

# [The history of shipping industry business essay](https://assignbuster.com/the-history-of-shipping-industry-business-essay/)

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## Introduction

Shipping industry is a major industry today. This involves container shipping, general cargo terminal services, the warehouse services, and the containerized ports. The past fifty years have seen the expansion of shipping containers as the most important way of sea carrying sea freight transport (PeterT, 2012). The aim of this Graduation Project is to assess port management standards and theories and compare them to the standards used by competitors, evaluate the technology used by Ajman port, interpret the market situation, and assess the technology introduced by HAJT and how it will help the company in cost reduction and effective allocation of resources. The results will then be applied to the performance of Ajman port. As container shipping services are increasing, ports have new problems. All over the world, port managements spend large amount of money in developing their technology in order to handle the large number of containers. However, containerized ports such as Ajman port have challenges with the increase in traffic and development in technology. The world market is developing, so ports have to put extra effort to survive in this competitive market. Ports compete in many ways: oceanic carrier and short sea freight, land-based routes (rail and truck freight), transhipment time, and quick turnover... Because of the strong global competition, it is important that ports are effective, well-organized and prepared with the latest technologies (WAM, Ajman ruler issues decree reorganising ports and customs office, 2011). Some of the immediate competitors of Ajman port include Jebel Ali Port (Dubai), Khalifa Port (Abu Dhabi), Shuwaikh port (Kuwait), Jeddah Seaport (Saudi Arabia), Mina Salman port (Bahrain) and port of Salalah (Oman). The technology used by khalifa Port as stated in (GULF, 2012) is the best example for latest trends in equipment and machinery. Such technology can allow Ajman Port to service a large number of containerized vessels. Ajman is in a good location since it is between the Eastern and the Western hemisphere. It can increase its volume of trade and profit if it can provide enough and efficient facilities for large scale operations. The research helps us to understand about the current level of effectiveness of Ajman port and gives recommendations to improve its performance.

## STATEMENT OF PROBLEM

## Q: How can Ajman Port become more competitive in the local and international Market?

The essence of my study will revolve around this question. To further elaborate this concept it can be sub divided into the following questions.

## SUB QUESTIONS

## 1. What are the strong and weak points of Ajman port (Strengths and Weaknesses)?

## 2. What local economic developments are impacting Ajman Port?

## 3. Who are the direct competitors of Ajman Port? Why are they Competitors ?

## 4. In what areas should Ajman port invest in order to remain competitive?

## LITERATURE REVIEW

UAE INTERACT (2009) in their article " Jebel Ali port voted best seaport in the middle east" wrote that Jebel Ali port has again been voted as the best seaport in the middle east for the 15th consecutive year in the AFSCA awards (INTERACT, 2012). Hong- Kong based cargo news Asia voted for the best performing companies in Asia transport and supply chain sector for various categories. The award is considered the most prestigious award for freight and logistics services providers. The team of Jebel Ali port was very much honoured receiving this great award (WAM, 2012). This Also sends a message to all other ports in the middle- east that Jebel Ali port is a very tough competitor indeed offering the best cargo services to its customers all over the world. Ajman port will have to work very hard in order to compete with this Giant seaport of UAE. The Jebel Ali port uses the latest technology equipment to meet the needs of local and international transportation (CHAIN, 2006). Therefore, Ajman port will have to employ the latest technology as well in order to compete with the local and regional competitors of the GCC." Jebel Ali to contribute twenty per cent to Dubai’s economy" (INTERACT, 2012) the author states that Jebel Ali will contribute around one fifth of DH 300 billion economy of Dubai. There are around 6700 companies based on the Jebel Ali free zone and employ around 170000 people. This gives an idea about the employment opportunities created by Jebel Ali free zone. They cater to around 12. 82% of the Dubai’s total work force (WAM, 2012). About 61% of the companies in the Jebel Ali free zone are in the machinery and equipment sector, and 18% in the consumer goods sector. This shows that Jebel Ali has specifically targeted the machinery and equipment sector for trading activities.

## METHODLOGY

My paper will look at the port management industry in the UAE and will assess Ajman Port’s strengths and weaknesses in that industry. The kind of research required for this project is qualitative research. The qualitative research will totally be based upon the primary data collected from the port industry. Surveys and questionnaires were used to gather the data. Questionnaires were distributed among the various employees and customers of Ajman port in order to analyse their views regarding the future outlook of Ajman port. All the research questions will be addressed using the Questionnaire and the effectiveness of all the facilities will be analysed according to the views of the related personal. The focus of the questionnaire will be on the business environment of the containerized ports, General Cargo terminal and warehouse facility plus how HAJT has incorporated new technology into these systems (Port Planning, 2012). The RO-RO facility introduced by HAJT will also be analysed. An industry analysis has also been conducted using Porters’ five forces model. The sample size for the questionnaire will be 30. Frequencies and percentages will be used to analyse the findings from the questionnaire. The results will then be analysed and recommendations will be made based on the results. Interviews of some of the key personals have also been conducted for further analysis which will be integrated into the SWOT analysis. The information from the interview will help to assess Ajman's own strengths and weaknesses. I conducted a SWOT (Strength, Weakness, Opportunities and Threats) analysis for Ajman port using the information I got from the interviews and the information on opportunities and threats that I got from the literature review.

## SWOT ANALYSIS

## Strengths of Ajman Port

It is a part of group of Hutchison Ajman International Terminals that has presence in more than 26 countries and has 52 ports in these countries. The Ro-Ro or the Roll On and Roll Off facility introduced by HAJT technology makes the counting of cargo very easy, and is considered to be one of the distinguishing facilities of Ajman Port. The port contains numerous offices and buildings that can be rented out by agents and shipping lines making access easy. There are separate ship docks for repair on the port making it tranquil for the ship captains and crew to fix their ships and equipment. The facility of cargo consolidation and deconsolidation exist at this port.

## Weaknesses of Ajman Port:

Ajman Port lacks sophisticated technology that is present on larger ports like Jebel Ali and Khorfakkan. The customer base of Ajman port is very small as compared to its competitors and in regards with its size. Ajman port does not possess enough forklifts or cranes in order to manage excess containers and cargo.

## Opportunities for Ajman Port:

It should capitalize more on its Free Zone project that exist to provide shipping companies a 100% tax free environment. The Cost reductions scheme of HAJT through introduction of new equipment can be beneficial. With the latest trend in Information Technology and sophisticated equipment, Ajman port can increase its efficiency by utilizing this technology. There still exists a room for expansion for Ajman Port in terms of operations and infrastructure.

## Threats to Ajman Port:

There are strong competitors like King Abdul Aziz Port in Dammam and the port of Jebel Ali that threaten it. Emergence of the new Competitors such as the new port project In Qatar can cause a lot of problems. Investment made by Khalifa Port to improve technology as stated in (GULF, 2012) can cause a lot of problems for Ajman port in the local market.

## PORTER’S FIVE FORCES MODEL

The porter’s five forces analysis of various established ports in the GCC will be carried out in order to compare them with Ajman Port. From this analysis we will be able to analyse the effectiveness and competitiveness of Ajman port as compared to other ports. The ports taken for comparison include the Jebel Ali port Dubai, Shuwaikh Port Kuwait, Jeddah Islamic Port Saudi Arabia. These ports have been taken for analysis because of their excellent reputation around the GCC. This will provide us with a more concise outlook as to how the Ajman port stands in comparison to some of the best and reputed seaports around the world.

## JEBEL ALI PORT

The Porter five forces analysis of Jebel Ali is as follows.

## EXISTING RIVALRY

Jebel Ali port has a lot of existing rivals in both the local and domestic industry. Khalifa Port of Abu Dhabi seems to be an ultimate competitor for Jebel Ali in the domestic UAE market. But when looking at the overall competitors in the middle- east there exist many strong competitors such as King Abdul Aziz port (Saudi Arabia), Shuwaikh Port (Kuwait), Jeddah Seaport (Saudi Arabia), Mina Salman Port (Bahrain) and Port Of Shalala (Oman). All these ports are well established in their respective countries.

## THREAT OF NEW ENTRANTS

Jebel Ali seaport does not face any significant threats from the side of competitors because it is already a very established port. It has been awarded for the best port of the middle- east fifteen times. And it has around 6700 companies situated on the port. And this makes it a very strong company for its competitors.

## Bargaining power of Suppliers

The bargaining power of the shipping companies varies from country to country. It all depends upon the number of suppliers and the size of suppliers in the industry. As there are many ports in the UAE therefore the bargaining power of suppliers is higher with The Jebel Port.

## Bargaining Power of Customers

The bargaining power of customers is limited with respect to the Jebel Port because the port is very much established and has a lot of brand loyalty in the area of Dubai. It also contributes 20% of its funds to the GDP of Dubai which clearly proves that the port has a lot of influence on the economy and on the customers.

## Threats from Substitutes

There are no significant threats for Jebel Port in the UAE except for Port Khalifa. With the commencement of commercial operations at Khalifa Port’s unique semi-automated container terminal, the dynamics of the port industry can change a little. Therefore, Jebel Port will have to be very much aware about the strategies employed by Khalifa Port. On the other hand international competitors like Jeddah Seaport, King Abdul Aziz port and the Shuwaikh Port can be potential threats.

## PORTER’S five forces Model.

## SHUWAIKH PORT

SHUWAIKH Port Kuwait has been witnessing recent growth in the TEU’s over the years. The TEU’s handled have doubled since 2000 (CHAIN, 2006) (AECOM, 2012). The Kuwaiti port is planning an investment strategy for the accommodation of future growth because they seem to have no anxiety about the future.

## Existing Rivalry

The Rivalry for Shuwaikh Port basically resides in the international market. This is because it is the market leader in the domestic market. The Jeddah Seaport, Khalifa Port, Jebel port, King Abdul Aziz Port Salalah Port compete with Shuwaikh port in the international Market.

## THREATS FROM NEW ENTRANTS

The market for ports is already very saturated in the international market, but Shuwaikh port is dominating the domestic market in the port industry. Qatar is planning a new port Project in Doha which can be a big problem for Shuwaikh Port in the future. (AECOM, 2012) states, " Specialists from AECOM’s industry leading global transportation and program management practices have been functioning with our local design professionals on this new-fangled port facility project ever since 2010." And this clearly depicts that Qatar is all set to enter the market with its new port Plan.

## Bargaining Power of SUPPLIERS

The bargaining power of suppliers in the Kuwait market is relatively higher. This is because the switching costs for Shuwaikh are high in the domestic market. The number of ports operating in Kuwait is lower as compared to other countries. Therefore the Suppliers have a lot of say in the market.

## Bargaining Power of Customers

Looking at the TEU’s handled doubling in the market since 2000, it can be inferred that more and more customers prefer Shuwaikh Port for their cargo and container services. Shuwaikh port has the required brand loyalty in the market so the bargaining power of the customers is not very high.

## Threats from Substitutes

Threats from substitutes don’t really exist for Shuwaikh because the company has been expanding its operations over time. Secondly Shuwaikh has a natural market for containerized product imports to Iraq which are expected to increase further with more rapid growth. In the article by Arabian Supply Chain (2006) it is stated, " Kuwaiti port is planning an investment plan to stimulate future growth," which proves that Kuwaiti market is all set to expand its operations to a higher level.

## PORTER’S FIVE FORCES ANALYSIS (JEDDAH ISLAMIC SEAPORT)

JEDDAH Islamic seaport is a very established sea port of Saudi Arabia and. It handles around two thirds of countries total import traffic (CHAIN, 2006). It is the largest principal port in the middle-east outside of Dubai.

## EXISTING RIVALRY

It has many local competitors. Some of the best include Dammam port and Dhuba port. The rest of its competitors are international and competes a lot with Jebel port and Khalifa port. Shuwaikh Port is another possible competitor in the Middle-East.

## Threat from New Entrants

There are no significant threats from new entrants in the local industry. But on the regional level the New Port Project (AECOM, 2012) of Qatar can be a big problem. The latest technology to be introduced by Port Khalifa as stated in (GULF, 2012) can also pose threats to Jeddah Seaport.

## Bargaining Power of Suppliers

The bargaining power of suppliers in the region is low because too many suppliers exist in the market is Saudi Arabia. Therefore, the Switching costs of Suppliers are expected to be low for Jeddah seaport.

## Bargaining power of customers

The bargaining power of customers is also very high. Customers have a lot of choice in Saudi Arabia because a lot of port companies are operating in diversified areas. Therefore the switching costs for customers are expected to be low.

## Threat from Substitutes

Substitutes cannot pose a big threat to Jeddah seaport on the local level because the port is very much established and controls around two third of country’s total import traffic. Therefore the company is very much established.

## PORTER’S FIVE FORCES ANALYSIS (AJMAN PORT)

The Porter’s five forces analysis for Ajman port is as follows

## EXISTING RIVALRY

Many rivals exist for Ajman port in the UAE as well as the middle-east. Jebel Port and Khalifa port are the biggest competitors of Ajman. Currently they dominate the market and are in a good market position.

## THREAT FROM NEW ENTRANTS

There are no known new entrants planning to enter right now in the seaport industry in UAE. But, Khalifa Port is planning a very heavy investment in latest state of the art technology and is investing around $7. 2 billion on their new project. This can cause a lot of competition in the local market and may result in heavy losses for some competitors.

## BARGAINING POWER OF SUPPLIERS

The bargaining power of Suppliers is expected to be low. This is because many ports exist in the UAE so there are many suppliers to cater to these ports. When the number of suppliers increases their bargaining power decreases and the customers gets an advantage in terms of choice. Ajman port has a chance to choose best suppliers for their work.

## BARGAINING POWER OF CUSTOMERS

Buying power of customers is expected to be high because the customers of Ajman port have a lot of other ports to choose from. Therefore, Ajman port will have to compromise on the prices in order to compete in this competitive environment.

## BARRIERS TO ENTRY

The competitor ports such as Jebel port and Khalifa Port use the latest technology to cater to its customers as stated in (GULF, 2012). The technology requires very heavy investment to come into this business. Therefore the barriers to entry are considerably high. Ajman port will also have to invest in latest technology equipment to compete with its rival firms.

## COMPETITIVE RIVALRY

There are a lot of local and international competitors for Ajman Port and the competition is very intense. The switching costs are also very high which makes the industry extremely competitive to survive in. Local Competitors like Port Fujairah, Port Khalifa and Jebel Port are very well placed in the market.

## COMPARISON BETWEEN DIFFERENT PORTS ACCORDING TO PORTER’S FIVE FORCES ANALYSIS

The comparison between different ports tells us that the Jebel port is very much established in the UAE and the JEDDAH seaport is very much established in Saudi Arabia. The Shuwaikh Port of Kuwait is also expanding its operations rapidly, and is exploring new trading options as stated in (CHAIN, 2006). The porter’s analysis of Ajman port looks weak as compared to some of the best ports available in the middle-east. It will have to make many improvements in its outlook in order to compete in this intense market. The company should be ready to face the un- anticipated economic changes and changing market dynamics over time.

## QUESTIONNAIRE ANALYSIS

Questionnaire analysis that we conducted revealed very favorable results. All the people in the sample responded to the questionnaire and presented very educated results regarding the areas and characteristics of Ajman port that were focused upon.

## GENDER

FrequencyPercentValid PercentCumulative PercentValidMale2480. 080. 080. 0Female620. 020. 0100. 0Total30100. 0100. 0The results have shown that 80% of the respondents that took the survey were male. This depicts that most of the people that are concerned about the Ajman port are male.

## Age of the Respondents

FrequencyPercentValid PercentCumulative PercentValid15-25310. 010. 010. 026-351963. 363. 373. 336-45620. 020. 093. 345 and above26. 76. 7100. 0Total30100. 0100. 0Most of the respondents that took the survey were of the age bracket of 26-35. This depicts that the active population in the UAE are the adults.

## How do you rate the business environment of the containerized ports on the scale of 1 to 5?

FrequencyPercentValid PercentCumulative PercentValid51136. 736. 736. 741136. 736. 773. 33310. 010. 083. 32310. 010. 093. 3126. 76. 7100. 0Total30100. 0100. 0The environment of the containerized ports was rated by most of the respondents to be very good. This means that the containerized ports of Ajman are in a very good and healthy condition. It is because most of the customers and workers of Ajman port like the business environment provided by the port and are in direct favour of its reputation. This is good news for Ajman port.

## Ajman port is a reputed seaport and has a Futuristic Outlook

FrequencyPercentValid PercentCumulative PercentValidStrongly Agree723. 323. 323. 3Agree1860. 060. 083. 3Neutral26. 76. 790. 0Disagree310. 010. 0100. 0Total30100. 0100. 0Around 60% of the respondents believed that Ajman port is a reputed seaport and does have futuristic outlook. This depicts that most of the population is in favour of the operations of Ajman port in the UAE. This is again positive news for the Ajman Port.

## How do you rate the effectiveness of the general cargo terminal on the scale of 1 to 5?

FrequencyPercentValid PercentCumulative PercentValid5310. 010. 010. 041240. 040. 050. 03723. 323. 373. 32516. 716. 790. 01310. 010. 0100. 0Total30100. 0100. 0When asked about the effectiveness of the general cargo terminal most of the respondents rated it as 4 on the scale of 1 to 5. This depicts that majority of the people are satisfied with the performance and services provided by the general cargo terminal.

## The warehouse facility of the Ajman port is sufficient

FrequencyPercentValid PercentCumulative PercentValidStrongly Agree26. 76. 76. 7Agree413. 313. 320. 0Neutral620. 020. 040. 0Disagree1756. 756. 796. 7Strongly Disagree13. 33. 3100. 0Total30100. 0100. 0When asked about the warehouse facility most of the respondents nullified its capacity. Around 57% of the respondents disagreed with the idea that the warehouse capacity of the Ajman port is sufficient. This means that the Warehouse facility of Ajman port is not satisfactory and needs improvement.

## The introduction of HAJT technology has been very effective for Ajman Port

FrequencyPercentValid PercentCumulative PercentValidStrongly Agree620. 020. 020. 0Agree1963. 363. 383. 3Neutral26. 76. 790. 0Disagree310. 010. 0100. 0Total30100. 0100. 0Majority of the respondents agreed that the introduction of HAJT technology has been very effective for Ajman port. This depicts that HAJT technology is good for Ajman Port and its effectiveness cannot be questioned.

## The Ro-Ro facility offered by the Ajman port is effective

FrequencyPercentValid PercentCumulative PercentValidStrongly Agree516. 716. 716. 7Agree1240. 040. 056. 7Neutral723. 323. 380. 0Disagree620. 020. 0100. 0Total30100. 0100. 0The RO-Ro facility also known as the Roll On - Roll Off facility of Ajman Port which was introduced By HAJT technology has been rated by majority to be effective. This is because 40% of the respondents have agreed that Ro-Ro facility is effective for Ajman Port.

## In which facility should Ajman Port Invest?

FrequencyPercentValid PercentCumulative PercentValidContainerized ports413. 313. 313. 3RO-RO facility413. 313. 326. 7Warehouse facility1653. 353. 380. 0HAJT Technology26. 76. 786. 7None of the above413. 313. 3100. 0Total30100. 0100. 0Majority of the respondents were of the view that Ajman port should invest in the Warehouse facility as it is not sufficient. The capacity is also considered to be small as compared to that of its local and international competitors.

## Which of the following can be the most dangerous competitor for Ajman Port in the GCC?

FrequencyPercentValid PercentCumulative PercentValidShuwaikh Port516. 716. 716. 7Port Khalifa310. 010. 026. 7Jebel Ali Port1860. 060. 086. 7Jeddah Islamic Port26. 76. 793. 3None of the above26. 76. 7100. 0Total30100. 0100. 0Majority of the respondents rated the Jebel Ali port to be the most dangerous competitor for Ajman port. This is due to the fact that Jebel Ali port uses the latest technology equipment and is of the most reputed seaports in the UAE and in the GCC.

## Ajman free Zone is an effective Zone for business operations and further investments.

FrequencyPercentValid PercentCumulative PercentValidStrongly Agree826. 726. 726. 7Agree1446. 746. 773. 3Neutral620. 020. 093. 3Disagree26. 76. 7100. 0Total30100. 0100. 0Around 47% of the respondents agree that the Ajman free zone is an effective Zone for business operations. This depicts that Ajman Port should further invest in the Ajman Free zone for further expansion. Overall the Questionnaire Analysis has revealed some important findings that are very useful and answer most of the questions of the research.

## FINDINGS AND CONCUSION

The questionnaire reveals some extensive findings and results. Overall the results of the questionnaire have been positive which reveals that the services provided by Ajman Port are well received by the Staff and customers. But, the Warehouse facility seems to be a problem for Ajman port. The port should therefore invest heavily in the warehouse facility and expand its covered area. It was also revealed from the questionnaire that the Jebel Ali port can be a threat for Ajman port because of its latest technology equipment. The Ajman free Zone has been rated by the respondents to be of great importance for further expansion and continuation of Operations. The questionnaire also revealed that Ajman Port should invest in the warehouse facility in order to be more effective in the future. The porter’s analysis of Ajman port looked weak as compared to some of the best ports available in the middle-east. The Shuwaikh It will have to make many improvements in its outlook in order to compete in this intense market. The company should be ready to face the un- anticipated economic changes and changing market dynamics over time. According to Porter’s five forces Analysis, the ports such as the Jebel Ali port and the Shuwaikh port seems to be coming up with latest technology over time which can be a great threat to Ajman port in the future. The SWOT analysis revealed that the Ajman port lacks sophisticated technology like that used by some of its direct competitors like the Jebel Ali port and the Khalifa Port. It also revealed that the customer base of Ajman Port is small as compared to that of its competitors. The SWOT analysis also revealed that Ajman Port lacks forklifts and cranes to manage excess cargo and containers. It was also revealed that Investments made by Port Khalifa to improve its technology can act as a threat for Ajman Port in the future because the technology will then have to be improved to compete with the competitors, and this will require heavy investments in Infrastructure. The Swot Analysis also revealed that Ajman free Zone is a solid ground for future investments for Ajman port because of its tax free environment and cost advantages. The analysis tells us that Ajman port will have to focus a lot on technology, customers, location, storage capacity, suppliers, trading routes and Infrastructure. If the Ajman port managed to address these issues then it can definitely position itself high in the market. the literature review tell us that Jebel Ali Port can act has a very dangerous competitor for Ajman port in the future because it is a highly rated sea port of UAE and called by many as the jewel in the crown Middle-East as stated in (CHAIN, 2006). The literature reviews reveal that main seaports operating in the GCC can all act as a dangerous competitor to Ajman port, therefore the company will face a lot of potential challenges in the future and will have to remain active all the time to evaluate the market situation all the time.

## RECOMMENDATIONS

Based on the analysis following are some of the recommendations that can be beneficial for the Ajman Port in order to be successful in the future. Ajman port should invest in the warehouse facility in order to be more effective and competitive in the future. Ajman free Zone is a solid ground for the Ajman port to capitalize upon. This is because it provides the advantages of no personal and corporate taxes. On the other hand it also provides cheap energy, world class infrastructure, exceptionally low handling charges, low lease charges and lowest tariffs in the region. The Air, Sea and Road network on the Ajman free Zone is also very efficient and is connected to Oman, Qatar, Bahrain, Saudi Arabia, Kuwait and parts of Europe. Therefore, it will be of great benefit to the Ajman Port further expansion and growth. Ajman Port should further invest in the technology and infrastructure in order to compete with ports like the Jebel Ali port and Port Khalifa in the future. Investing in the latest technology will help the Ajman Port to be more effective in the future and will enable them to compete with any new ports that show up in the future. Ajman port should invest in forklifts and cranes in order to manage the excess containers and cargo. The Cost reductions scheme of HAJT through introduction of new equipment can be beneficial. This will also aid the Ajman port to save costs and spend the excess money to improve its warehouse facility. With the latest trend in Information Technology and sophisticated equipment, Ajman port can increase its efficiency by utilizing this technology. Ajman port should keep an eye on its most favoured competitors in order to retaliate and make use of the tactics used by the competitors. This will help the port to stay updated and respond to changes in marketing strategies and technologies adopted by the competitors. According to the analysis the main competitors for Ajman Port on the Local level are Jebel Ali port and Khalifa port. On the international level the main competitors include the Shuwaikh port, and the Jeddah Islamic seaport. The Newport project In Qatar is an expected future competitor for the Ajman port. Therefore, the port should focus highly on the strategies adopted by these national and international competitors in order to be more successful and updated in the future. Ajman port should make full use of the technology introduced by the HAJT in order to be more effective and expansive in the future. The location in the Arabian Gulf places HAJT in an exceptional position to cater services to eastern and western markets and positions HAJT ideally to be one of the region´s favoured calling destinations. If the port manages to follow these proposals then it can surely improve its market positioning and performance in the future. Ajman Port has a lot of potential and an exceptional location. All it needs is effective technology and efficient management system in order to carry out its future programs.