

# SWOT Analysis: Future Prospects for NSR Developing into a Global Trade Route

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# SWOT Analysis

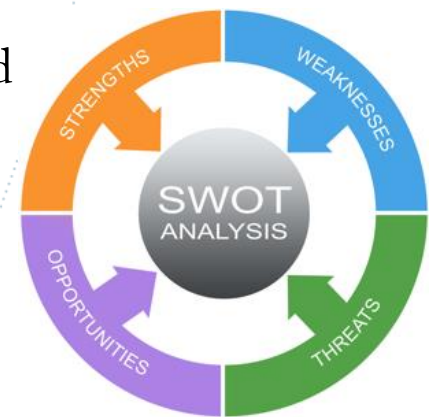
SWOT analysis is an acronym for strengths, weaknesses, opportunities, and threats and is a structured planning method that evaluates those four elements of a project or business venture.

Identification of SWOTs is important because they can inform later steps in planning to achieve the objective.

SWOT analysis aims to identify the key internal and external factors seen as important to achieving an objective. SWOT analysis groups key pieces of information into two main categories:

- Internal factors – the strengths and weaknesses internal to the organization;
- External factors – the opportunities and threats presented by the environment external to the organization.

Analysis may view the internal factors as strengths or as weaknesses depending upon their effect on the organization's objectives.



# Strengths

The main advantage of the NRS is reduce of distance between ports.  
This advantage forms other potential benefits for users as following:

- Quicker cargo delivery compared to Suez Route from NW Europe to NE Asia; More cargo can be delivered within a certain time period.
- Cargo owners has additional ability to choose the route for the delivery of cargo, especially it concerns summer period, for example, shipment of heavy cargo (modules) to Sabetta port.
- Less bunker costs per passage compared to the Suez Route.
- Less time charter costs compared to the Suez Route.
- NSR transit shipping potentially represents new business opportunities. Importance of NSR shipping will grow with future oil and gas development.
- Weak Russian ruble/USD exchange rate makes tariff fees cheaper.
- Less storms compared to the Suez Route.
- No need for additional piracy insurance or protective escorting.
- Reduced CO2 emissions and air pollutants compared to Suez Route.

# Weakness

- Presence of sea-ice during at least 8 months of the year, polar nights/poor visibility during winter time.
- Availability of icebreaker services is unclear; potential long waiting time for assistance; complicated tariff system for icebreaker assistance, high costs (tariffs) of icebreaker services in winter season.
- Need for ice-strengthened vessels, winterization of vessels during winter months, special crew training.
- Need for ice pilotage, availability, costs and embarkation/disembarkation of ice pilots.
- Arctic warming causes increased numbers of icebergs within shipping lanes.
- Remoteness from develop areas and long distances between ports.
- Difficult to plan exact departure and arrival dates of vessels.
- SAR services along NSR need to be improved to the same level as along traditional routes.
- NSR's communication system (incl. broad band satellite communication) should become as sophisticated as along traditional routes.

# Opportunities

- Changing conditions on the freight market leading to increased attractiveness of NSR transits - such as increases in bunker fuel and freight rates (transportation costs).
- Cargo owners interested in having various reliable options for shipping of their cargo (diversification of transportation).
- Shipping companies operating high-ice class vessels interested in developing new business opportunities on the NSR; possible increase in the number of large high-ice class vessels.
- China's (and South-Korea; Japan) interest in the transportation of goods via the NSR.
- Traditional routes could reach full capacity.
- Ongoing global warming trend and further reduction in sea-ice cover and thickness.
- Development of new shipbuilding technology.
- Projected increase in transportation volumes and trade between Europe and Asia.

# Threats

- The presence of heavy ice remains unchanged in the future during winter time. Year-round navigation will be difficult and not profitable.
- No demand for Arctic transit transportation from cargo owners.
- Lack of icebreaker capacity to escort and assist in transit shipping.
- Unfavorable economic conditions for NSR transit shipping – continued low prices for bunker fuel and low freight rates; oversupply of tonnage on the worlds shipping market.
- Environmental disasters (e.g., oil spills) in Arctic waters will have severe negative impact on near-future development of maritime transportation in the Arctic.
- Growth in the competitive advantages of traditional routes – increased overall capacity and in maximum sizes of vessels (economy of scale).
- Political instability and conflicts between Arctic nations.
- Lack of funding to develop sophisticated navigational infrastructure, slow progress in the development of needed maritime support infrastructure.



Research topic:  
**“The Northern Sea Route.  
Development direction”**

LLC GAC Shipping and Logistics

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## KEY FACTORS

1. **Research objective:** evaluation of navigation experience on the Northern Sea Route, finding of ways to improve the transit via the NSR.
2. **Target audience of the research:** operating and finance departments of Russian and foreign shipping companies/ cargo owners/ scientific and research institutes.
3. **Time frame of the research:** 2 months (24 March – 24 May, 2016).
4. **Number of respondents:** 40.



# SURVEY RESULTS

Please rank the factors that would facilitate shipping and navigation through the NSR

Answers	Important	Moderately important	Not important	Number of answers
Year-round navigation on the NSR	11	12	4	<b>27</b>
Sufficient cargo base in ports close to NSR	16	7	4	<b>27</b>
Higher profitability per TEU/ton/cubic meter compared to other sea routes	18	6	2	<b>26</b>
Availability of ice-class vessels of sufficient GRT allowing commercially viable shipping	20	5	2	<b>27</b>
Lower ice-breaker costs and transparent discounts system	20	7	0	<b>27</b>
Modern port infrastructure along NSR including emergency and rescue, repair and bunker facilities	16	9	3	<b>28</b>
Better satellite (GPS and other) coverage of NSR area	12	13	3	<b>28</b>
Availability of officers with Arctic navigation experience in sufficient numbers	13	13	2	<b>28</b>
Easy and fast booking of ice-breaker	15	10	2	<b>27</b>
Reduced or no waiting time for ice-breaker arrival	21	5	1	<b>27</b>
Opportunity to transit NSR in convoys sharing ice-breaker's costs	16	9	2	<b>27</b>
More accurate weather and ice situation forecasts	16	12	0	<b>28</b>
One-stop agency providing total support for NSR transit including NSR transit permit, provision of ice-breaker support, weather and ice situation forecasts	9	16	3	<b>28</b>
Lower environmental risks	10	13	5	<b>28</b>
Diversification of global sea routes (new market niche)	9	9	9	<b>27</b>

# SURVEY RESULTS

Please rank the factors that currently impede shipping through NSR

Answers	Important	Moderately important	Not important	Number of answers
Limited period of navigation in NSR area (4-5 months)	19	6	2	27
Lack of ice-class vessels with sufficient GRT allowing commercially viable shipping	12	12	3	27
Non-guaranteed provision of ice-breaker assistance and absence of ice-breaker work schedule	12	14	1	27
Scarce cargo base in ports close to NSR	12	11	4	27
Limited and underdeveloped infrastructure in ports along NSR including emergency and rescue support, repair and bunker facilities	14	10	4	28
High ice-breaker assistance rates and non-transparent system of discounts	13	12	2	27
Lack of officers with experience in navigation in NSR area	5	17	5	27
Limited satellite coverage (GPS and other) in NSR area	5	18	4	27
High additional insurance premium costs	12	12	4	28
Delays caused by waiting for arrival of ice-breaker	12	13	2	27
Difficulty in obtaining NSR transit permit	4	18	5	27
Difficulty in concluding a contract for ice-breaker assistance	4	18	5	27
Absence of one-stop agency providing total support for NSR transit	4	17	6	27
Global slowdown in manufacturing and trade	11	9	7	27
Low oil prices	9	14	4	27
Current political situation	7	13	7	27

## RESEARCH RESULTS

1. Time period for issuing of permit for passage on the NSR – from 10 to 15 days.
2. Quality of services provided by the authorities on issuing of permit for passage on the NSR and providing with other necessary support: 44% of respondents estimate these services as “excellent”.
3. Quality of information about the NSR provided by the authorities: 56% of respondents estimate these services as “excellent”.
4. Usage of icebreaker support: 61% respondents “agree” with the necessity of this service.
5. Time of final formation of a contract on assistance with an icebreaker owner – from 2 to 15 days.
6. Arrival time of an icebreaker to approved meeting place with a vessel - from 1 to 10 days.
7. Escorting of a vessel in a convoy with other vessel (vessels): 56% respondents say that an icebreaker escorts other vessel (vessels) in a convoy with their vessel.

## RESEARCH RESULTS

8. Tariffs on icebreaking support: 28% of respondents estimate it as “acceptable”.
9. Providing with work schedule of icebreakers: 53% of respondents agree that that it would facilitate navigation on the NSR.
10. Lower tariffs on icebreaking support: 53% of respondents will use icebreaking assistance if the tariffs would be lower.
11. Usage of information about weather forecast and ice conditions from Russian provider: 61% of respondents use the information about weather forecast and ice conditions from Russian provider.
12. The factors that would facilitate shipping and navigation through the NSR: 78% of respondents evaluated availability of icebreaker in time, without delays as the key factor.
13. The factors that currently impede shipping through NSR: 70% of respondents evaluated limited time for navigation – up to 5 months as the key factor.

# Results & Concluding Remarks

- Over the last years, the NSR is on a new stage of its development as the international transport route. However, in current conditions and in short term future perspective the NSR will not significantly effect on excising schemes of cargo delivery via the traditional routes.
- In some cases the NSR already has obvious advantages, that is why it will be actively used in summer-autumn period by selected group of ship owners.
- Many negative factors are not fundamental and have temporary nature, that's why the NSR may well improve its positions if the external environment changes take place.
- The main factors for further development of the NSR as global international transport route are year-round navigation with predictable and reliable services at competitive tariff system.