Research on the Status Quo of China's Shipping Economy Development and Enterprise Transformation Strategy

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Abstract. With the decline of the world economy, the world shipping market is facing a series of crises such as the reduction of supply, and these crises are also the dilemma faced by Chinese shipping companies. Through the analysis of the important index BDI of the international shipping market, this paper realizes the trend of the international shipping market since the crisis of financial integration, and based on this, forecasts the international shipping market. At the same time, we analyze the important index of China's shipping industry, China's coastal bulk freight index (CCBFI) and China's export container freight index (CCFI), which gives us a clearer understanding of the domestic and international shipping market situation. The business model is already suitable for the current shipping market and has reached the edge of change. Finally, based on market analysis, this paper analyzes the advantages and disadvantages of China's shipping companies, and puts forward targeted development and transformation opinions on the disadvantages.

1. Introduction
With the development of the shipping industry, the corresponding shipping industry, shipbuilding industry, container industry, machinery industry and shipbreaking industry have also developed accordingly, and formed a market scale that is compatible with the shipping industry. At the same time, shipping technologies, such as ship driving, piloting, navigation, and navigation equipment, have also developed rapidly, and it has ensured the safety and speed of shipping. The shipping industry and shipping technology have become a market closely related to shipping trade. The industry serving the shipping trade has also developed rapidly. Shipping agents, freight forwarding, tally operations, insurance business, ship supply, and ship company management have become an integral part of the international shipping market. In addition, the shipping labor market, which is exported by crew members, is a shipping financial market with shipping credits and shipping bonds, a shipping information market with shipping information as a trading object, and a ship trading market with ship trading as its content. An important part of the shipping market system.
2. Analysis of the Current Situation of China's Shipping Market

2.1. Analysis of the Baltic Integrated Freight Index
As an important index reflecting the trend of the world shipping market, the Baltic Sea Freight Index can clearly reflect the trend of the international shipping market. As China's shipping market is part of the world shipping market, the world shipping market trend is China. The macro environment outside the shipping market, the analysis of BDI will confirm the status quo of the domestic shipping market.

![Figure 1. Baltic Integrated Freight Index from 2008 to 2014.]

It can be clearly seen from Figure 1 that the Baltic Dry Index has continued to decline since it was affected by the 2008 financial crisis. It reflects the overall weakness of the world shipping market. The impact of the crisis on the world shipping market is continuing. Huge, as a maritime industry that relies on world trade, the shrinking of world trade means that the market is shrinking, and it also means greater competition and survival pressure. Figure 2 reflects the “asparagus” situation of the BDI index in a short period of time. The violent fluctuations mean the instability of the market, and it also reflects the cruel competition between shipping companies and the limited supply.

![Figure 2. Volatility of the Baltic Integrated Freight Index from 2013 to 2014.]

2.2. Analysis of China's Coastal Bulk Freight Price Index
As an important index of China's shipping market, the CCBFI index clearly reflects the current situation of China's bulk cargo transportation market. According to relevant information, since 2012, CCBFI has been continuously affected by the macro-environmental impact of world shipping. Although there was a strong rebound in the late 13th to early 14th, it quickly began to decline. The partial and short-term rise did not reflect the market. The warming up, and its trend is also ups and
downs, reflecting the volatility of the market. Therefore, for China's dry goods market, we should be cautious and prepare for long-term struggle.

In the shipping industry, the usual sense of loose goods refers to the three main types of goods: grain, iron ore and thermal coal. The comparison of import and export volume in 2012 and 2013 can also reflect the dry bulk market in China. Reduced, the comparison results are shown in Table 1.

**Table 1.** Classification of China's Import and Export Goods in 2012 and 2013.

| Product Types | 2012 year | 2013 year |
|---------------|-----------|-----------|
|               | Export    | Import    | Export    | Import    |
| Cereals       | 6.09      | 20.16     | 4.43      | 47.51     |
| Iron Ore      | 5.94      | 1506.40   | 4.24      | 1338.71   |
| Thermal Coal  | 322.75    | 2758.14   | 310.11    | 3131.22   |

Based on the above-mentioned data and analysis, we can conclude that the supply of dry bulk market in China is decreasing and the market is shrinking. For Chinese shipping companies, this trend means more intense competition and lower profits. The increase in survival pressure.

2.3. Analysis of China's Export Container Freight Index

China's export container freight index reflects the freight rate and development of the container market in China's shipping market. According to relevant data, since the container market has recovered in mid-2011, the market situation has maintained a relatively stable and slow decline. And it tends to be flat, and even this year has slightly rebounded. The reason for this situation is that on the one hand, due to the continuous deepening of China's economic restructuring, the economic recovery is obvious. On the other hand, the economic rescue plans of the United States and European countries have achieved initial results this year. Although China's container shipping has performed well this year, we must also understand that this does not mean that the real recovery has arrived.

Combining the above analysis of the Baltic Integrated Freight Index (BDI), as well as the important index of the domestic shipping industry, the China Export Container Freight Index (CCFI) and the China Coastal Bulk Freight Index (CCBFI), we can understand the macro of the international shipping market. The environment is bad, long-term downturns and short-term volatility has profoundly affected all aspects of the shipping industry. The poor macro environment has also profoundly affected China's shipping market. China's shipping companies are facing shrinking markets, reduced supply and increasingly fierce competition. In the face of such a dilemma, we should understand that China's shipping industry has actually been forced into the Death Valley, and it has to be changed.

3. Analysis of China's Shipping Enterprises

3.1. Advantages of China's Shipping Enterprises

3.1.1. Marketing network advantage. Shipping companies generally have business agents in the ports they sail through. In order to strengthen the local ship service and the power of collecting goods, powerful shipping companies also set up their own wholly-owned or joint venture agencies in some domestic and foreign trading ports. COSCO Group has nearly 1,000 member units and more than 80,000 employees worldwide. Its overseas business is based on the eight major regions of Tongben, South Korea, Singapore, North America, Europe, Australia, South Africa and West Asia. The multinational operation network of major regions of the world has also extended its inland navigation from the coastal areas to the inland, and has built nearly 100 freight outlets. Since the establishment of China Shipping Group, overseas business has also expanded rapidly. Sinotrans Group also has numerous freight outlets in China.
3.1.2. Talent resources advantage. After years of training, all major shipping companies have created a team of experienced shipping talents. Most of them graduated from maritime, foreign language, ship engineering and other colleges. Some of them are proficient in various ship handling techniques, and some are familiar with them. Ship management and dispatching, route planning and management, some are good at cargo transportation, some are familiar with maritime and business, and some understand the shipping regulations and customs of countries and ports. This is an important magic weapon for shipping companies to participate in competition.

3.1.3. Scale advantage. Take the largest shipping company COSCO Group as an example. After more than 40 years of hard work, it has developed into more than 600 large-scale ocean-going vessels, more than 35 million deadweight tons, sailing in more than 1,300 ports around the world, more than 150 countries and In the region, a comprehensive multinational enterprise group with an annual freight volume of more than 300 million tons. With the main business of shipping and logistics, COSCO Group integrates various industries, and its asset scale ranks first in the domestic industry. It has three main modes of transportation including shipping, land transportation and air transportation. According to the latest statistics, its company the container fleet ranks seventh in the world, and the bulk cargo fleet ranks first in the world. The container production and sales volume ranks first in the world. It has the largest freight fleet in China, and the grocery and tanker fleets also have considerable scale. For the shipping industry with a relatively high fixed cost, it is the basis for the scale to produce economies of scale.

3.1.4. Certain diversified business foundation. In order to avoid shipping risks, large state-owned shipping companies have diversified their operations to a considerable extent. The “Shanghai, Landing, and God” plan of COSCO Group is the main indicator for the diversification of large state-owned shipping companies in China. After several years of development and survival of the fittest, some of these onshore industries have achieved considerable scale, and have played a very good role in dispersing shipping risks, improving overall efficiency, cultivating and cultivating talents, and resettling surplus personnel.

3.2. The disadvantages of China’s Shipping Companies

3.2.1. Unreasonable age structure. China has reached the forefront of the world in terms of overall capacity tonnage, but we must understand that the theoretical tonnage does not represent capacity. Many of our ships are old and some are not suitable for ocean transportation. Among the shipping companies registered in China for international maritime transportation, except for COSCO Group, China Shipping Group and Sinotrans Group, the average shipping capacity of most enterprises is less than 10,000 dwt, which is extremely unfavorable for the development of economies of scale. In addition, the average age of international shipping vessels in China is 15 years, including 12 years for crude oil vessels: 13 years for container ships; 15 to 17 years for multi-purpose vessels, bulk carriers and oil tankers; passenger ships, refrigerated vessels, and liquefied petroleum gas Ships and general cargo ships are 19 to 23 years old. About 80% of bulk carriers, oil tankers and about 40% of general cargo ships in coastal shipping are over 20 years old. In addition, ships of higher modernization, such as lpg and natural gas vessels, account for a lower proportion of international shipping companies. This series of problems eventually led to the problem of excess capacity of shipping companies in China.

3.2.2. Strong policy intervention. In China, due to historical issues, most shipping companies have a strong official color, whether it is a large-scale centrally-supported shipping company COSCO, or a large number of local government-supported small and medium-sized shipping enterprises, which were established in accordance with administrative instructions in the early stage of planned economy. And the enterprises that run, although with the implementation of reform and opening up and the
market economy, all state-owned enterprises have carried out a large number of asset restructuring and reform of the enterprise management model, but the state's administrative intervention is still an important guide for the development of China's shipping enterprises, all shipping The subjective initiative of enterprises is greatly limited by administrative intervention. The international shipping market is a multi-layered, high-competition environment in which foreign competitors can change their business strategies according to market changes, change their competitive methods, and have more professional operators who are more competitive in market competition. Now, if China's shipping companies still maintain the old model, then enterprises that cannot adapt to the market will be eliminated by the market.

3.2.3. **Serious vicious competition.** With the decline of the world economy, the shipping market has also shrunk, and China's shipping companies will also face more severe competition. The diversification of interest claims has led to an imbalance in the shipping market. On the one hand, the market entities are different, and the market positioning is different from the target. Despite the current sluggish shipping market, many shipowners have made large-scale shipbuilding for the purpose of investing in ships, which has further worsened the market environment. On the other hand, business strategies have become divided. Some shipping companies do not hesitate to use low freight rates as a means to seize market share and attack competitors in all aspects.

3.2.4. **Enterprise operating costs are too high.** With the continuous rise of international oil prices, Chinese enterprises are suffering from excessive operating costs. Oil prices rise through investment in costs and benefits, affecting exports through the environment and costs, and affecting consumption through imports and retails, thus affecting the development of the entire national economy. Yan Xuchao, an expert at China National Petroleum Corporation, said that from the troika that drives China's national economy, rising oil prices will reduce consumption and investment, and exports will fall, thus adversely affecting the national economy. From the perspective of import trade, China's import growth rate will slow down markedly due to the rise in international oil prices and other related commodity prices, the decline in domestic investment growth, and the increase in domestic production of some products. From the perspective of exports, the higher the price of oil, the higher the production cost of downstream products, the lower the competitiveness of export products, and the greater the impact on exports. Therefore, high oil prices will eventually lead to a decline in import and export trade, and international trade will shrink, which will lead to a weak shipping market.

4. **China's Traditional Shipping Enterprise Transformation Strategy**

4.1. **For Excess Capacity**
For the problem of excess capacity, the solution is clear. It is nothing more than eliminating the old ships in the existing capacity, optimizing the capacity structure, and then restraining the increase of new capacity, and then strengthening supervision and self-discipline. In response to these aspects, the state also has corresponding guiding policies. The Ministry of Communications Department Water Word (2013) No. 230 document “Several Opinions of the General Office of the Ministry of Transport on Promoting the Healthy Development of the Shipping Industry Transformation and Upgrading” has a clear list:

1) Reduce the capacity inventory and optimize the fleet structure. The policy of continuation of the early retirement of old transport vessels and single-hull tankers will be adjusted to December 31, 2015, and old ocean and coastal transport vessels will be encouraged to scrap early. Actively promote the standardization of inland waterway types, and guide the inland rivers and old transport vessels to speed up the phase-out and renovation. During the period of 2013-2015, the central and local governments will arrange certain funds to subsidize each year. Strictly implement the mandatory retirement system for ships based on the age of the ship, and the ships that have reached the age of compulsory retirement will withdraw from the shipping market on schedule.
(2) Regulating domestic capacity increase. Encourage the construction of energy-saving, safe and environmentally friendly vessels that meet new international norms, new conventions, and new standards. Guide the orderly development of coastal dry bulk shipping capacity. Strictly control Chinese ships sailing internationally and concurrently carrying domestic transportation. We will continue to strictly control the newly-added main operators of passenger and dangerous goods transportation on the domestic coastal and Yangtze River trunk lines, and in accordance with the principle of total amount control and preferential selection, orderly transport passenger transport capacity for passenger and dangerous goods. Continue to strengthen the macro-control of the dry bulk cargo capacity of the Yangtze River trunk line.

(3) Support industry organizations to strengthen capacity development and self-discipline. Support the China Shipowners Association to strengthen industry coordination, organize shipping companies to form synergies, and overcome difficulties. The shipowners' association organizes shipping companies to carry out measures such as the storage of existing capacity, and the relevant administrative departments of port and shipping and maritime support.

4.2. Subjective Initiative for Policy Intervention Enterprises

In China, this is not just an economic issue, but more often a policy and reform issue. As far as the enterprise itself is concerned, all shipping companies should strengthen contact and communication with relevant departments, actively reflect problems and indicate their own demands. As far as relevant departments are concerned, establishing a mature and efficient communication platform is an important step. Only full communication can deepen mutual understanding and clarify the problem. At the same time, setting up a professional guidance department is also a feasible way to avoid as much as possible. The situation of the layman guiding the insider appeared.

4.3. Response to the High Operating Costs of China's Shipping Companies

For this problem, we still have to distinguish between the shipping company itself and the government department. As far as the enterprise itself is concerned, the problem of excessive operating costs needs to be achieved. For the already declining market, we will continue to operate. Not only will it create a huge source of loss for the company, it will engulf the valuable resources of the enterprise, and it will also slow down the road of enterprise reform and transformation. Therefore, for such businesses and markets, companies should take a decisive strategy of abandoning, withdraw the resources and manpower of the company to open up new markets, find new customers, and seek new growth points. At the same time, companies should organize their own business strategies, open source and reduce expenditure, and implement an intensive development model.

As far as the government is concerned, the shipping industry is concerned with the country's overall national strength. In a developed country, his shipping industry is bound to be developed. Therefore, in this crisis of the shipping industry, support and decompression should be carried out. The following items in the “Opinions of the General Office of the Ministry of Transport on Promoting the Healthy Development of the Transformation and Upgrading of the Shipping Industry” also reflect this trend of the country:

(1) Standardize administrative fees. We will do a good job in the cancellation and exemption of administrative fees for ship certification visa fees, oil sewage test fees, maritime mediation fees, oil return charges, coast radio and radio telegraph charges, and ship application for safety inspection review fees. Further study and standardize administrative fees.

(2) Clean up the charges for related services that are unreasonable. Cancel the "three super" ships, special vessels entering and leaving the coastal port escort fees, ships entering and leaving the Yangtze River escort fees, lng ship escort fees, container unpacking inspection sampling and inspection fees, international navigation vessels leaving the domestic port before the ship on the pollutants cleaning fees, ships There are 5 categories and 7 charges for the oil-producing operation of the oil fence and the inspection of the physical properties of coal for domestic trade. Standardize the charges for sampling, sample preparation, inspection and supervision of easy-to-fluid solid bulk cargoes for waterway
transportation, decoupling the charging standard from the weight of the loaded cargo, and determine the charging standard according to the principle of reasonable cost.

(3) Further regulate port charges. The study puts forward the policy of adjusting the port operating fee standard and perfects the port price management mechanism. We will do a good job of reducing the pilotage fee for the Yangtze River trunk line by 20%. Ports shall not sign an agreement with a foreign trade liner company and charge for loading and unloading.

(4) Standardize the charges for ship trading service agencies. Decoupling the ship transaction service fee from the ship transaction price, and changing the service fee to the fixed amount on a fixed basis, and limiting the amount. Ships involving the transfer of ownership of the assets of the wholly-owned or controlled subsidiaries of the shipping group involving the change of ownership, and vessels involved in the change of ownership of the enterprise merger and reorganization are exempt from the entry transaction.

5. Conclusion
With today's shipbuilding technology increasing, shipbuilding capacity expanding rapidly, and the abundance of social funds, the capacity growth is very easy, and the short-term market boom will soon be destroyed by the influx of new capacity. It can be asserted that excess market capacity will be long-term, holistic, while capacity shortages are short-lived (as caused by unexpected events) and local (such as certain market segments). Some people sighed that the ancient traditional industry of international shipping is becoming a sunset industry. But as long as the world economy and trade exist, the shipping industry will not disappear. If we analyze the transformation of the shipping company's business model in recent years, we can find that it is not the shipping industry itself that comes to an end, but a long-term thinking set and an old survival rule that people have formed for the shipping industry. Through the analysis and comparison of domestic and foreign shipping companies, this paper points out the advantages and disadvantages of China's shipping enterprises, as well as the problems they are facing, and discusses the feasibility of solving the corresponding problems. This study hopes to have some suggestions and opinions on the direction of the transformation of the traditional business model of China's shipping companies.

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