

# KHULNA SHIPYARD BEHIND THE SUCCESS STORY

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Once the largest and the most prestigious Shipyard of the country, Khulna Shipyard Ltd became plagued with inefficiency, ineptitude and the like so much so that the and very survival of shipbuilding was at stake. The Privatisation Board, in line with the government policy, was looking for somebody who could stem the rot and salvage the organisation. They found the answer in the Bangladesh Navy. The later, in its professional pride and capability accepted the challenge. A year back, the Shipyard was handed over to Bangladesh Navy. The Hon'ble Prime Minister graced the occasion of the transfer of the Management on 03 Oct 1999.

Bangladesh is criss-crossed by innumerable rivers and estuaries. Its people depend largely on maritime occupation for livelihood.

Shipbuilding is an ancient profession in this part of the world and Bangladeshis excelled in the skill from early days. Extensive network of roads has undergone a major development in surface communication. In spite of all this, riverine mode of transport remains more popular for its convenience and cheapness.

A country with 700-km coastline has sovereign right to explore and exploit resources upto 200 NM out to the sea from the base line under the new Law of the Sea. About 100,000 sq km sea area, equal to 70 percent of total landmass is now in possession. Scarcity of resources and protein are felt in every walk of life. Efforts should be made to look for the alternative to meet demand and a better option is to tap resources and protein from the sea. Another important aspect is sea lines of communication. About 90 percent of our

export and import are carried through sea route. It is equally important to enhance marine functions and other related facilities to conduct export and import smoothly. Sufficient attention is to be given to improve marine facilities to a satisfactory level. Keeping these perception in mind, Khulna Shipyard Limited was established in the year 1957 for giving support to marine activities of the country.

Construction work of the Khulna Shipyard was begun in the year 1954, financed by the then East Pakistan Industrial Development Corporation. M/s Stulcken, SOHN, German, provided the design for the construction of the yard facilities. The construction was completed in the year 1957 and was commissioned on 27th November 1957, with the objective to build and repair ships and manufacture engineering parts to support other industries. M/s Burness Corlett & Partner, UK and M/s Maienform SA, Swiss administratively and technically managed the company upto 1967. Only a few non-skilled local workers were then employed. Afterwards the control was vested with the local entrepreneurs.

Khulna Shipyard is one of the well-laid out shipyards of the region. The yard is equipped with a carriage, which can dock and undock ships. Its versatile facilities can accommodate a good number of ships simultaneously for building or repair. Other facilities of the yard are equally well set to manufacture related units. So far, more than 2000 various types of vessels have been constructed, repaired and renovated with reputation. Besides, engineering parts were manufactured to keep other industries of the country operational.

Such a capable industry ultimately came to a halt and production level fell to zero. Why? As if termites worked inside, hidden and silent over the years and the structure collapsed with a bang. What went wrong? The obvious answer is that so far no Balancing Modernizing Rehabilitation and Expansion (BMRE) has been conducted due to lack of capital. Next who is supposed to provide fund for BMRE? The company or the state? Fund should have been generated by the shipyard during the 43 years of its operation. There is no reason to provide fund from state sources to a company for BMRE, which has failed to operate and sustain in the competitive market. The remedy lay in efficient production and competitive marketing system.

Production and marketing are the two important aspects that need constant petting to make an industry healthy and hearty. Competitive production and skilled marketing are the handy tools to lay claim to the financial cave nationally and internationally. Production means the action of manufacturing, growing, and extracting things in large quantities. Productions are influenced by attitude of the people, economy, machinery condition and environment. Firstly, attitudes of the people. Each and every individual should work with responsibility and should have a thorough understanding of the sequence of production to maintain manufacturing schedule. To ensure quality and timely production discipline and positive intention are to be advanced among the group. Secondly, sound and well-monitored economy is a prerequisite to achieve higher production rate. Thirdly, to have an optimum production rate, yard

machinery and its accessories are to be technically appropriate for the purpose or the occasion and are to be sufficiently reliable. Finally, the working spaces should be convenient and conducive to production to have a desirable extraction rate.

Once smooth productions are guaranteed then a big task and a challenge of the present day is to have a market for the products, where the competitions are neck to neck. It is not like assuming the mantle of supreme power. One has to spot the gap in the market and make a fortune by constantly adjusting marketing plan. Success of an enterprise will rely on the high efficiency in marketing and competent administration. Egotism or blind connected ideas may not help in marketing. Mood of the market is to be taken into account and accordingly competent administration, realism and long vision are to be injected into the cycle to have a grip over the market. Shipbuilding industries are no exception and also need to pay attention in their production and marketing reality.

Like any other job-oriented unit, production cycle starts with design. Designing a ship may not be a complex task but definitely it is a difficult exercise, where constant interaction with intellectual information is essential. It is not always viable to maintain an establishment in terms of manpower and equipment to have a design section in every shipyard. Well-reputed firms exclusively dedicated for ship design are available around the world. It is more convenient and competitive to share their knowledge than to have own design section. Many renowned shipyards around the world are practicing similar system and performing well. A well-equipped ship may have

items starting from simple furniture and end with very high tech equipment. Thus, shipbuilding yard is never a composite factory and has to shop around to get machinery, high tech equipment and various other materials. It needs to constantly maintain liaison with other manufacturing enterprises within the country as well as around the world. The problems are acute in a country, where own industrial bases are not strong. As industrial capabilities are weak in our country, shipbuilding may be difficult, but it is not unachievable.

Secondly, possible market for the ship. It has been substantiated before how ships and its equipment are dearer to common people. A ship created with state of the art design and equipped with high tech gadgetry may be desirable. But from business point of view it may not be viable because high cost would stand in the way from acquisition by potential but cash strapped buyers. But with this market alone in mind, a full-fledged shipbuilding industry cannot survive. Other sources of market to be taken into account. Open market environments have given birth to many efficient and vibrant entrepreneurs. A shipbuilding industry is to take this later market into consideration and work with vision to gain confidence over these agencies and accordingly plan, to bring effective mechanism in the policy.

Market for ships are available in the country. Why then Khulna shipyard could not perform well? The company collapsed with close to taka 100 crore liabilities. Reasons are many. But, a number of measures and unguarded production and market policy had heightened and shaken the overall position of the company in question. Slump

in shipping business coupled with polarisation of workers' perception and ideology played havoc with the cost of production, which in the long run affected business adversely. Reasons for failure were too many- major among them being chasm between workers and management, lack of accountability and transparency in Company's affairs, alarming law and order situation in the shipyard, general sense of despair etc were responsible to push the cost of its products beyond competitive edge. All these factors went to land the Company in deep financial trouble.

Another major issue that needs to be addressed here is the payment of regular wages to the employees. The employees did not get wages for months together. But, at times fund was made available from state sources to pay off wages. This converted them into an inefficient lot and turned into a self-controlled group, which greatly affected the production. Thus, state industries should generate own fund to bear the cost of production and arrange wages to maintain required level of efficiency and zeal to work. Then, fund should be saved from own sale for development. Ideally, capital should not be made available from state sources to revive industries, whose records and accounts are negative. The company in question over its long years of operation never felt necessary to realize the above terms and thus failed to perform the task.

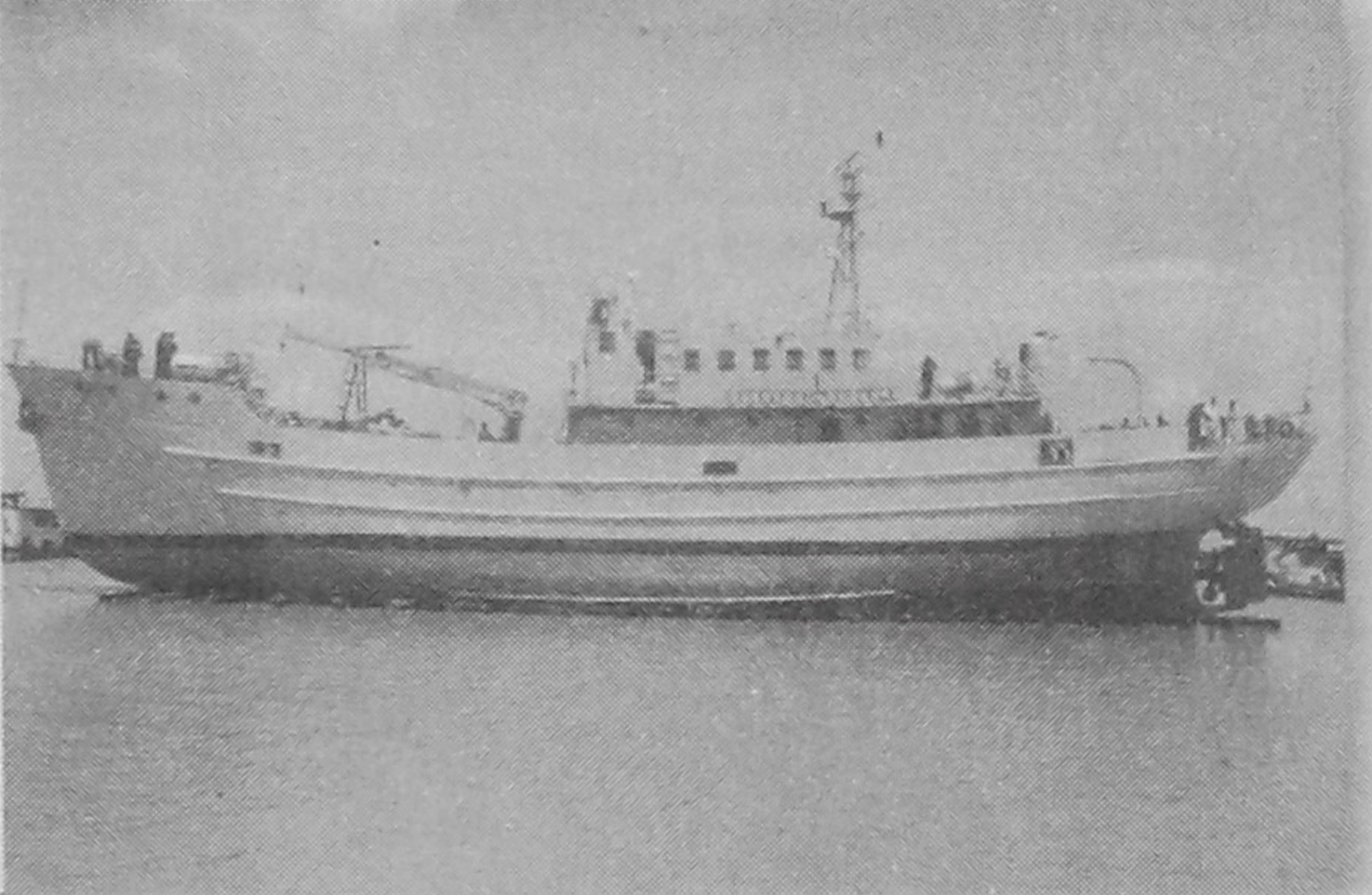
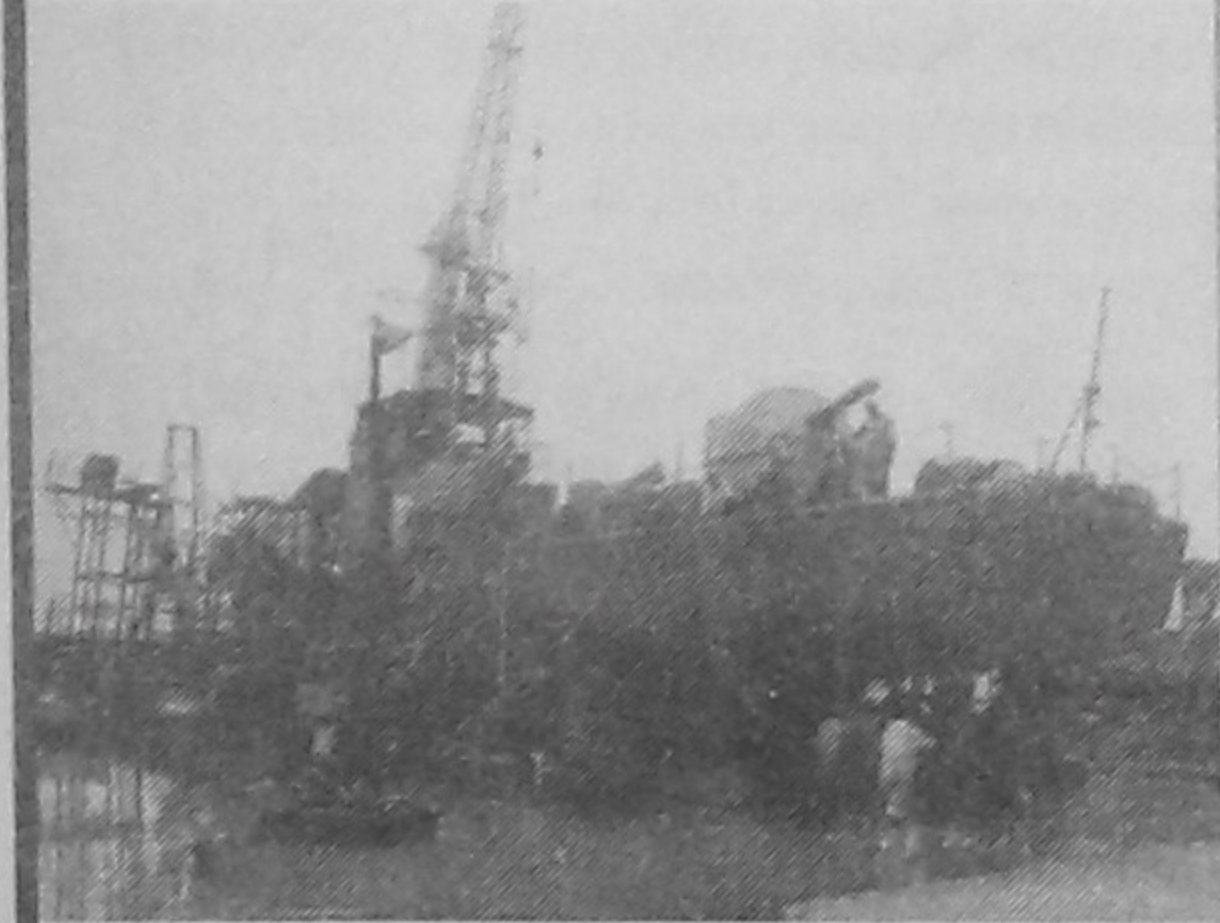
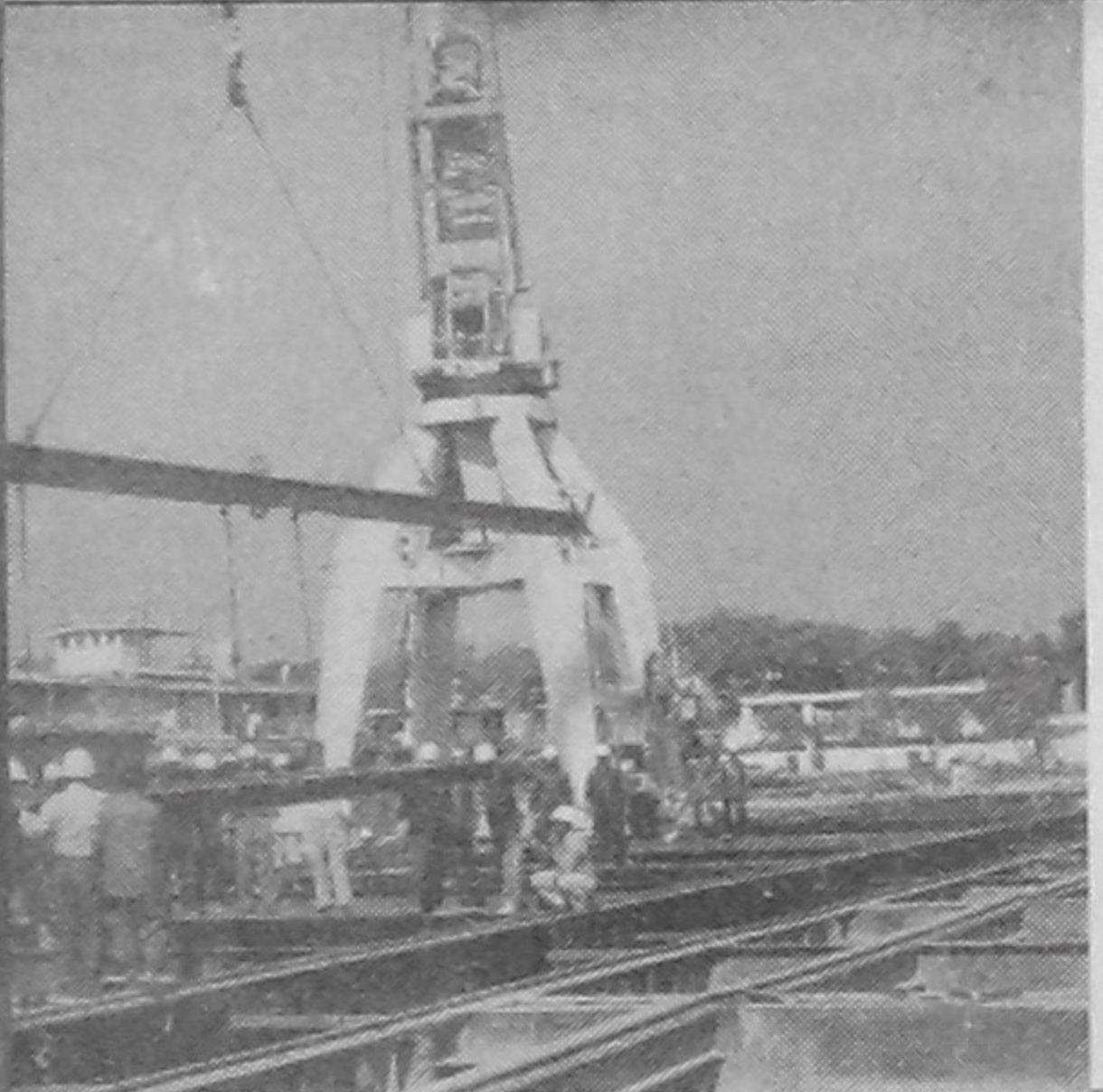
Under the circumstances launching of a new system was not possible without any major regulatory changes. Khulna Shipyard Limited was thus transferred to Bangladesh Navy. The new management has entered

here after paying off liabilities without any working capital to run the regular business of the company. But, fortunately the company was booked with a few orders, which previous management could not complete. These jobs were successfully completed within a record time and handed over to the owners. Some amount of money was earned by completing these jobs and using this fund as working capital the company started its operation. This was the humble start of the new management.

Since then continuous efforts have been made to earn reputation and confidence of the valued customers. Satisfied customers are fundamental to our success. Accordingly necessary amendments and corrections have been brought in to increase production. The commercial objective of the company has been given top priority and various impediments and guidelines have been identified to create a better working environment. To promote market objective and production further, a thorough review of the charter, comparative study of the rules and regulations, information compilation and dissemination, preparation of database and strict monitoring of capital are receiving due attention to fulfill the present day requirement. Also logistical linkage of the facilities, marketing systems through e-commerce and e-trade, setting up a task force, identifying the regulatory inconsistencies, constraints of capital and regulatory compatibility are presently under active consideration. These efforts to give boost to extraction and sale rate are still in formative stage and the company will see the sign of development and

progress, once these criteria are settled and practiced in real sense. There is no doubt that the present management has to sail a long way to reach the suitable shore.

Manpower and machinery are the two important ingredients of the company. As mentioned before it is a well-laid out yard, whose capabilities are remarkably high. The capacity has gone down because its machinery and equipment are old. However, they are reliable and still can be used if properly maintained. The immediate task is to replace some of these machinery and equipment with latest one to achieve its optimum production level. The Navy inherited an excellent work force, which were efficient, professionally sound and had positive attitude towards their work. But, in the past due to ill management, nose dive financial condition and lack of discipline the work force turned into an inefficient, irresponsible and self-controlled group. Moreover, they were locked into an outdated working system, which made them unsuitable to operate under the present market environment. After taking over, Navy's task was to bring discipline among the work force and to give correct leadership, guidance and supervision. Furthermore a jolt was needed to bring them out from the old working system and set them to new manufacturing and sale conditions. Within this short span of one-year, some progress has been made to enhance production and market diversification. But, in order to come alongside speedily the new management has to give enough wind to the sail. Then only the present goal can be achieved, that is to increase productivity, efficiency and quality.



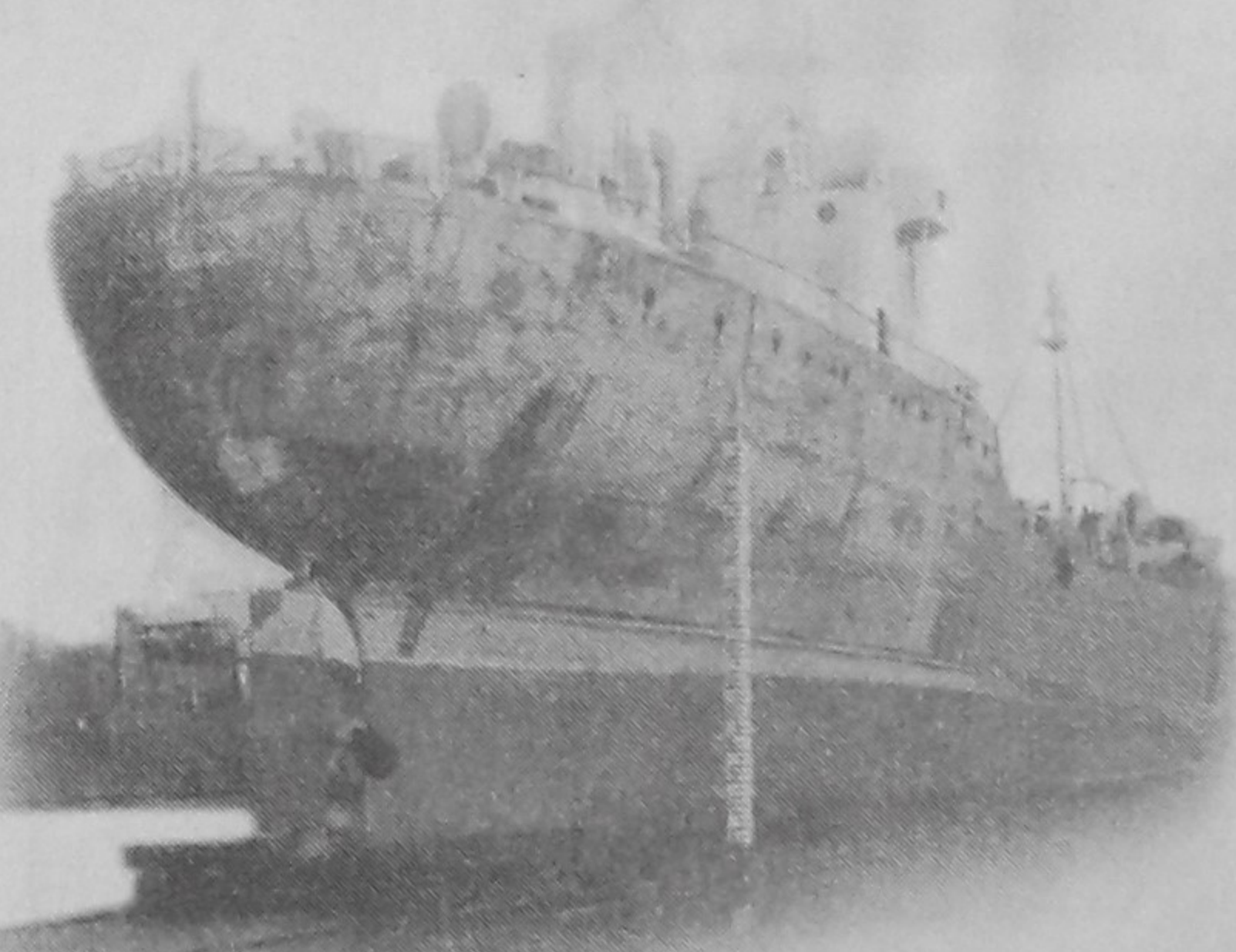
## KHULNA SHIPYARD LTD An Enterprise Of Bangladesh Navy

### Ensures

- Service
- Quality
- Reliability
- Performance
- Timely Delivery
- Cost Effectiveness

### KSY Your Partner

- Ship Building and Repair
- Overhauling and Repairing of Boiler, Turbine, Diesel Engine, Pump, Compressor, Generator, Crane, Electrical Fittings, Workshop Machinery, Dredging Machinery etc
- Manufacturing of Engineering Parts for Sugar Mill, Paper Mill, Cable Factory, Cement Factory, Jute Mill etc
- Fabrication of Steel Pipes, Steel Structure etc
- Ferrous casting upto 10 ton (single casting), Non-Ferrous casting 200 kg (single casting)
- Manufacturing of wooden furniture.



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