

Financial institutions
Energy
Infrastructure, mining and commodities
Transport
Technology and innovation
Life sciences and healthcare

 NORTON ROSE FULBRIGHT

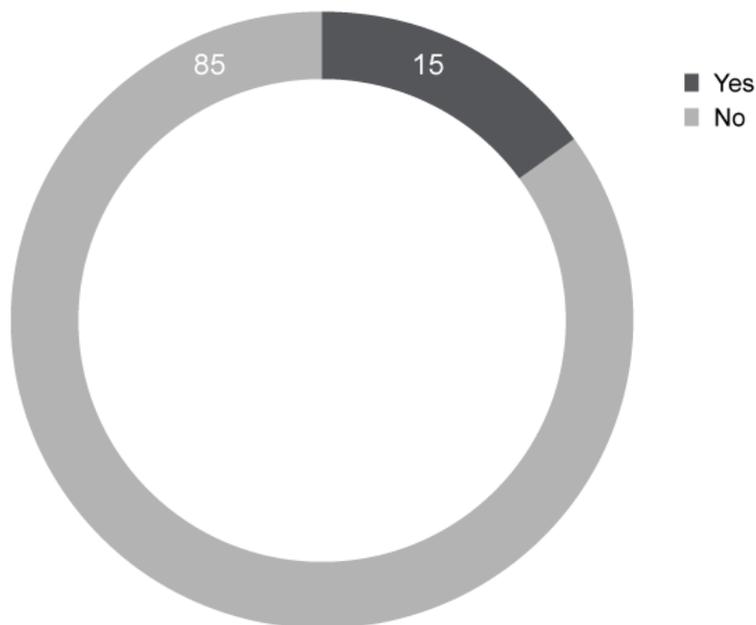
Shipping

Are current market conditions generally positive for the shipping industry?

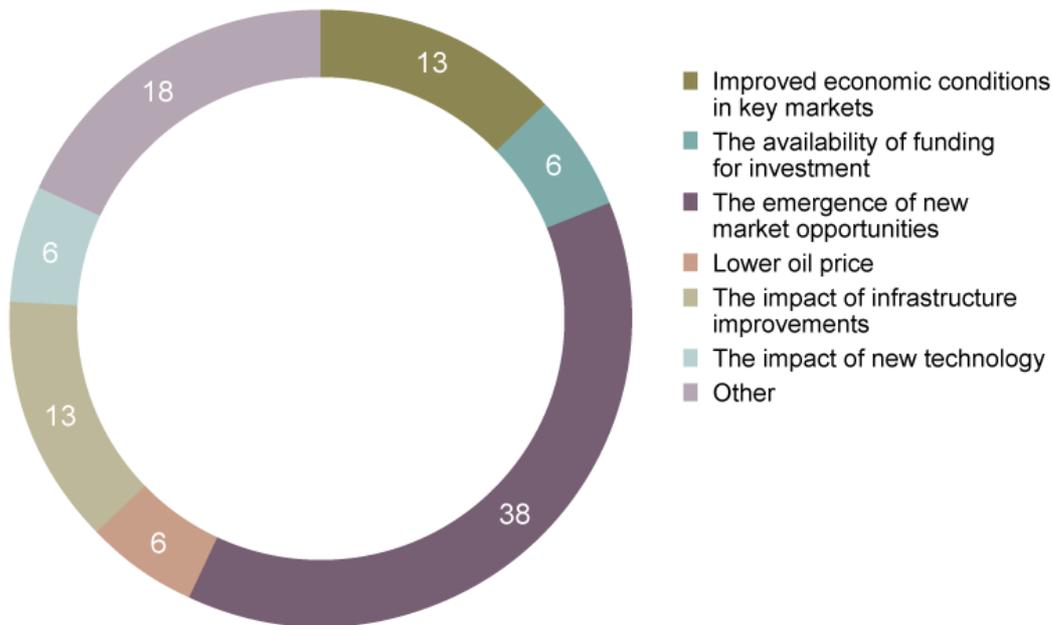
The shipping industry is continuing to feel the effects of overcapacity. Once again, shipping is the least optimistic industry within the transport sector, by a significant margin. Just 15 percent believe that market conditions are positive for shipping currently, compared with 77 percent from the aviation industry, and 92 percent from the rail industry.

Sentiment appears to have fallen further this year. In 2014, 69 percent reported that market conditions were positive for the industry, plunging to 33 percent in 2015. Overcapacity is the principal reason given for this malaise, followed, to a lesser extent, by economic uncertainty in key markets.

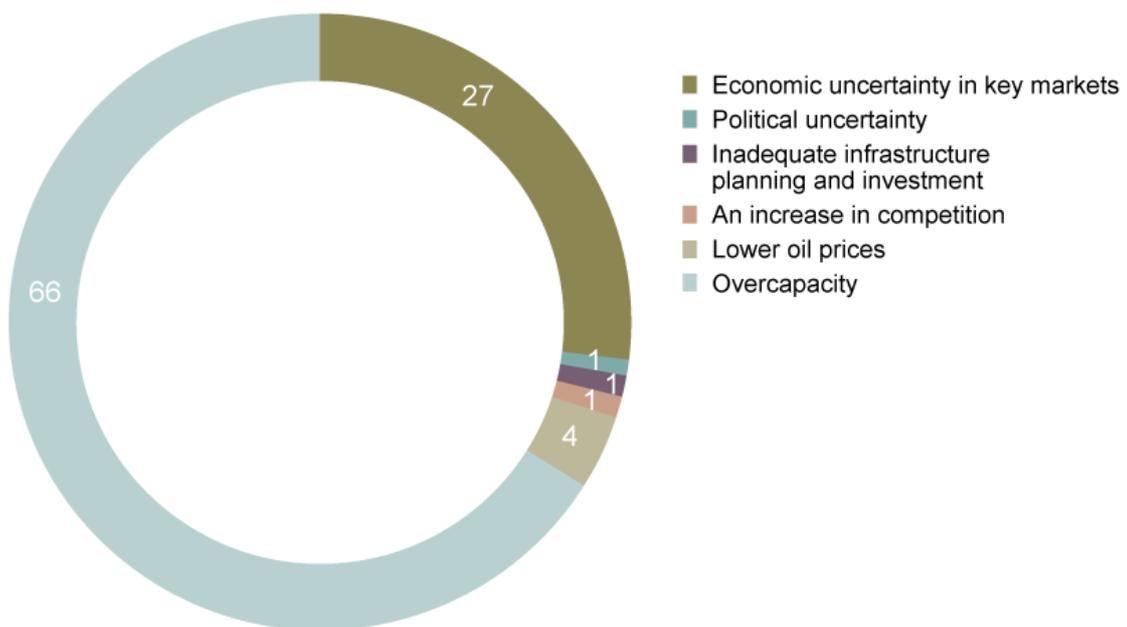
The few respondents who regard current market conditions as generally positive attribute their confidence to the emergence of new market opportunities, the impact of infrastructure improvements and improved economic conditions in key markets.



If yes, what is the principal reason for your view?



If no, what is the principal reason for your view?

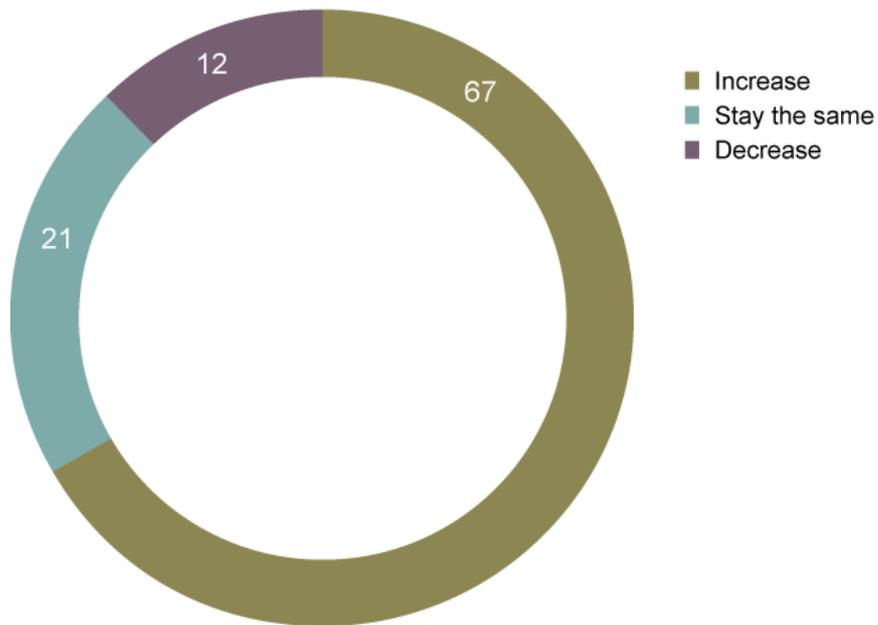


What do you believe will happen over the next five years in the shipping industry?

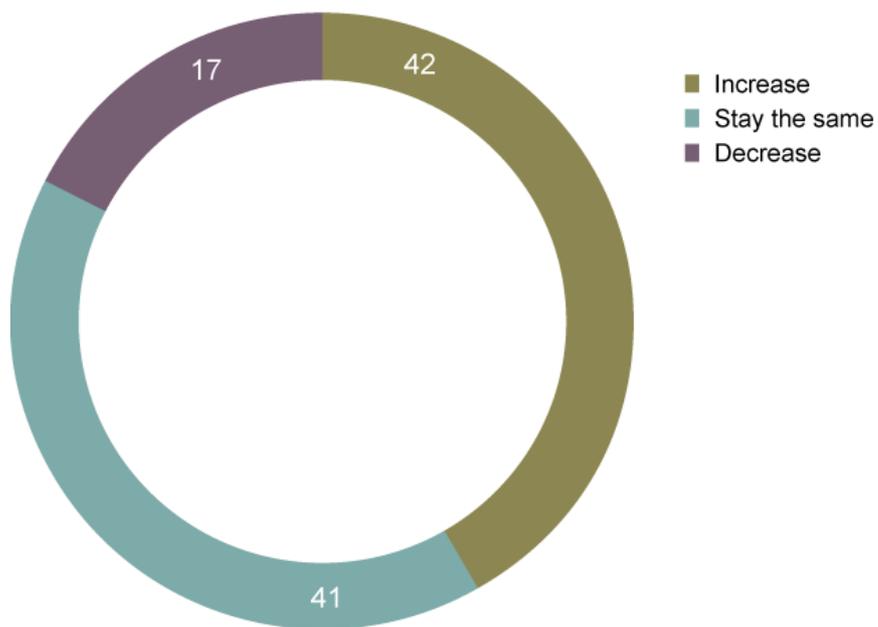
Respondents become more upbeat when asked to consider the outlook for shipping over the next five years. Fares and freight costs will increase according to 67 percent, and the same proportion anticipate an upturn in passenger numbers and freight volumes. Increased investment in technology is expected by 72 percent and increased investment in infrastructure by 42 percent. The number of routes and services offered will rise according to 35 percent. However, just 22 percent believe that funding will become more readily available and 64 percent think that the number of enforcement actions will increase as lenders seek to protect their positions and recover losses. Most (68 percent) expect fuel costs to rise.

Read more: [Prolonged oil price slump throws problem loans into the spotlight](#)

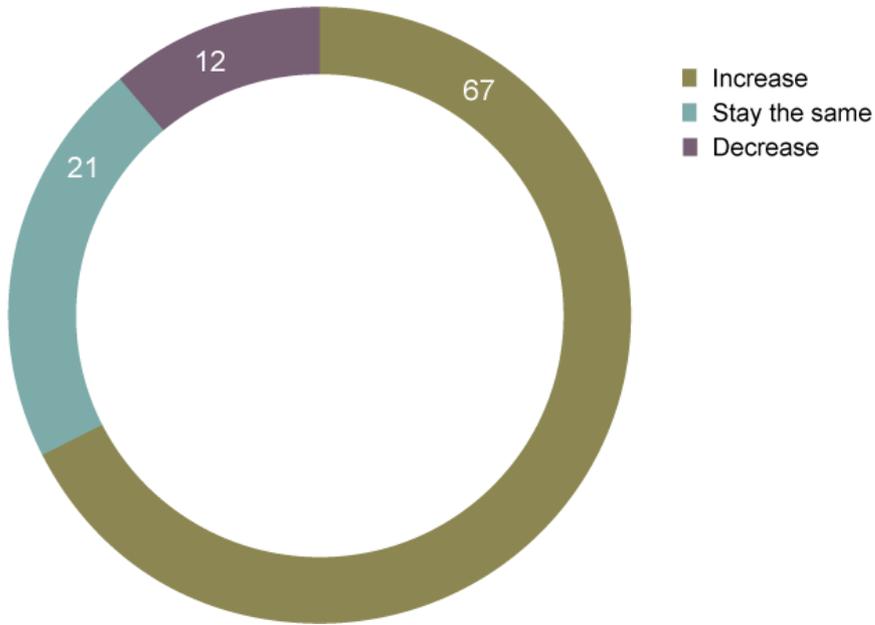
Fares / freight costs will



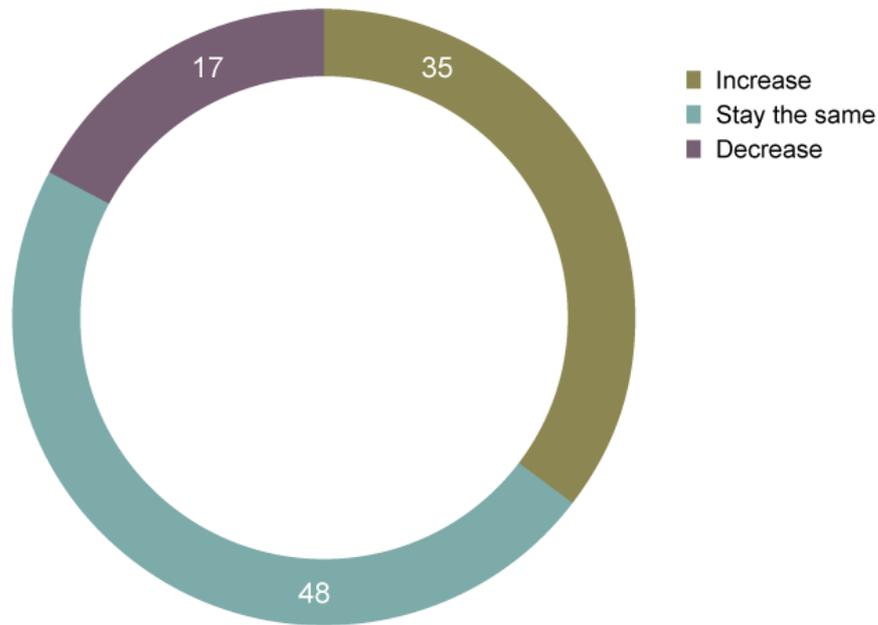
Investment in infrastructure will



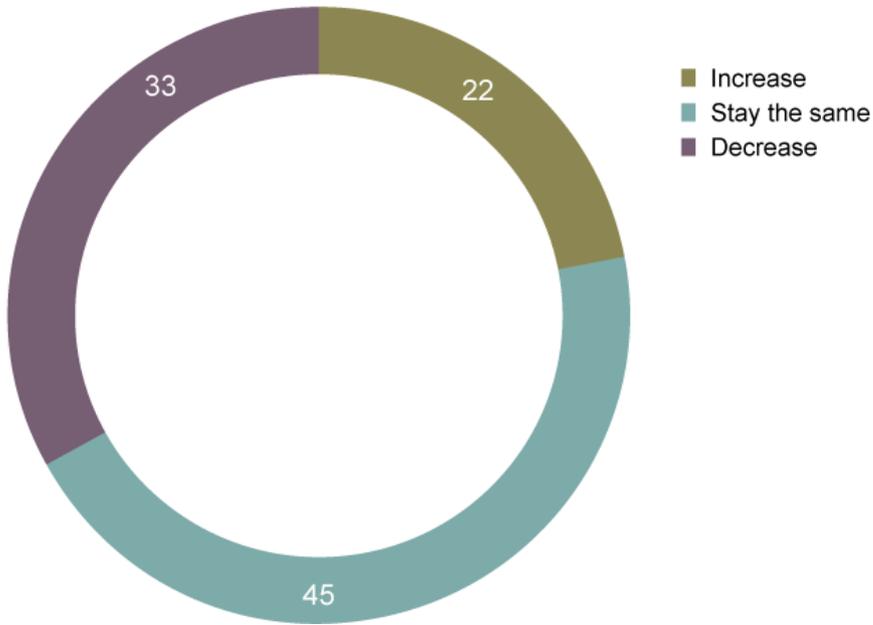
Passenger numbers / freight volumes will



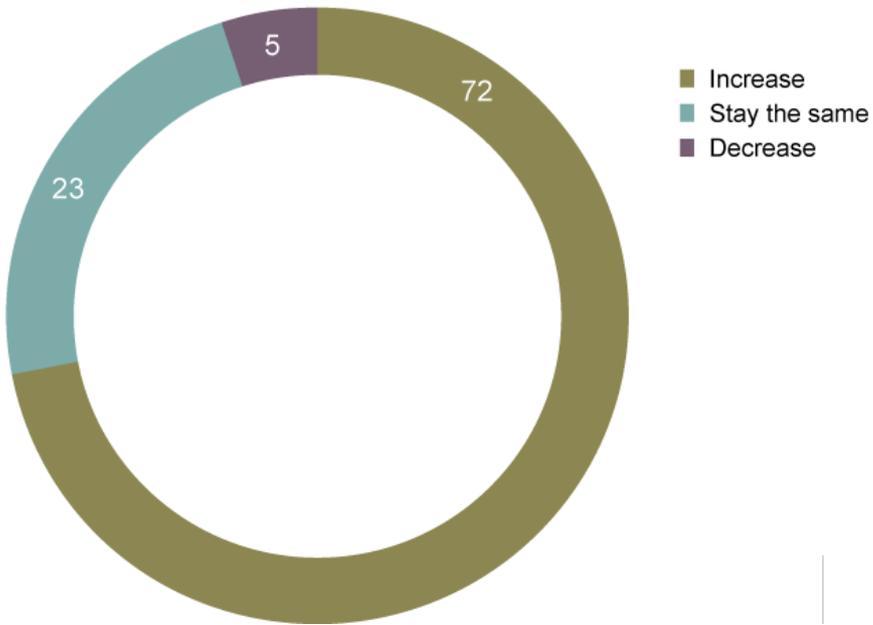
The number of routes/services offered will



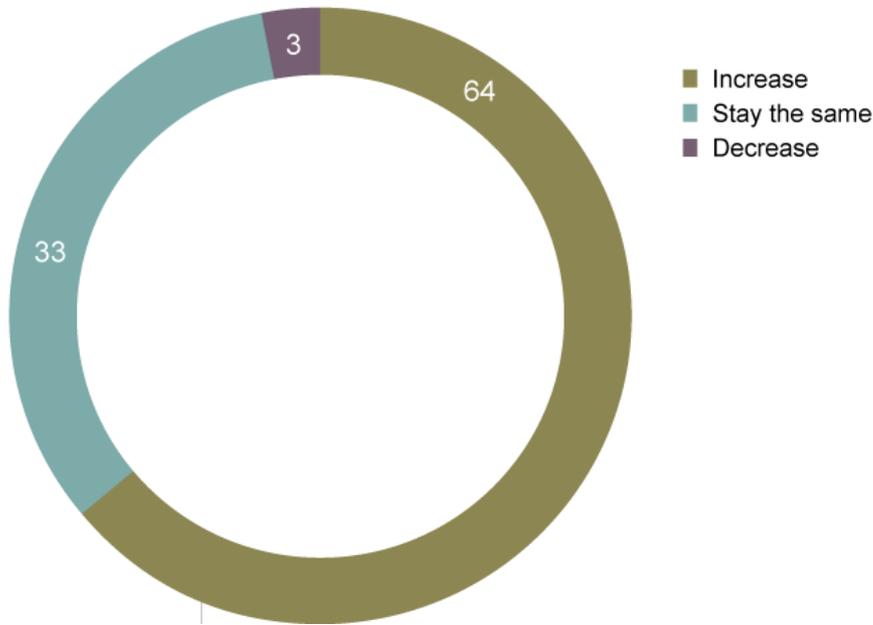
The availability of funds will



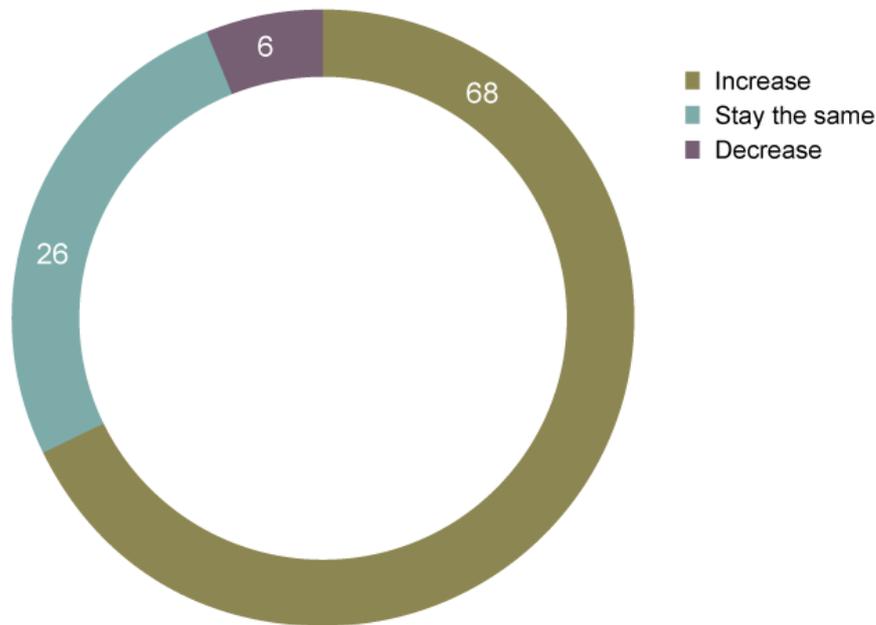
Investment in technology will



The number of enforcement actions will



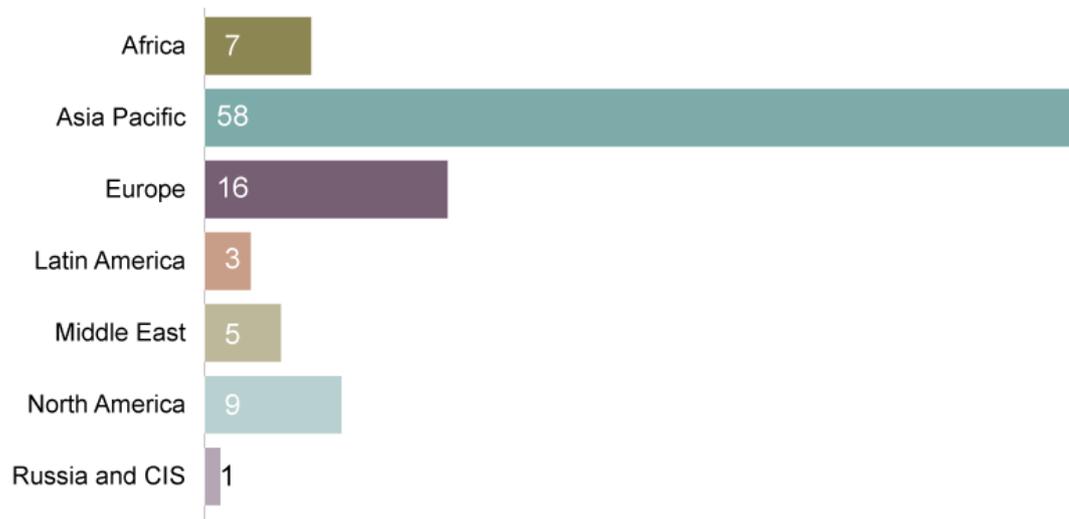
Fuel costs will



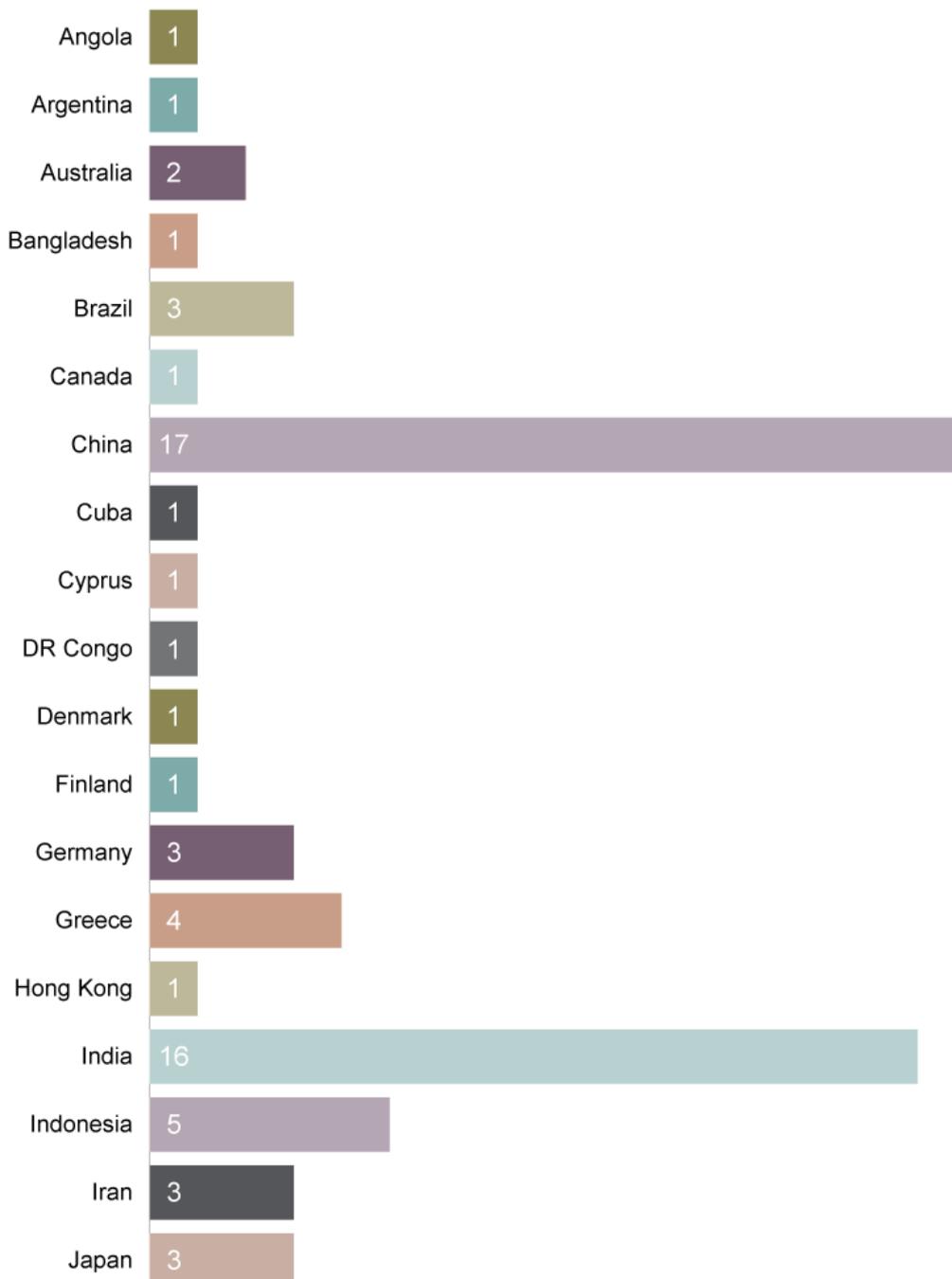
Which three countries offer the best investment opportunities for the shipping industry over the next two to five years?

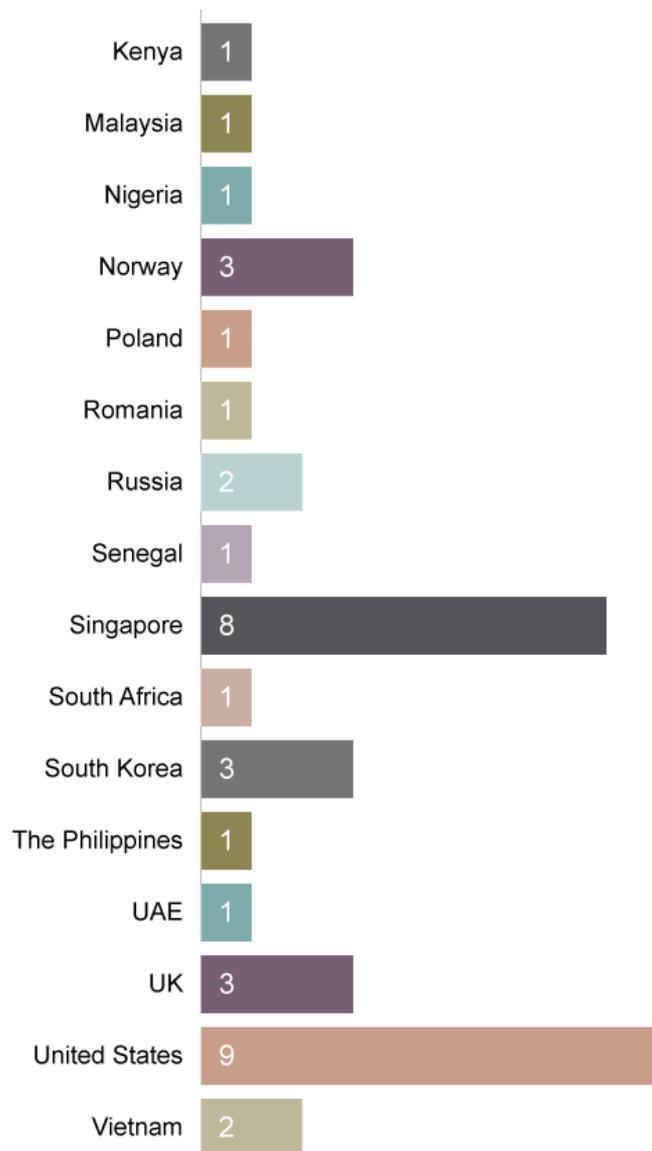
In today's challenging market, much of the shipping industry continues to look to Asia Pacific for growth. China and India remain the most popular markets for investment, selected by 17 percent and 16 percent respectively. Asia Pacific is far and away the region respondents believe offers the best investment opportunities over the next two to five years, followed, to a far lesser extent, by Europe.

By region



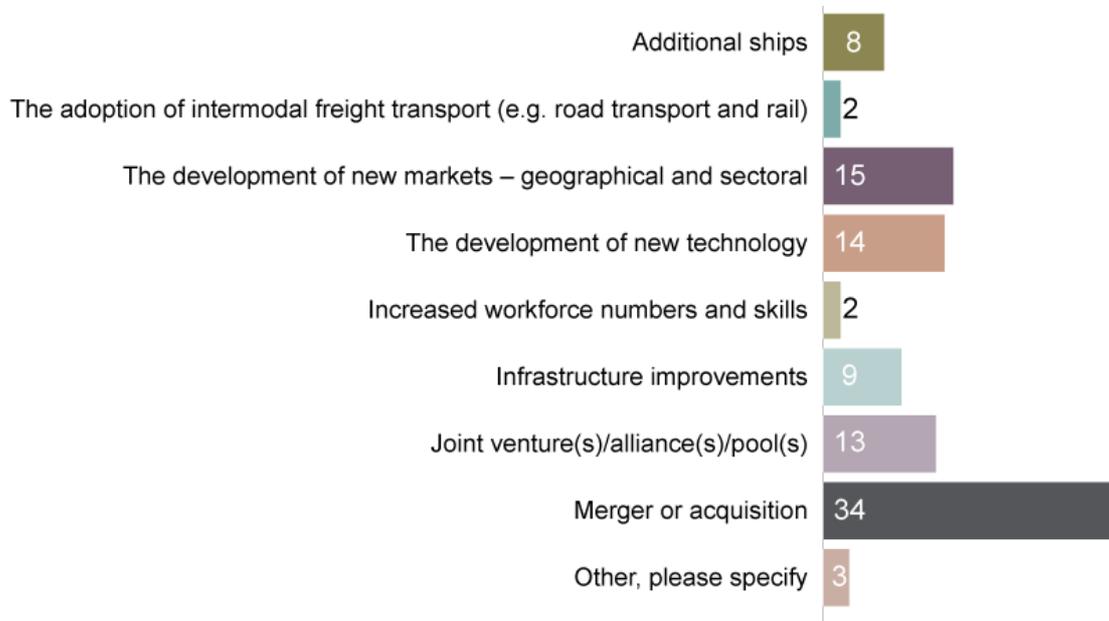
By country





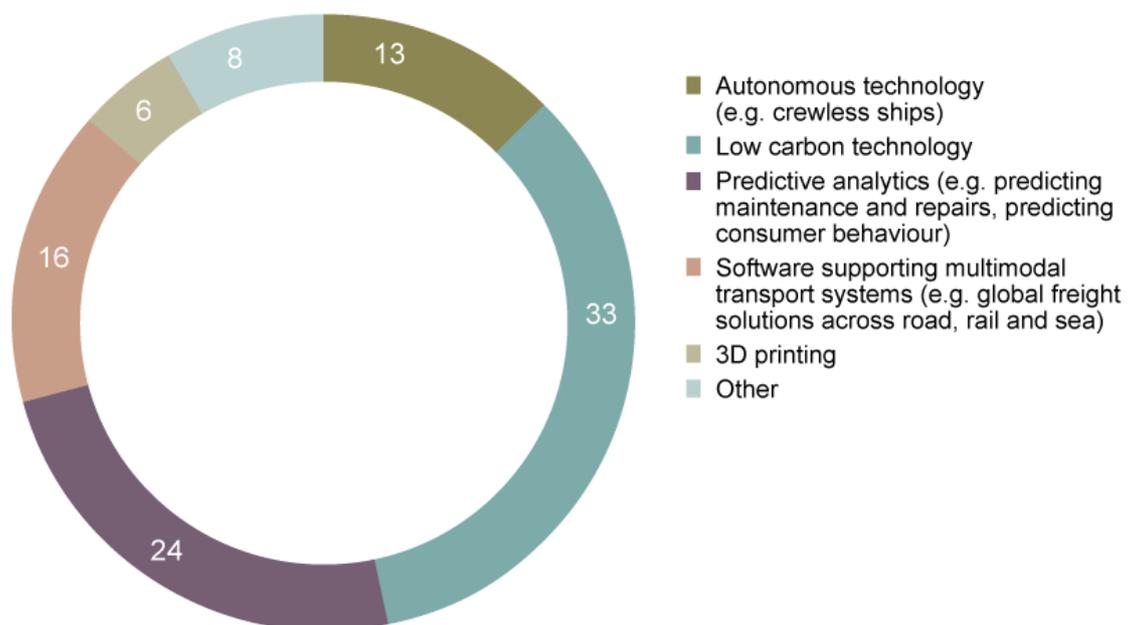
What do you view as the optimal investment opportunity currently for the shipping industry?

Consolidation has been a key theme for the shipping industry and the wider transport industry in recent years. A merger or acquisition is seen as the optimal investment opportunity for shipping by 34 percent, up from 29 percent in 2015. A further 13 percent favour joint ventures, alliances and pools, although interest in less formal forms of cooperation has fallen from 28 percent in 2015. Of greater interest now is the development of new markets, both sectoral and geographic, and the development of new technology.



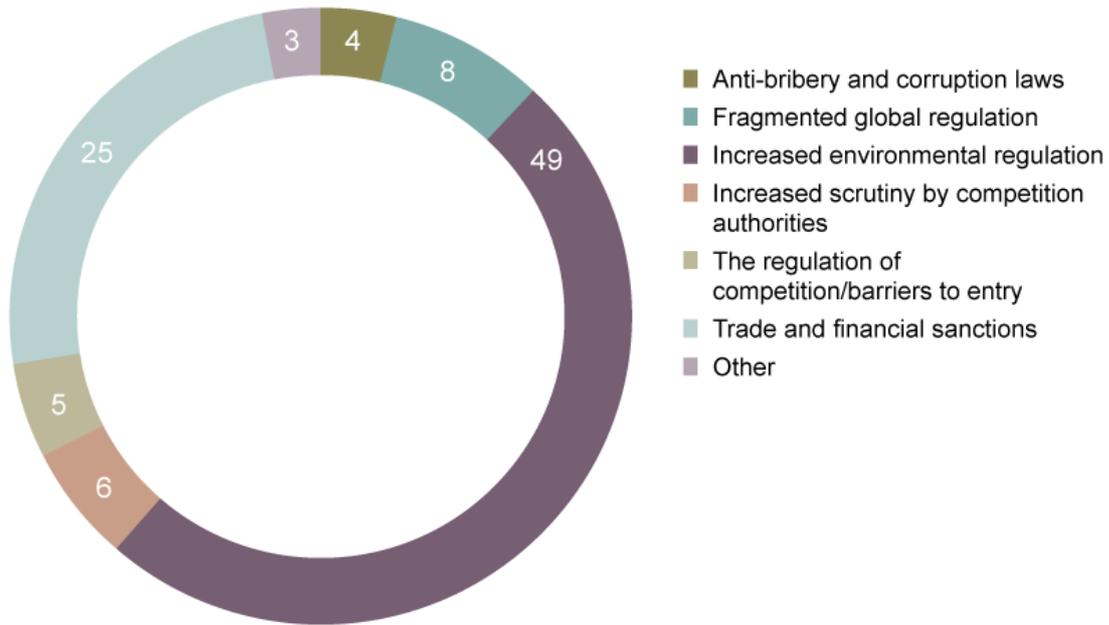
What form of technology will be the most significant driver of change in the shipping industry over the next five years?

The development of low carbon shipping is the technology expected to be the biggest driver of change in the industry over the next five years, followed by predictive analytics.



Which regulation has had the greatest impact on the shipping industry over the past decade?

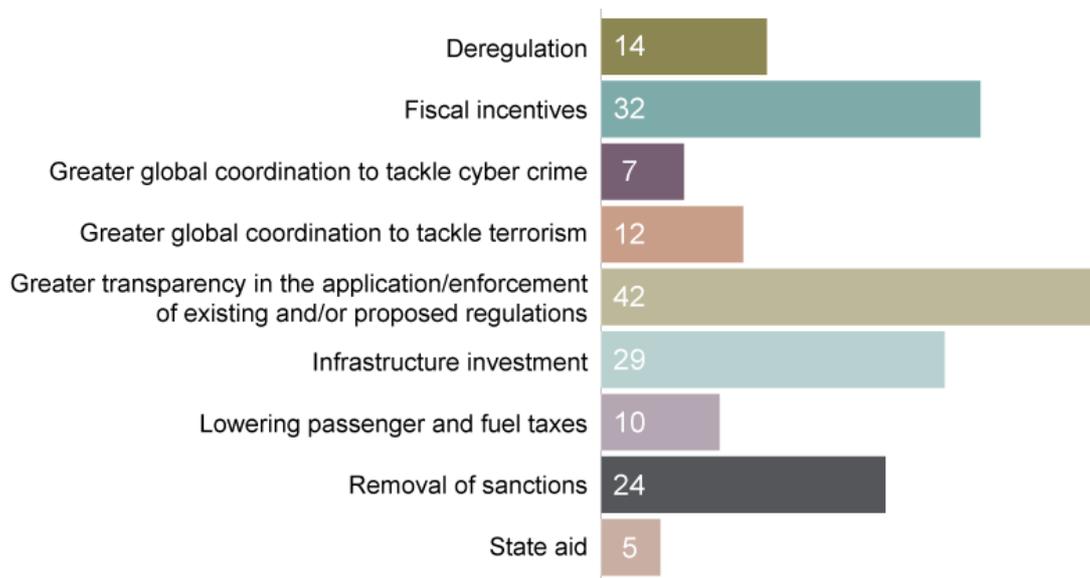
Interest in low carbon technology is unsurprising considering the extent to which environmental regulation has been felt by the shipping industry. Environmental regulation is seen as having had the greatest impact on shipping over the past decade by 49 percent, followed by 25 percent who highlight trade and financial sanctions.



Which of the following forms of government support would help the shipping industry most?

Respondents indicate that addressing regulation would be the most helpful form of government support. Despite the difficult markets many sectors of the shipping industry are operating in, a larger proportion of respondents believe that greater transparency in the application and enforcement of existing and proposed regulations would provide the greatest assistance to the industry, more so than fiscal incentives or investment in infrastructure. In fact, investment in infrastructure appears to have become less of a priority, favoured by 29 percent this year, down from 52 percent in 2015.

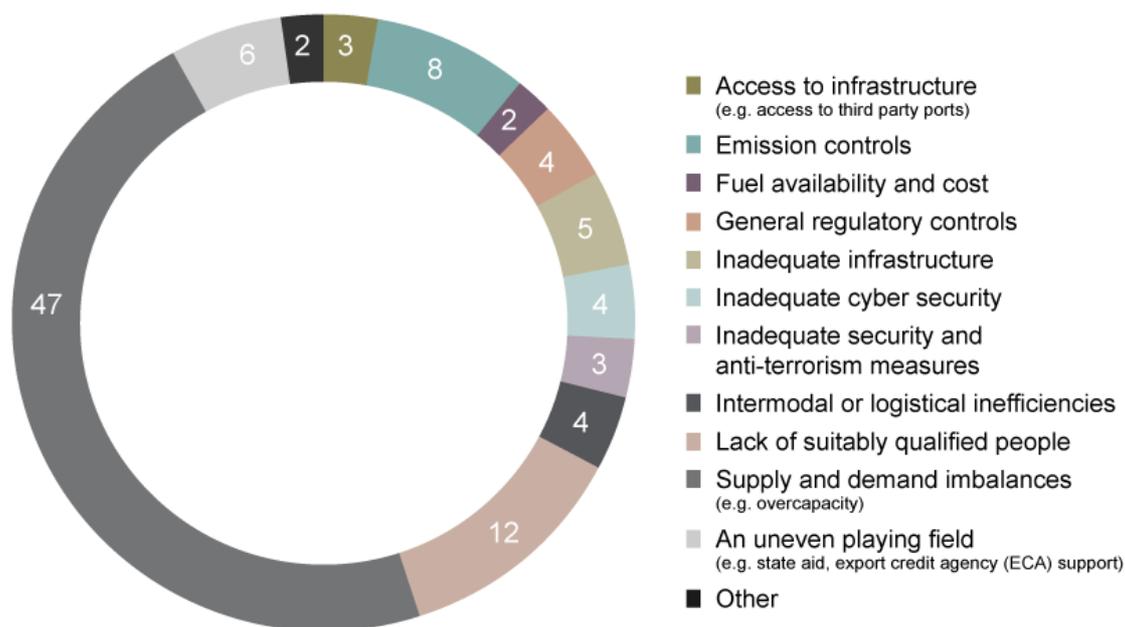
Read more: [Global regulations that impact the shipping industry](#)



What is the greatest challenge to the operational efficiency of the shipping industry?

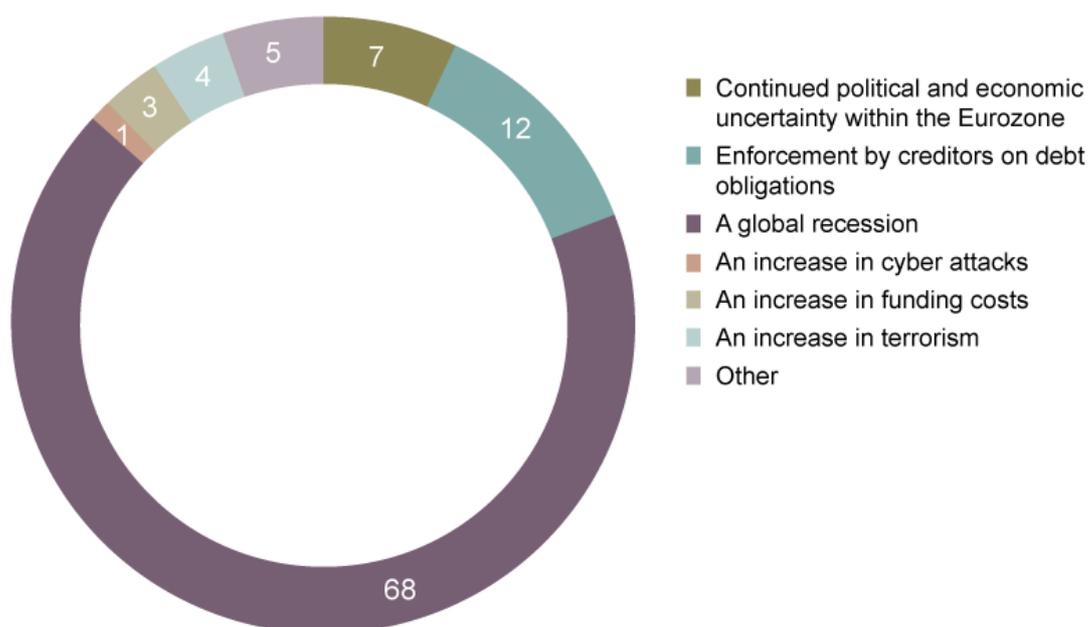
Respondents underline the pain caused by overcapacity once again when asked to identify the greatest threat to the operational efficiency of the shipping industry. Supply and demand imbalances

are considered the key threat, by 47 percent. The remaining respondents are divided in their views, pointing to factors including a lack of qualified people, emission controls and an uneven playing field created by state aid and ECA support.



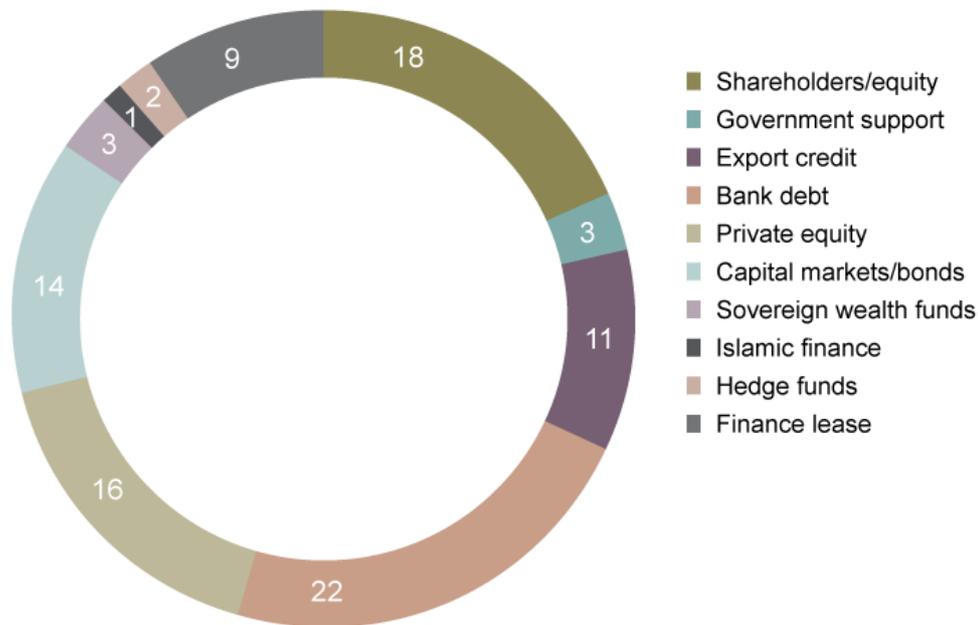
What do you see as the greatest threat to the shipping industry over the next five years?

A global recession is seen as the greatest threat to the health of the shipping industry over the next five years, highlighted by 68 percent. To a lesser extent, respondents are also concerned about the impact of enforcement by creditors on debt obligations and continued political and economic uncertainty in the Eurozone.



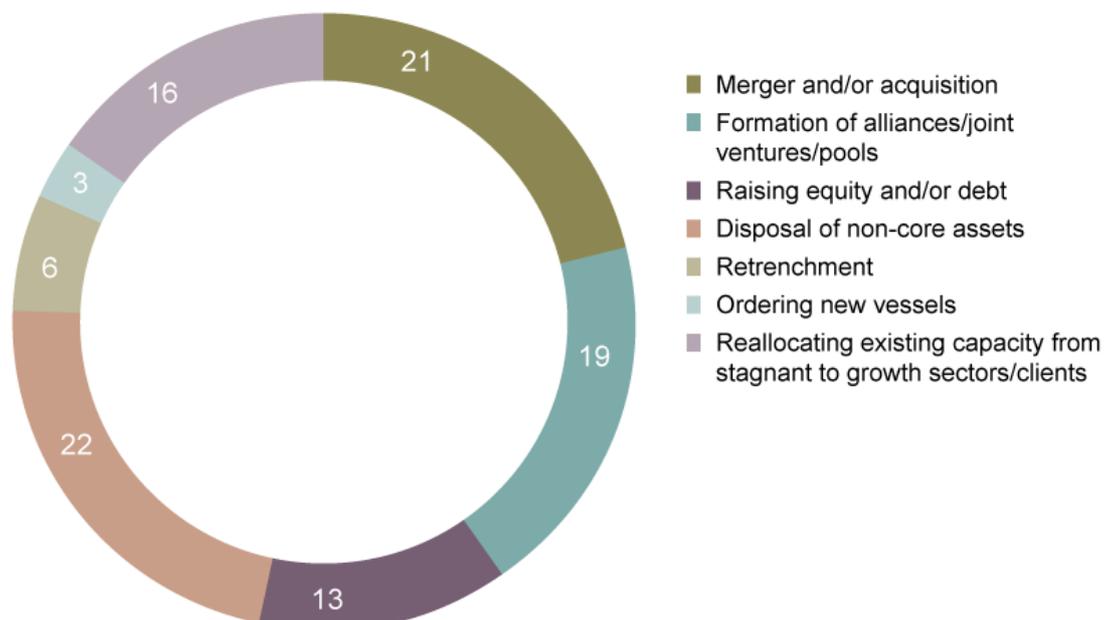
What will be the primary source of funding for the shipping sector over the next two years?

Bank debt is once again expected to act as shipping's primary source of funding over the next two years, by 22 percent, followed by shareholder support and private equity, according to 18 percent and 16 percent respectively. Despite the problem of overcapacity in many sub-sectors of the industry, fuelled by newbuild vessels coming on to the market, 11 percent think that ECA funding will be the industry's main source of finance.



Which of the following will form the most important part of shipping businesses' strategy over the next 12 months?

Consolidation is seen as the optimal investment opportunity for the shipping industry currently: 22 percent expect mergers and acquisitions to be at the centre of shipping businesses' strategy over the next 12 months, and 19 percent expect a focus on the formation of joint ventures, alliances and pools. Given current market conditions, however, respondents also anticipate that the disposal of non-core assets and the reallocation of existing capacity from stagnant to growth sectors and clients will form a key element of shipping businesses' plans over the coming year.



Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. References to 'Norton Rose Fulbright', 'the law firm', and 'legal practice' are to one or more of the Norton Rose Fulbright members or to one of their respective affiliates (together 'Norton Rose Fulbright entity/entities'). No individual who is a member, partner, shareholder, director, employee or consultant of, in or to any Norton Rose Fulbright entity (whether or not such individual is described as a 'partner') accepts or assumes responsibility, or has any liability, to any person in respect of this communication. Any reference to a partner or director is to a member, employee or consultant with equivalent standing and qualifications of the relevant Norton Rose Fulbright entity. The purpose of this communication is to provide information as to developments in the law. It does not contain a full analysis of the law nor does it constitute an opinion of any Norton Rose Fulbright entity on the points of law discussed. You must take specific legal advice on any particular matter.

Law around the world - nortonrosefulbright.com