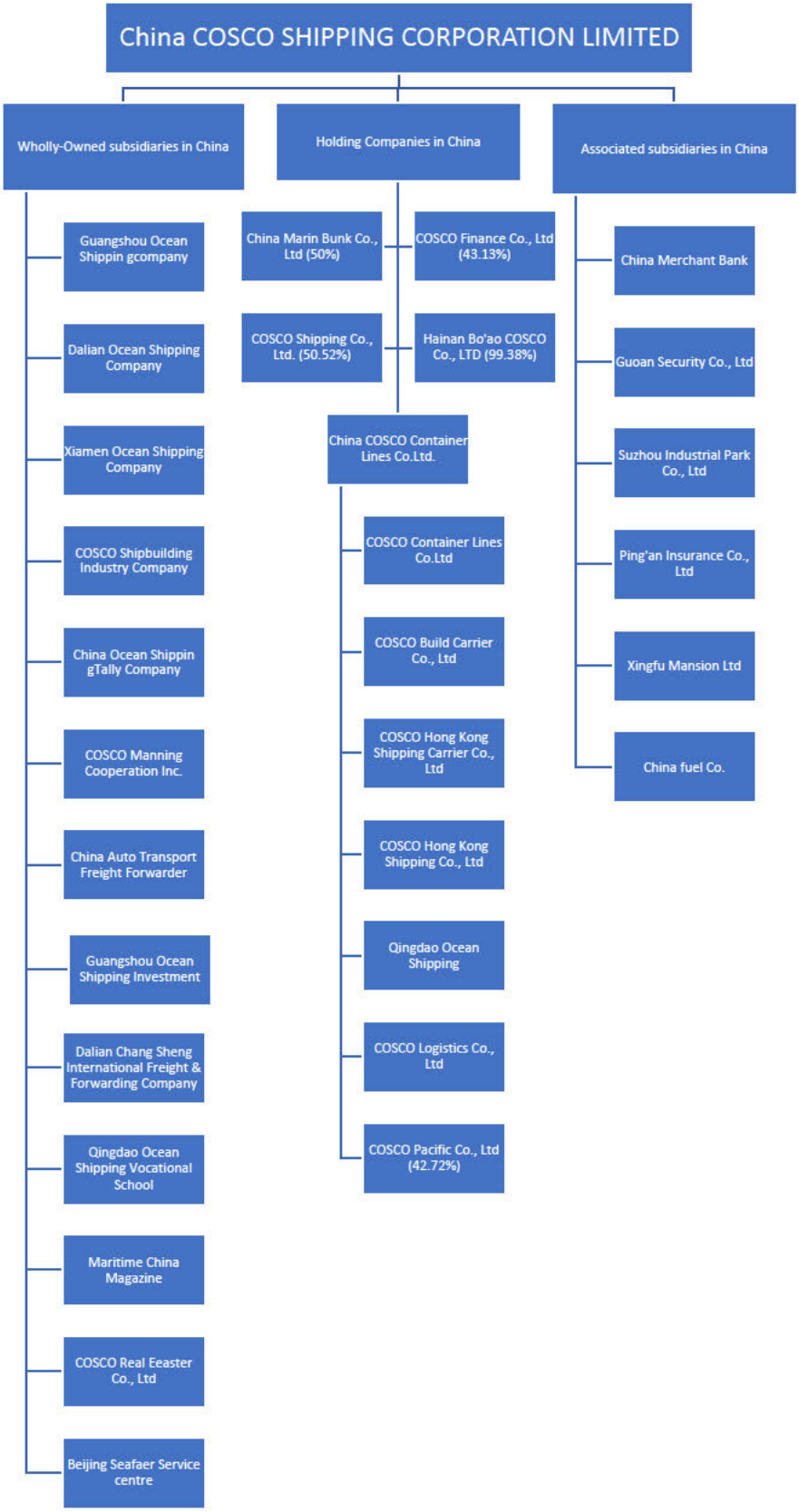
On 27 of April 1961 COSCO was founded as an international shipping company by the government of China. It launched its first operation the following day on 28th April 1961, by sailing to Jakarta and Indonesia through its first passenger liner *Guang Hua* (COSCO, 2023). Since then, COSCO focused on growth and established subsidiaries in different regions of the world.

Through its vast diverse subsidiaries, COSCO offers services ranging from international freight; supporting international freight; providing booking, chartering and time chartering services for domestic and foreign cargo owners; leasing, construction and trading of ships and containers, cargo agency business and seafarers for management of enterprises, spare parts manufacturing business, and ship escrowing business.

According to Zheng & Smith (2017) COSCO is currently the second largest shipping company by number of vessels and shipping capacity in the world. It trails behind the Maersk Group (Zheng & Smith, 2017). To manage its size operations, Cosco has in the years diversified into seven main services designed as clusters. These are shipping, logistics, finance, equipment manufacturing , shipping services, social and information services(Zheng and Smith, 2017). The company has created headquarters in regions where it conducts its business. These regions include Hong Kong, Germany, the United States, Australia and South Africa (Zheng & Smith, 2017).

The literature shows COSCO has a port operation service. It is a port operator which has invested and developed 47 terminals in 38 ports worldwide (COSCO, 2023). According to COSCO Holding (2023)'s website, the portfolio of terminal service offerings is based in China, Southeast Asia, the Middle East, Europe, South America and the Mediterranean.

The literature shows COSCO has a myriad of subsidiaries listed in the literature and shown below:



Source: Figure 13 SOURCE: COSCO (2023), subsidiaries website (https;//en.coscoshipping.com)

COSCO'S growth strategy is aligned to the Chinese, "Belt and Road Initiative". According to Butt et al., (2021), the Belt and Road initiative (BRI) refers to the, "Silk Road Economic Belt" and the, "21-Century Maritime Silk Road" programmes.

4.3 Suitable model for a South African state-owned shipping company

The literature has revealed that each country has its own model. Each country's model is supported by resources often under control of the state. In South Africa, the state does not own natural resources extracted from the ground. The state only creates a conducive environment for private ownership of resources through issuance of licences. This is evident in the mining sector.

BRICS countries own the resources and have developed their state-owned shipping companies around the resources owned by the state. A good example is Brazil, where oil resources are state-owned, allowing Petrobras and Transpetro to transport oil products on behalf of the state.

This study has shown there is no state-ownership model solely suitable for a South African economic environment. This may require South Africa develop its own model of a state-owned shipping company. However, through an extract of lessons from each BRICS country, a new model for a state-owned shipping company is achievable, provided that there is consideration of time that other BRICS countries took to establish their own shipping companies over many years and how these companies expanded over decades.

4.4 Measures for successful implementation of a model in South Africa

4.4.1 Lessons from Safmarine

Safmarine was a state-owned shipping company established by the South African government in 1946. The business operated with three vessels just over 32 000 DWT and expanded its fleet over five decades to over one hundred vessels with a combined DWT of 1.9 million.

The model it adopted included collaboration with an international company, (Ingpen, 1996). It also enticed local South African businesses with international operations to invest and utilize its transport services (Ingpen, 1996). In return, businesses bought stakes in Safmarine. The literature has shown Anglo American's Ernest Oppenheimer had a seat on the board of Safmarine (Ingpen, 1996). The performance of Safmarine

in seaborne trade was an area of interest for local businesses. The business model and service offering were aligned to local business needs. The literature has shown collaboration with OK Bazaar, wherein Safmarine was the preferred carrier for OK Bazaar's cargo (Ingpen, 1996). Its membership of the Union conference expanded its trade routes and opened opportunities to position itself as a preferred sea transport for cargo destined for South Africa (Ingpen, 1996).

4.4.2 Review of policy and legislative framework

The literature has revealed that the policy and legal framework in South Africa is mired in multiple policy directions developed between 1996 to 2022. The first policy document after 1994, the White Paper on National Transport Policy targeted the freight market as an area of sea transport on which the country should focus. Policy documents failed to realize the competitive nature of the shipping market required active government participation to protect the local shipping market, while balancing the dictates of an open market system.

The 2017 Comprehensive Maritime Policy was developed as a consolidation of more than eight policies canvassed by the state between 1996 and 2015. The policy advanced for support of the sector and inclusiveness. However, there is nothing in the CMTP policy that points towards state-ownership of a shipping company.

Legislation affecting the maritime sector creates difficulty for private sector participation in the maritime sector, let alone in supporting a state-owned shipping company. The SASCO Bill serves to illustrate this point. Companies in BRICS countries are listed in local and international stock exchanges, albeit in minimal shares. The Act has no provision to create participation by the public in SASCO through purchasing of shares.

Section 6 of the SASCO Bill prohibits any person from placing SASCO under judicial management or liquidation, unless such a move is authorized by parliament. However, the section further provides for an Act of parliament to be enacted first, with the sole purpose of placing SASCO under judicial management.

The Admiralty Jurisdiction Act of 1983, is another piece of legislation that has a bearing on the maritime sector. In relation to state-ownership of a shipping company, the act does not make any provision for such an eventuality. The act empowers the courts to

consider and decide on matters arising due to maritime claims. SASCO will be operating within the maritime space and funders may have maritime related claims against the state-owned company or its vessels. The literature has shown in India's SCI success is partially attributed to a credit line provided by banks. This credit line constitutes 75% of SCI's secured credit facilities. However, in South Africa the ranking of mortgage claims, and orders incidental to such claims, are ranked way below any other claims. This discourages financial institutions to finance or participate in the maritime sector and thus may discourage any investment in a state – owned shipping company.

4.4.3 Business community buy-in

Petrobras' core business is oil production. Transpetro's existence is attributed to Petrobras, in oil production requiring shipping and gas pipeline transportation. The literature has shown these two businesses work hand in hand. In South Africa, the state does not own any company with direct business interests in natural resources. According to UNCTAD (2021) South Africa exports 6% of the world's coal and is ranked fifth in the world in coal supply. Additionally, South Africa exports 5% of the World's iron ore and is ranked third in the world.

According to the DTIC (2024), in the five-year period between 2018 – 2022, South Africa's iron ore products' global export value was R 1,1 trillion. Coal exports amounted to R 523 billion for the same period (The DTIC, 2024). According to Franck (2016), South African minerals are sold Free on Board (FOB). FOB refers to an international commercial term wherein the duty, risk and obligations of the seller are extinguished when the cargo is loaded on a ship at the port of loading (Incoterms, 2020). According to Franck (2016), the moment minerals are loaded, the control is no longer in South Africa. Findings show the contracting of businesses on FOB terms will not assist SASCO in the long run but help buyers of South African products to bring their own vessels and improve shipping freight of foreign countries. South Africa lacks a merchant fleet on its register, having all its exports shipped on foreign vessels (Franck, 2016).

South African cargo exporters are crucial to the success of a state-owned company. Engaging the South African business community will be important to get their buy-in

on the idea to conduct their international trade through a South African state-owned shipping company.

4.4.4 Review of a funding model

The study has shown state-owned shipping companies in BRICS countries received their funding from their governments. The study has also shown the duration of government support varies according to plans of the government and financial needs of the state-owned shipping company concerned. All state-owned shipping companies within BRICS have shown growth in revenue and market role.

All state-owned shipping companies studied have shown and proved to have been viable investments for the government that funded them over time. Funding models adopted by all state-owned shipping companies in BRICS countries created room for public investment and participation. However, literature shows the SASCO Bill does not make any provision for public investment in SASCO. A funding model that allows for public participation may reduce government bail outs because SASCO will be able to approach financial markets to raise capital.

Public participation may also lessen the burden imposed by section 5 of the SASCO Bill, which calls for an Industrial Development Fund to finance SASCO. Literature has shown South Africa does not have an Industrial Development Fund. However, there is the Industrial Development Corporation (IDC) which funded Safmarine in its early years. SASCO Bill's reference to an industrial development fund indicates an intention to set up a completely new fund to finance SASCO.

4.5 Lessons for South Africa

The common feature from BRICS companies has been their governments' commitment to build state-owned shipping companies. Governments in BRICS states adopted long term investment strategies in state-owned shipping companies, absorbing considerable financial losses in the first decade of their investments. Within two decades of investment, expansion programmes were initiated based on prevailing market opportunities. Each country's model is aligned to available natural resources and collaboration with countries that are buyers of such products. While governments were major shareholders in the BRICS countries, they created space for public-private

partnerships by allowing share trading and schemes that enable financial injection that is not reliant on these countries fiscus.

4.6 Concluding Summary

This Chapter has presented key findings of the study. The key findings of the study are all state-owned shipping companies investigated have developed their own models. The main characteristics of each company's model were revisited; the discussion was from the time each state-owned shipping company was established.
One of the key findings was South Africa Shipping Company will have to develop a new model aligned to its development dictates of the country. There is a need to review the funding model proposed by the Sasco Bill. There is also a need to review policies and the legislative framework governing the maritime sector. In addition to policy and legislative review, the local business community will have to be engaged to identify strategic areas through which they can support the SASCO initiative. These are necessary measures to realize a successful state-owned company's shipping model.

CHAPTER 5

5 Discussion on findings

5.1 Introduction

In this chapter, findings that were presented in the previous chapter are discussed. The discussion also makes recommendations in certain key areas of the findings as part of recommendations. The discussion also explores potential markets SASCO will have to pursue in accordance with a suitable model for a South African state-owned shipping company. The discussion acknowledges patterns of establishment show some commonalities with all these companies. These are discussed below.

5.2 Findings

5.2.1 State-owned shipping companies and developing states

The establishment of state-owned shipping companies in BRICS countries draws from the aftermath of the Second World War. This was before these countries formed the BRICS' bloc. The setting up of state-owned shipping companies was a strategy by countries to own their developmental agendas. This was after the end of the Second World War. These states were developmental at the time (Meyiwa & Chasomeris, 2020). According to Meyiwa & Chasomeris (2020) commercial enterprises are used for industrial development in a developmental state. This becomes a way in which states allocate key strategic resources to industries selected for economic growth and development (Meyiwa & Chasomeris, 2020). All companies in the BRICS countries, including Safmarine, were established for economic growth and development.

Safmarine' s establishment was for the purpose of building up a merchant marine in South Africa (Ingpen, 1996). However, there was further need for buy-in from South African-based businesses to ensure operation of Safmarine. Additionally, there were engagements with the business sector in South Africa. The purpose of these engagements was to secure cargo for Safmarine. Anglo American is an example of the business sector commitment to government's efforts to establish a state-owned shipping company.

Brazil's Petrobras was established to support the government's industrialization campaign. Russia's Sovcomflot was established in response to the country's high demand for grain and high cost of transporting it on foreign vessels. The State Shipping Company of India was looking at iron ore and timber production for its economic development. Cosco was a strategic shipping company for China's ambitions in the ocean economy.

The above demonstrate when state-shipping companies were established, they were modelled around the countries' objectives to exploit and derive benefit from their natural resources. According to Meyiwa & Chasomeris (2020), this should also be aimed at correcting market failures in the economy.

5.2.2 Cooperation & Partnerships

The establishment of state-shipping companies in other BRICS countries followed a pattern of cooperation with companies in other countries. Where shipping companies existed, they were amalgamated to establish a solid state-owned shipping company. The Shipping Corporation of India is an example, because SCI obtained its vessels through an amalgamation of the Eastern Shipping Corporation and Western Shipping Corporation in 1961 (SCI, 2023).These companies were already existing in India and there is not much information about their procurement of vessels.

Safmarine has collaborated with US's States Marine Corporation for support in obtaining maiden vessels that helped the latter to be operational (Ingpen, 1996). This strategy did not dilute state-ownership of the shipping company, but helped the business to enter the US market.

Petrobras procured its first vessels through cooperation with a Swedish company (Petrobras, 2023). Although this company started its operations in the production of oil, it ended up expanding to shipping because oil and products had to be transported (Transpetro, 2024).

Russia's Sovcomflot establishment relied on a charter party agreement which was unusual in the then socialist economy. However, the cooperation was important because the price of transporting grain escalated without any returns for the USSR. The above demonstrates a model supporting the involvement of the private sector for the state to own a successful state-owned shipping company. The SASCO Bill is silent on partnerships. Section 9 of the SASCO Bill only provides for powers of the minister to transfer shares in the South African Shipping Company upon cabinet approval.

5.2.3 Operations and management

Safmarine's management was independent from the state, despite the latter owning the majority shares in the business. It had a board and management responsible for the running of the business. There is no evidence from available data if it reported to parliament. With other BRICS countries, management of these businesses was separated from the state. This is probable because all of them are listed in various stock exchanges. Owing to stringent rules associated with public listing of these companies, state interference is often avoided.

Operations and management of the business are mostly run by the service offering of the business. In the case of SASCO, its operations should follow a recommendation the business must align itself with a chosen service offering. Moreover, the findings have shown South Africa, does not own resources. The state only creates a conducive environment for private ownership of resources through issuance of licences. This creates room for further study on the relationship between a state-owned shipping company and ownership, management and control of natural resources by a state.

5.2.4 SASCO's service offering

In the event SASCO is established by the South Africa government, the state-owned shipping company will be a new entrant in the shipping market. It is mentioned in the introductory chapter of this study the decision to participate in the market through a state-owned shipping company was due to a reflection by the South African government against its counterparts within BRICS (Notice 1376 GG 47428 of 1 November 2022, 2022).

However, other BRICS countries have been players in the market for over four decades. Consequently, it is recommended a model for a South African state-owned shipping company must not ignore the current state of the global shipping market, as opposed to how the market looked when other BRICS countries formed their shipping companies in the 1940s and 1950s periods.

According to Karakitsos et al (2014), the economics of shipping are organised along four main markets. These are the freight market, the shipyard (or newbuilding) market, the scrap market and the second-hand market. Section 3 of the SASCO Bill is ambiguous on the market in which SASCO envisages itself as a player.

According to section 3 of the bill, SASCO plans to participate, among others, in the carriage of exports and imports as the preferred national shipping carrier. The section provides further SASCO will manage a strategic fleet of vessels. Section 3 furthermore provides for these vessels to be acquired or built and registered in terms of the South African Ship Register. The implication is all these areas where SASCO sees itself as a player spreads resources to three of these shipping markets, except the scrap market. Furthermore, there is difficulty with the approach the Sasco Bill envisages the establishment of a state-owned shipping company.

Sasco, albeit amid scarce financial resources, must explore different models applicable to different markets. There is no single model that may respond to all markets in shipping. It is recommended the Bill should be aligned to SASCO's intended service offering. This calls for an amendment of Section 3 of the Bill to reflect markets essential and implementable for economic growth. However, in the event drafters of the SASCO Bill argue they were aiming at the freight market, there still lies a need to dissect the market and a choice be made on the division within which SASCO will operate.

According to Karakitsos et al (2014) the freight market's subdivisions are the spot and time charter markets. These markets require a different approach for new entrants. They also require for any player to also consider the type of vessels to adequately lead to meaningful participation in seaborne trade. Additional to types of vessels, any new entrant in the market will have to consider market performance over a period; this to

determine the type of vessels required to support market entry and performance. Below is a projection by UNCTAD (2023), on trade forecast for the coming four years.

Table 5 Source: UNCTAD (2023:4), Seaborne trade forecast

Seaborne trade forecast, 2024 -2028		
Year	Total seaborne trade	Containerized trade
2024	2.1	3.2
2025	2.2	3.2
2026	2.2	3.2
2027	2.1	3.0
2028	2.1	2.9

According to a seaborne trade forecast conducted by UNCTAD (2023), an average growth of 2.1% in global seaborne trade is expected between 2024 and 2028; while the containerized trade market will grow at an average 3.1 % increase in the 5 years. The implication for a new entrant in the position of SASCO is whether the growth forecast is enough to enter the containerized trade market. This may not be desirable because the trend in containerized trade market growth follows production of goods that are due for export. As matters stand and according to Franck (2016), over 95% of goods in South Africa are imports.

According to UNCTAD (2023), the Shanghai Containerized Freight Index (SCFI), the Shanghai – South Africa route contributes high volumes of containerization between South Africa and China. According to Mthembu (2023) the trade route between South Africa and China is skewed in support of the latter's exports. Trade relations between the two countries will have to be revisited to support the establishment of a state-owned shipping company in South Africa.

The SASCO Bill contains a provision in section 3 (d), SASCO will own and operate goods clearance, stevedoring, warehousing and other logistics infrastructure and services. The service offering under this section is covered by other institutions of the state in South Africa i.e. the South African Revenue service has a statutory duty to clear imported and exported goods in terms of the Custom Control Act. The question

is whether SASCO will be consolidating all other functions performed by state organs like SARS and Transnet. The services the Bill proposes in section 3(d), are conducted at ports of entry. The bill is silent on ports. This necessitates a discussion on how SASCO can have a role in ports, drawing lessons from other BRICS state-owned shipping companies and port operations.

5.2.5 SASCO and port operations

The SASCO Bill does not indicate the role of SASCO in port operations. However, the bill refers to ownership of stevedoring and bunkering services among SASCO's objects. Stevedoring services are provided for in section 3 (d) of the SASCO Bill, while section 3 (f) provides, objectives of SASCO are to engage in bunkering services.

According to David (1967) stevedoring refers mainly to cargo being loaded and off loaded from ships. SASCO's envisaged core business is bigger than stevedoring services in a port. In any event, port operations governance and services are the domain of Transnet National Ports Authority (TNPA), which is a division of Transnet. Transnet is a state-owned company. According to Meyiwa & Chasomeris (2020) TNPA controls port services by entering into agreements with port operators for any marine services required in ports.

It is recommended SASCO should follow the approach used during Safmarine's early years. According to Ingpen (1996), when Safmarine was launched, it made it clear it was not in the business of stevedoring, but of transporting cargo by sea. In a press statement announcing its launch, Safmarine stated, "…it is not [its] intention to enter into competition with existing agencies and stevedoring services as long as they can and effectively meet our needs" (Ingpen, 1996:18). This service can be left to other stakeholders who are involved in port operations while SASCO focuses on its core business.

5.2.6 Funding, shareholding and capitalization of SASCO

In determining the funding, shareholding and capitalization SASCO must follow, it must be borne in mind Safmarine, a state-owned shipping company which preceded SASCO, was also a state-owned shipping company. Safmarine's funding model not only depended on the state, but it offered 20% of its shares to the public. Although

this is not a huge margin, it demonstrated government's willingness to involve the South African public in seaborne trade.

The above called for transparency and accountability because shareholders, by their nature, would have an interest in the business performance. Anglo American bought a stake in Safmarine. Hence the transportation of its manganese to Baltimore through Safmarine. This demonstrates meaningful shareholder participation in the business, which invested £ 600 000 through a loan, and also supported business initiatives to generate revenue.

Additionally, when the business was facing challenges owing to the withdrawal of State Marine Corporation, the Industrial Development Corporation (IDC) intervened and obtained a stake through a debt / equity swap arrangement (Ingpen,1996). The IDC is a state funded government institution founded by the same individuals who were instrumental in the establishment of Safmarine (Ingpen,1996). While the business grew, the state only intervened when there was a need for rescue. However, the business still had to show profitability for the state to intervene through its developmental funding institutions. However, the disadvantage of private shareholders has been the timing of their disposal of shares. This was evident from the disruption of Safmarine when Anglo American sold its shares.

The listing of Petrobras in the New York and Buenos Aires stock exchanges is indicative of a model seeking to attract foreign investors in Brazil's state-owned shipping company (Petrobras, 2023). Not only does this bring direct foreign investment, but it also caused Petrobras to be agile and adhere to international standards. This explains why the business has a market capitalization just over $ 100 billion. Nevertheless, government still owns a controlling stake in Petrobras with a 50,26 % stake of common shares in Petrobras (Petrobras, 2018).

(Ernst & Young, 2021)(Ernst & Young, 2021; Sovcomflot, 2023)Sovcomflot' s 15.6% of its shares are offered for public trade (Ernst & Young, 2021; Sovcomflot, 2023). The Russian government has opened its trade to international stocks such as the FTSE (Ernst & Young, 2021) . With the $ 7.7 billion market capitalization value of the business, 15.6% remains a substantial investment for public offering.

The Shipping Corporation of India is listed in the Bombay Stock Exchange (SCI, 2023). This allows for the public to buy shares in the business. However, owing to the exponential growth of the business, the business separated its land and other non-core assets into a newly formed state-owned enterprise (SCI, 2023). However, the India government's approach to public investment has been that of preferring citizens to be shareholders in the business (SCI, 2023). While this may be necessary to prevent foreign ownership of the business, it however limits growth beyond India.

Cosco's model of ownership creates a number of companies, complex in their investment. It is typical of a state creating other state-owned companies to invest in other state related and owned companies. While this is commendable for a country as populous as China, it is not a model for a country the size of South Africa. However, such a model, if followed, must be approached from a point of intention to invest in other African states outside BRICS.

The funding of SASCO is a point that requires a detailed analysis in future. It was already stated in this study Safmarine was funded through the Industrial Development Corporation because the IDC existed at the time, (Ingpen, 1996). The irony with the proposed SASCO funding as envisaged in the SASCO Bill, is its funding is dependent upon the establishment of some, "Industrial Development Fund".

According to section 5, financing of SASCO is envisaged to be through funds allocated by an industrial development fund. Section 5(1)(c) furthermore provides for money to be appropriated through parliament. The meaning of section 5(1)(c) is ambiguous because South Africa does not have an, "…industrial development fund" as provided for in the draft shipping bill. However, there is an industrial development corporation (IDC), which has been established in terms of the Industrial Development Corporation Act 22 of 1940. The IDC is a state-owned enterprise. Priorities of the IDC are aligned to the objectives of the NDP (2012), however its mandate is specifically to, "…maximise development impact through job-rich industrialisation, while contributing to an inclusive economy by funding black-owned and empowered companies; black industrialists; women, and youth-owned and empowered enterprises" (Industrial Development Corporation, 2023). In 1990, the mandate of the corporation was

expanded to include investment in the rest of Africa (Industrial Development Corporation, 2023).

Owing to IDC's mandate, the establishment of a fund section 5 of the Sasco Bill provides for, is not desirable. There may be a need for a discussion between the state, through treasury and existing developmental finance institutions of the government. A funding model must consider private sector participation.

The success of state-owned shipping companies within BRICS member states is premised on alignment of resources within the reach of the countries where these companies are based. Additionally, there had been partnerships with countries that had demonstrated strength in areas where BRICS companies have been weak. Cosco's establishment through collaborative training of its human resources by the Czech Republic, serves as an example. South Africa can follow a similar model in establishing its own state-owned shipping company.

Safmarine was established on the back of a solid seaborne trade route between South Africa and the United States. At the time of Safmarine's establishment, transportation of mail between South Africa and Britain was an important bargaining chip for a shipping company to gain access to the South Africa – Britain / Europe trade route. However, mail by post is currently not as viable a business as it was during the establishment of Safmarine. This is because posting mail has been outpaced by the advent of the internet and electronical mail. This is applicable to coastal shipping service too, which the SASCO Bill suggests should be provided by SASCO. Coastal shipping is will entail the movement of goods from one coastal area to another, but within the same country (Dlamini, 2020).

Section 3(i) of the SASCO Bill provides for coastal shipping services as one of the objects of SASCO. A reading of coastal shipping as explained by Dlamini (2020) suggests this service to be within the coastal area of one country. SASCO's focus on coastal shipping may derail its continental positioning. Just as Dlamini (2020), argues in the 1900 to the 1950's, the government had implemented Sea Competitive Rail Rates, the recommendation is coastal shipping may be best served if left to Transnet Freight Rail. This is because South Africa has a rail network that is managed by

Transnet at can be more efficient that the utilization of ships from one coastal area i.e. Durban to East London.

The above calls for SASCO to look at developments within the continent and identify its own competitive advantage. It is recommended one of these areas for opportunities is presented by the recent signing of the African Free Continental Trade Agreement (AfCFTA).

5.2.7 Potential new markets for SASCO in the African continent

In 2018, member states of the African Union (AU) adopted an agreement establishing the African Continental Free Trade Area, (AfCFTA, 2024). The agreement reportedly covers the largest free trade area in the world, surpassing the European Union by population and domestic product growth, (The DTIC, 2024). South Africa is a member state of the AU (African Union, 2024).

According to Article 3 of the AfCFTA, one of the objectives of the agreement is the creation of a single market for goods and services on the continent. Goods will have to be moved around the continent. This, accordingly, creates an opportunity for seaborne trade and shipment that is afro-centric. According to the DTIC (2024) South Africa has already taken steps to implement the AfCFTA.

According to UNCTAD (2023) the African Continental Free Trade Area (AfCFTA) has presented potential for a 62% increment in intra-African maritime freight. This would be huge growth from the current 28% figure (Unctad, 2023).

This explains why there was a 2.5% increase in port calls by dry bulk carriers in the African region, in 2022. According to UNCTAD (2023), this was in addition to the 5% increase of liquid bulk carriers' port calls within the African region. Accordingly, Africa was the only region in the world that reported port calls increase during the period of 2022 (UNCTAD,2023). Accordingly, SASCO should position itself to be a continental player.

Export trade from South Africa to the landlocked countries of Zimbabwe, Malawi, and Zambia, attests to the significance of the South African sea transport service offering.

A total export value of R 393 billion for the period 2018 – 2022, was recorded (Department of Trade, Industry and Competition, 2023). This value excludes global import trade which transits through South African ports destined for Zimbabwe, Malawi, and Zambia.

Vilakazi and Paelo (2017) estimate 63 percent of road freight traffic starts and ends in South Africa. Based on interviews, they found 78 percent of trucks in the SADC region have their origin in South Africa. These trucks have started their journeys from South African ports.

Given the closure of markets key to the formation of Safmarine i.e. passenger service from South Africa to Britain, SASCO can consider its role as a potential key player in African markets that have found new economic voice through the African Free Continental Trade Agreement. It is recommended landlocked countries within the Southern African Development Community (SADC), must be approached and economically incentivised for utilizing SASCO as their sea transport service provider.

To achieve this, SASCO may apply AfCFTA rules of origin as an incentive for landlocked countries within SADC and Sub-Sahara Africa for transportation of goods by sea. The rules of origin provide for a relaxation of tariffs, import and export duties for goods produced within the continent and transported by vessels under flag registration of the AU member states (African Union, 2024). The proposed approach can replace and exceed the market SASCO's predecessor, Safmarine, relied upon when it was established. Through the AfCTA there is potential for a larger market, with concentration in the African region only.

5.3 Concluding Summary

State-owned shipping companies within the BRICS community member states have developed models that work for their countries and continue to modify them. This has taken over five decades for state-owned shipping companies to be in their current position. Circumstances under which these state-owned shipping companies were founded have evolved over time. Therefore, it is prudent for South Africa to develop a model for a state-owned shipping company that responds to the existing trade environment and economic conditions.

CHAPTER 6

6 Conclusion and Recommendations

6.1 Conclusion

This paper explored a model for a state-owned shipping company in South Africa, drawing lessons from BRICS countries. To this extent, this study focused on state-owned shipping companies operating in BRICS countries and the conduct of their businesses. This study was prompted by the South African government's intention to establish a state-owned shipping company. This study recognized a South African Shipping Company Bill was published by the government in November of 2022, confirming government's plan. Consequently, this study was not intended to second guess government's plans, but to explore a model under which a plan can be successfully implemented.

According to the South African government, the intention to establish a state-owned shipping company was due to the country's acceptance in the community member states of Brazil, Russia, China and India. It was during the time of its membership acceptance in 2011, South Africa realized among its BRICS peers, it was the only member state without a state-owned shipping company. This set-in motion plans to establish one. Although the plan was not implemented in 2011, when it was mooted, Covid-19 economic realities pushed the government to go to the drawing board.

Because of South African membership of BRICS, the study explored state-owned shipping companies in other BRICS countries. All these states have a shipping company they own. The study investigated Petrobras in Brazil, Sovcomflot in Russia, Shipping Corporation of India (SCI) in India, and the Chinese Shipping Corporation (COSCO) of China. However, this study also recognized in the early 1940s, the government of South Africa established a shipping company called South African Marine Corporation (Safmarine).

This study explored the historical background of Safmarine as a case study. The rational for studying Safmarine was to contrast the historical positioning of South Africa with other BRICS countries during the end of the Second World War in 1940. This study noted BRICS as a bloc of community member states did not exist in the 1940s. However, individual states existed during the Second World War without BRICS.

By the end of the Second World War, South Africa and other BRICS countries formed state-owned shipping companies. The rational for South Africa's establishment of Safmarine was lack of industrialization and wartime equipment in the 1940s. This study found the reasoning was in sync with the other BRICS countries as they focused on rebuilding their economies and industrializing. To achieve their industrial programmes, these countries looked to the sea and what it could offer.

Seaborne trade was key to all the states under BRICS. All states focused on developing their maritime sector to advance economic development and supply of resources from other countries. They established state-owned shipping companies. In the case of South Africa, Safmarine ceased to exist in the 1990s, after fifty years in operation, while other BRICS states continued to grow their shipping companies.

However, in 2020, supply chain disruptions were experienced by all these countries. The difference was this time South Africa did not have a merchant fleet. At this point, the South African government was wary of reliance on foreign vessels. It was viewed as making the country vulnerable against global supply chain disruptions. The argument by the government was the country would be best served if it considered setting up its own shipping company.

However, the form and model of a state-owned shipping company was never discussed or published. This study explored a model that can work for a state-owned shipping company in South Africa, drawing lessons from BRICS countries.

6.2 Recommendations

6.2.1 BRICS state-owned models of shipping companies

BRICS countries do not have a homogenous state-owned shipping model. They have all developed models they found to be working at the time they established their state-owned shipping companies. Each country's approach was different.

In Brazil, focus was on oil production as part of the country's industrialization programme, which led to further opportunities to transport oil by sea. Consequently, Petrobras was formed as an oil-producing company and later Transpetro became a

subsidiary of Petrobras. Petrobras leveraged its oil production and expanded its market internationally while raising more capital through foreign stock exchanges. Its model focused on the oil industry, thus investing in liquid bulk tankers. Management of the business and service offering was left to a board, independent of the shareholder. International listing in the US and Argentina brought stringent corporate governance measures because of a market capitalization of over $ 100 billion by the end of 2022.

Russia's involvement in shipping was due to the high price of transporting grain and escalating seaborne trade costs. However, the country was more focused in ice-breaking and oil drilling exploration. This led to the formation of Sovcomflot. The state-owned shipping company focused on supply of grain, but later expanded to oil drilling services. This led to growth and higher market capitalization.

The Shipping Corporation of India was established through the amalgamation of two east and west shipping corporations. The SCI diversified to crude oil transportation during its early years. The business has since expanded to a chartering service that promotes national and international participation of suppliers, leading to the exponential growth of its maritime sector.

China's COSCO is the second largest container shipping company in the world. It was established in the 1950s as a consolidation of China's ocean policy. COSCO's achievements are attributed to a complex network of industries, subsidiaries, regional and international offices and operations set up on all continents. The business requires further study to understand how it keeps on innovating and growing its portfolio.

6.2.2 A suitable model for a South African state-owned shipping company

This study found there is no model within BRICS that can respond to South Africa's requirements. This is because models of all BRICS countries were developed over five decades ago to respond to challenges of the time. These models were modified in accordance with each country's developmental objectives. This explains why each country has different models.

However, there is a need for SASCO to develop its own model. SASCO will operate in a different environment compared to all other state-owned shipping companies within BRICS. This study found all BRICS countries aligned their shipping owning strategies to exploration of available resources and a growth path.

6.2.3 Measures for successful implementation of a model in South Africa

Mineral resources in South Africa are privately owned. This will require government to use its licencing powers to compel the private sector's commitment to schemes that will ensure exports and imports are conducted through the South Africa Shipping Company. This is proposed because South Africa's coal and iron ore are some of the most exported mineral resources that place South Africa in a unique global role. Given this strength, SASCO's core business should be concentrated on transportation of mineral resources to the global market.

A detailed feasibility study on the funding model that enables public participation is critical towards the success of the business. Thus, the establishment of another industrial development fund by the state is not desirable. A model that advances SASCO as a public entity may assist in the business market capitalization. Additionally, this will aid corporate governance and maintenance of global standards.

To achieve the above, existing maritime policies will require review to align them to developmental needs of the state. Legislation related to the maritime sector requires amendments to respond to current realities if SASCO is to be supported and grow to the level of some of its counter parts within BRICS. Additionally, SASCO will have to explore opportunities presented by the African Free Continental Trade Area if it is to sustain its operations. This would be SASCO's model of a state-owned shipping company in South Africa.

Safmarine has presented lessons because it was a company formed by the state in the early 1940s. Lessons from Safmarine will assist to aid SASCO to manoeuvre through the economic maze that has shaped global seaborne trade in recent years.

6.3 Limitations of the study and potential areas for further studies

The ethical clearance granted for this study permitted for available public information to be utilized. The research was premised on a document-based study. This study did not include interviews with individuals. To a certain degree, the study relied on information provided by the very state-owned shipping companies that are the subject of the study.

However, this should not be misconstrued to imply the data is unreliable. The data is reliable. This is because recent trends emerging from the advent of the internet have shown companies use their websites to communicate and disseminate information to stakeholders.

Information provided on websites is accessible to various stakeholders and regulators, some of whom are investors who add financial value to the companies concerned. History is littered with detrimental repercussions visited on companies deliberately publishing inaccurate information. Therefore, accuracy of public information available is reliable.

This study concludes by noting Safmarine may have to be studied in detail. This to understand a model for state-owned shipping company as it existed in the 1940s, in contrast to how it can be adopted in the current economic climate to respond to South Africa's newly found role as a BRICS and regional player in the maritime sector.

6.4 Future Studies

This study confined itself to state-owned shipping companies within BRICS to explore a model that can work for a state-owned shipping company in South Africa. This study explored these companies without regard to any companies existing outside the BRICS community member states. Further studies on state-owned shipping companies outside the BRICS community are necessary and must be pursued.

Studies may expand and investigate other models for a state-owned shipping company in South Africa. These studies may draw lessons from other countries to further explore models that can work for South Africa's state-owned shipping companies. Further studies may also delve deeper into understanding and exploring state-owned shipping companies, the subject of the current study.

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8 Annexures

8.1.1 Ethical Clearance Letter

UNIVERSITY OF KWAZULU-NATAL
INYUVESI YAKWAZULU-NATALI

08-10-2023
Mr Christopher Mokone (222094786)
School Of Acc Economics&Fin
Howard College

Dear Mr Christopher Mokone,

Original application number: 00022019
Project title: A model for a state-owned shipping company in South Africa: Lessons from other BRICS countries

Exemption from Ethics Review

In response to your application received on 04 October 2023 , your school has indicated that the protocol has been granted **EXEMPTION FROM ETHICS REVIEW.**

Any alteration/s to the exempted research protocol, e.g., Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through an amendment/modification prior to its implementation. The original exemption number must be cited.

For any changes that could result in potential risk, an ethics application including the proposed amendments must be submitted to the relevant UKZN Research Ethics Committee. The original exemption number must be cited.

In case you have further queries, please quote the above reference number.

PLEASE NOTE:
Research data should be securely stored in the discipline/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours sincerely,

[redacted]

Prof Josue Mbonigaba
Academic Leader Research
School Of Acc Economics&Fin

8.1.2 TURNITIN REPORT