



Newsletter

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The content of the C.I.S.Co. Newsletter is also published in the newspaper "Informare" accessible on the Internet site <http://www.informare.it>

PORTS AND TERMINALS

HHLA HAILS 'SUCCESSFUL' START TO YEAR

Hamburger Hafen und Logistik, the Hamburg terminal operator, turned a 2% increase in container volumes into a 10.3% increase in revenue in the first quarter, as the company's transport logistics and property divisions made up for a "challenging market environment".

"In a challenging market environment, revenue and the operating result rose strongly in the first three months along with further improvements in profitability," the company said in a statement.

Box throughput increased slightly, largely due to the integration of the HHLA TK terminal in Estonia last year, but at 1.9m teu was only marginally up on the corresponding quarter last year.



The three Hamburg container terminals showed a slight downward trend, with a year-on-year decrease in throughput volume of 1.3% to 1.7m teu, HHLA said in its earnings statement.

This was due to service changes, particularly the addition of several services to North America and the loss of an Asia-Europe service.

Feeder traffic developed in the Baltic region routes but stagnated overall at the same level as last year.

However, a 13.7% increase in volumes in its intermodal segment to 398,000 teu helped raise overall revenue to €347.6m (\$388.9m), and post-tax profits were up 16.9% to €38.4m for the quarter.

The acquisition of container wagons and the procurement of storage cranes and large-scale equipment for horizontal transport at the HHLA container terminals in the port of Hamburg accounted for a major share of capital expenditure in the first quarter of 2019, which rose to €35.4m from €21.4m in the corresponding quarter of last year.

HHLA said that it expected a significant rise in its operating result for the year as a whole.

“The results attained in the first quarter provide a firm basis for us to reach our guidance for the year,” said chairwoman Angela Tizrath.

(from: lloydsloadinglist.com, May 13th 2019)

MARITIME TRANSPORT

BIG AMBITIONS FOR SMALL-SCALE LNG BUNKERING

Limited LNG bunkering infrastructure has long been blamed for holding back the shipping industry's adoption of LNG as a fuel.

It's a textbook chicken-and-egg problem: fleet operators won't switch to gas if they cannot be confident of supply, while suppliers won't invest if they don't see sufficient demand.

Avenir LNG – a spin-off of Stolt-Nielsen Gas – thinks it has found a way to crack the problem and make small-scale LNG distribution to ports not served by pipelines a reality.

Closing the LNG supply gap

As a long-standing chemical logistics business Stolt-Nielsen has established an integrated network of ships, terminals and distribution channels for transporting chemicals to every corner of the globe.

However, there are virtually no such integrated networks established for the distribution of LNG, which makes it difficult to transport gas cost effectively between suppliers and customers – particularly when relatively small volumes and remote or unfrequented locations are involved.

Alongside land-based energy customers and industrial concerns such as power generation, smelters and chemical plants, these cases of stranded demand include a steadily growing number of ship operators that would use LNG as a fuel if only they could be sure about availability of supply.

Stolt-Nielsen saw this situation as a challenge waiting to be solved and a commercial opportunity.

Adapting existing sources

In 2017, Stolt-Nielsen formed Avenir – a separate entity dedicated to providing LNG to markets lacking ready access to pipelines.

Andrew Pickering, CEO Avenir LNG Ltd, explained the rationale: "The business of large-scale LNG distribution is sewn up.

There are well-established trades linking major suppliers and major customers, and the market incumbents have little appetite to complicate their operations extending their reach and catering for smaller customers.

When we examined the dynamics of the small-scale market, we discovered it closely replicated what we were already doing.

We saw a way of transferring our existing infrastructure, integration and expertise to get up and running pretty quickly, without needing to recreate any core competencies.”

A plan takes shape

The plan, says Pickering, is to place vessels where there is a secure base load so that ships and terminals can be financially underwritten.

Once that’s in place, peripheral opportunities can be explored and developed to support incremental growth.

Avenir is constructing an LNG terminal and distribution facility in the Italian port of Oristano, Sardinia, which is due to come online in mid-2020.

The company is close to a final investment decision for a project to ship LNG from the south of England up to Scotland, which is expected to come online in autumn 2021.

The latter, says Pickering, is a classic example of stranded demand: “Gas was coming into Kent and then being trucked up the length of the country to customers in Scotland.

How can that be efficient?”

Avenir is also on the shortlist for a government-backed project in Quebec, Canada.

Stranded demand is only half the picture, the flipside of which could be described as stranded supply.

Most large terminals are not set up to cater for smaller LNG carriers, says Pickering.

Instead, an answer was found in underutilized FSRU vessels.

Initially Stolt-Nielsen leveraged its strong relationship with Golar LNG, which, as it turned out, had FSRUs with spare capacity situated close to areas of stranded demand.

Later, it approached Hoegh LNG, another large FSRU operator, which had eyed the small-scale distribution market as ripe for development but was yet to step in.

“Everything was coming together.

Having both Golar and Hoegh on board would provide global coverage, which we could sew together into a seamless offering.”

The conversation culminated in October 2018, when the three companies announced a combined investment commitment of \$182 million in Avenir.



Stolt-Nielsen will consolidate all its LNG activities into Avenir, including an additional two 7,500m³ gas carriers plus two already on order at Keppel Singmarine in Nantong, China, two 20,000m³ gas carriers also being built in Nantong by Sinopacific Offshore & Engineering and the joint-venture LNG terminal and distribution facility in Sardinia.

The 7,500m³ LNG Carrier and bunkering vessel “Future Sardinia” is expected to enter service in 2019.

LNG carrier design inverted

In the design of its ships, Avenir turned conventional wisdom on its head.

Pickering elaborates: “We took the opposite approach to our competitors.

We consider them first and foremost as transport vessels – not bunkering ships – and that’s what drove the design.

The optimization of the hull form, the dual-fuel engine and propulsion arrangement, the fuel system and auxiliaries were all optimized with the transport function in mind.”

During their design, particular attention was paid to the gas containment and fuel system, as the goal was to match boil-off gas with consumption and to get both low.

In addition to sophisticated boil-off gas management, bunkering functionality is bestowed through increased pumping capabilities, ship-to-ship transfer

equipment and enhanced manoeuvrability for approaching receiving ships and accessing smaller customer sites.

The collaboration with DNV GL was a key enabler in the design of the vessels.

Pickering elaborates: "They immediately grasped the broader picture of what Avenir wants to achieve – rather than approach the project as a simplistic compliance exercise.

With an ambition to create a sustainable small-scale LNG supply chain that will one day operate globally, understanding both the operational and business implications of that vision must go hand-in-hand with technical ingenuity as we encounter challenges during that journey.

The ships themselves are individual components in a bigger machine."

While Avenir's business model is currently centred around serving power and industrial customers, it anticipates growth in marine bunkering.

"The appetite for LNG as a fuel for ships is picking up.

We envisage the market in a few years will look very different from today, with more local import and storage facilities making LNG increasingly accessible and therefore appealing to shipping."

Low-sulphur trigger

The forthcoming IMO 2020 regulations on fuel sulphur are one of many driving factors for increased small-scale LNG consumption.

"With less than a year to go, there's still considerable uncertainty.

Some owners are investing in scrubbers while others are waiting to see how the supply situation for low-sulphur products develops," observes Pickering.

Low-sulphur fuel oil (LSFO) is currently around 40% more expensive than conventional HFO, while LNG is 20% less expensive.

"If these differentials hold, then gas suddenly becomes a lot more attractive," comments Pickering.

With more owners ordering and taking delivery of vessels that are specified as LNG-ready, the major obstacle, he contends, isn't so much technical preparation but the patchiness of supporting infrastructure.

"Conversions are being stalled due to a lack of options for LNG bunkering.

What owners require more than anything else is confidence that they can obtain fuel when they need it – and today that isn't there.

This reality is reflected in the behaviour of the band of highly committed – mostly north European – owners who have set up individual supply chains.

But that adds cost."

In short, he concludes, the system isn't working.

"Greater standardization and globalization would bring economies of scale that cannot be realized with the present ad-hoc approach.

This is what Avenir wants to achieve.

We want to remove the 'leap-of-faith' element from decisions owners have to make when weighing up whether or not to go ahead with a conversion."

LNG turning point

There are signs the industry is edging closer to an inflection point.

In the same week as Golar and Hoegh put their money behind Avenir, Hapag-Lloyd announced its intention to convert a 15,000-teu ship, the Safir, to run on LNG, citing more favourable economics than burning LSFO after 2020.

If the retrofit of the engine from HFO to LNG/LSFO dual-fuel operation is deemed a success, the Hamburg-based container line may go on to convert up to sixteen other large LNG-ready box-ships in its fleet.

Naturally, Pickering is enthused.

Firstly, it sets an important precedent as the economics of conversion are generally more challenging than newbuilds.

A major player like Hapag-Lloyd making this move could precipitate a wider change of thinking across the industry, he says.

Secondly, it suggests Avenir has chosen its moment well.

"Success in small-scale LNG distribution hinges on timing.

You've got to get it right – move too early and you won't have the customers; move too late and your customers will have found alternative suppliers or set up other arrangements, perhaps pivoting away LNG altogether."

The short to medium outlook certainly seems bright for Avenir but 2020 isn't the only momentous year for shipping.

IMO's roadmap for decarbonization means the industry is now setting course for another deadline in 2050.

"It will transform the industry completely and in ways we cannot easily predict.

There is a lot of excitement surrounding hydrogen, for example.

But until production processes mature and can be scaled to commercial volumes, it is hard to work out the economics as a marine fuel.

In the meantime, there will be a growing requirement for interim solutions based on known clean alternatives like LNG."

(from: hellenicshippingnews.com, May 7th 2019)

RAIL TRANSPORT

SBB: 5L DEMONSTRATOR SUCCESSFUL SO FAR - POSITIVE INTERIM RESULTS FOR THE 5L TRAIN AFTER 30,000 KILOMETERS

Since June 2018, the 5L demonstrator train has been on the Swiss rail network.

The 16 freight wagons have since covered between 20,000 and 30,000 kilometers.

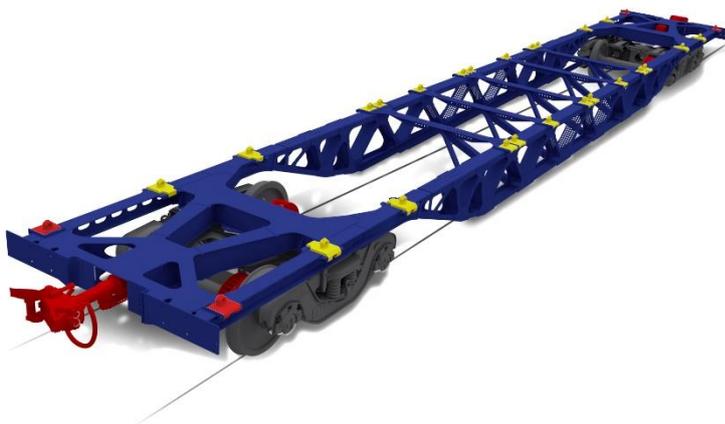
The first interim evaluation showed that all cars with the different components are in excellent condition.

Project manager Jessica Amberg draws a positive balance: "The 5L demonstrator train has been operating virtually trouble-free since June 2018."

During this time, each of the 16 freight cars traveled between 20,000 and 30,000 kilometers in real operation.

Six components from different manufacturers in all possible combinations

The special feature of the 16 freight cars is that each car consists of a different combination of different components.



With the 5L demonstrator train SBB Cargo tested a total of six components on their functions and properties (in brackets the respective manufacturers): bogie (ELH, WBN, Tatra, Greenbrier), automatic coupling (Voith, Faiveley), wheelset

(Bochumer Verein, Lucchini, Bonatrans), disc brakes (Knorr, Faiveley, Dako) and intelligence (Bosch, PJ Messtechnik Graz, KES Keschwari brake system).

Sensor measurements showed very good results

The 16 cars are equipped with sensors that measure all movements along the entire route.

The sensors collect data on the mileage (divided according to direction of travel), the transport capacity (tonne-kilometer, divided according to direction of travel), the radius distribution, the speed distribution, the running quality, the applied braking energy and the run-up impacts.

Jessica Amberg is satisfied with "her" move so far: "The measurements showed that all components achieved good to very good results in all combinations."

Extension of testing abroad

The 5L demonstrator train continues for a long time.

Project manager Jessica Amberg explains what happens next: "The trial operation lasts a total of four years, with a mileage of 100,000 km per year.

As soon as the necessary approvals have been obtained, the 5L demonstrator train will also be operating in Germany and Italy.

This results in longer distances and more travel time, which leads to more meaningful measurement results. »

5L next - the next generation freight wagons are already being planned

The 5L demonstrator train is just the beginning.

With the 5L next, the next generation of the innovative freight car is already in the starting blocks.

While the 5L demonstrator train consists of components that have already been used in some form before, the components of the 5L next are mostly new developments.

The first time to see is the 5L next freight car from 3 to 7 June 2019 at the "Transport Logistic" in Munich.

(from: railfreight.com/sbbcargo.com, April 29th 2019)

ROAD TRANSPORT

CONTARGO BEGINS USING FIRST 'E-TRUCK' FOR CONTAINER HAULAGE

European intermodal operator Contargo has begun using the first of six 'E-truck' container haulage vehicles with electric motors for the delivery and collection of containers to and from DIT Duisburg Intermodal Terminal, part of what the company claims is the first battery-driven container truck fleet in Germany.

The company said its first use of the E-truck' on 6 May in Duisburg as part of Contargo's container hinterland logistics network was "a step towards the enterprise's planned decarbonisation by 2050 at the latest".

In response to a request from Contargo, the DAF CF Electric semi-trailer was delivered by Dutch truck manufacturer DAF to Rhenus Trucking, which, as service provider is making this vehicle – and other E-trucks in the fleet – available to its customer Contargo.

In the next few days, DIT – in which Contargo owns a 66% share – is to receive a second E-truck.

Four more electric 44-tonners will be delivered in the course of 2019 to Contargo's terminals in Neuss and Emmerich – two manufactured by Framo and two by Eforce.

Sascha Hähnke, managing director of Rhenus Trucking, said: "Together with our customer Contargo we are adopting an innovative approach that no other logistics service provider has taken so far.

The six E-trucks that we have ordered for the use of Contargo will constitute the first battery-driven truck fleet in Germany.

By this course of action, we are sending the signal in various directions that this technology has a future."

Hendrik Wüst, Minister of Transport for Germany's North Rhine-Westphalia region, commented: "Here, investments are being made in innovative technologies.

This protects the environment and strengthens North Rhine-Westphalia as a location for industry.

The experience gathered by Contargo with the E-truck fleet over the next few years will also benefit others.”

Kristin Kahl, head of sustainable solutions at Contargo, commented: “We have set ourselves the goal of becoming decarbonised by 2050 at the latest.

Since especially the transport modes of truck and barge produce most CO emissions, this is where we are taking action.

With the six E-trucks in operation, CO emissions will be reduced by at least 38% compared to the use of diesel trucks – even with conventional electricity.

When we have switched completely to green electricity at all the participating terminals, the CO emissions will be reduced by as much as 89%.”



The DAF CF Electric is a 4x2 truck unit developed for road haulage of up to 37 tonnes in urban areas, for which single-axle or dual-axle trailers are the norm.

The vehicle is based on the DAF CF — named ‘International Truck of the Year 2018’ —and is operated fully electrically using VDL’s E-Power Technology.

The CF Electric has a range of up to 100 kilometres, depending on the weight of its cargo, making it suitable for high-volume transport in the urban distribution market.

The batteries have a 30-minute quick-charge feature and a full charge takes just one and a half hours.

The core of this “intelligent powertrain” is a 210-kW electric motor powered by a lithium-ion battery pack with a current total capacity of 170 kWh.

Rhenus director Michael Viefers said: “The willingness to test out new technologies in order to provide resource-conserving logistics is strongly characterised at Rhenus.

We have an open attitude to technologies, meaning that we will continually develop our vehicle fleet sustainably for the benefit of our customers – whether driven by batteries, hydrogen, LNG or CNG.”

Contargo operates one of the largest container logistics networks in Europe, with a workforce of 1,133 employees that achieved a turnover of €534 million in 2018.

With an annual transport volume of 2 million TEU, it integrates container transport between the western seaports, the German North Sea ports and the European hinterland, via 24 container terminals in Germany, France and Switzerland.

It maintains offices at seven additional locations in Germany, the Netherlands and Belgium and also operates its own barge and rail lines.

(from: lloydsloadinglist.com, May 8th 2019)

INTERMODAL TRANSPORT

HUPAC PLEADS FOR SWISS SUBSIDIES RAILWAY TILL 2030

The productivity gains of the Alptransit project with the opening of the Gotthard and Ceneri base tunnels are lower than expected.

This conclusion is based on a simulation produced by Swiss combined transport operator Hupac.

In order not to jeopardize the modal shift process, the operating subsidies should therefore be continued at a lower level until the Rhine-Alpine corridor has been fully expanded, the operator says.

By 2023, the Swiss subsidies for combined traffic will be abolished.

The rail freight industry has been preparing for the reduced financial support in various ways.

Hupac expects that by 2024 half of today's operating subsidies – around 110 million Swiss Francs (96.4 million Euros) for the entire transalpine combined transport – can be compensated, primarily by using improved train parameters.

Track access charges

The reduction in track access charges planned by the Swiss Federal Office of Transport as of 2021 will also reduce the burden on freight traffic; however, this will by no means be sufficient to compensate for the loss of operating subsidies for transalpine combined transport as of 2024, Hupac believes.

"Track access charges in Switzerland are far from the European benchmark, which is currently falling even further as a result of the reductions in track access charges in Germany and the Netherlands," explains Hans-Jörg Bertschi, President of the Board of Directors of Hupac Ltd, on the occasion of the Hupac Group's media conference on annual results.

"In order to continue the positive dynamics of the modal shift, Switzerland's operating subsidies should be provided at a lower level until around 2030 to bridge the existing deficits," Bertschi suggests.

Only after the complete upgrading of the Rhine-Alpine corridor and the restoration of smooth traffic on a disruption-free infrastructure, combined

transport can take advantage of the full productivity benefits of Alptransit and operate self-sustainably.

Transalpine growth: successful modal shift

Transalpine traffic through Switzerland developed positively last year.

Compared to 2017, Hupac Intermodal was able to shift 67,000 additional road consignments to eco-friendly railways, which corresponds to an increase of 14.4 per cent.



Almost half of this is attributable to the recovery of volume losses due to the seven-week disruption of the Rhine valley route in August/September 2017.

Revised the Rastatt effect, traffic volumes in transalpine traffic through Switzerland increased by about 8 per cent.

Growth was again driven by the semitrailer segment.

This traffic increased by a total of 45 per cent.

On the Lötschberg/Simplon axis, which enables the transport of semitrailers with a 4-metre profile, the volume could even be doubled.

With the opening of the 4-metre corridor via the Gotthard base tunnel and the connection of the Busto Arsizio-Gallarate terminal at the end of 2020, Hupac will be able to make an additional contribution to modal shift, it believes.

Other challenges

However, the productivity improvements for transalpine combined transport envisaged at the time can only be achieved in part, the operator concludes.

On one hand, the elimination of double traction on the mountain routes reduces rail costs, and longer trains enable more loading units to be transported per train by 2021.

On the other hand, there is a considerable gap compared to the current operating subsidies which expire in 2024, making combined transport more expensive than road transport and thus endangering the modal shift.

According to Hupac, there are a few other hurdles for the further improvement of the Rhine-Alpine corridor in the coming years:

- The connecting routes in Germany are limited to a train length of 690 instead of 740 metres; the Rhine-Alpine corridor is not expected to be fully extended until 2030 at the earliest;
- On some routes there are still gradients that require cost-intensive double traction: via Domodossola the gradient is 26‰, via Chiasso 15-17‰, while the limit for flat railways is between 10-12.5 ‰; the time horizon for the upgrade of the Lugano-Chiasso line is 2050;
- In Italy, the possibility of running trains weighing over 1600 tonnes must be examined, as the electric substations currently do not allow higher train weights;
- Non-synchronised timetables between Switzerland and neighbouring countries nullify the gain in time and hence productivity of the Gotthard base tunnel at the borders;
- Due to daily disruptions and the major construction sites on the Rhine-Alpine corridor (Rhine valley route, Emmerich-Oberhausen area), sub-optimal operating conditions with cost-intensive diversions and longer travel times are to be expected beyond 2030.

(from: railfreight.com, May 8th 2019)

TRANSPORT & ENVIRONMENT

120 SHIPPING COMPANIES CALL FOR MANDATORY SPEED LIMITS FOR SHIPS

Support appears to be building for new rules to regulate the speed of ships, with the International Maritime Organisation (IMO) under pressure to consider the subject at a meeting in London next week.

In an open letter to the IMO's member states, 120 shipping companies have officially backed mandatory speed limits for ships to reduce greenhouse gas (GHG) emissions from international shipping.

With a view to the upcoming IMO's Marine Environment Protection Committee meeting (MEPC74), the letter called for support over limiting ships' speed as a measure to meet the IMO's emissions reduction goals, European freight forwarding organisation Clecat explained.

The strategy calls for shipping's carbon intensity to be reduced by at least 40% by 2030 and for total emissions to be cut by at least 50% by 2050, compared to 2008.

The signatories indicated that, to meet these goals, new operational measures will have to be implemented for both the existing fleet and new ships, with immediate reductions to be achieved by 2023.

Addressing measures necessary to meet the IMO's decarbonisation objectives, the letter noted that slow steaming, introduced in the wake of the 2008 economic crisis to manage overcapacity, had significantly reduced GHG emissions.

This example was used to demonstrate the potential of limiting ships' operational speed to help achieve the reduction of shipping emissions and to make a contribution to mitigating climate change.

As such, signatories expressed their support for the mandatory regulation of global ship speeds, differentiated across ship type and size categories, Clecat noted, with greater flexibility being allowed for container ships.



"Our preference would be to set maximum annual average speeds for container ships and maximum absolute speeds for the remaining ships, taking account of minimum speed requirements," the letter said, adding that "such a regulation should be implemented as soon as possible and the obligation for compliance should be placed both on shipowners and operators".

The signatories called on all the IMO Member States to support this move at the forthcoming MEPC74, to be held on 13-17 May in London.

Although non-binding, the letter demonstrates the initial support for the concept of introducing speed regulation for ships.

Thomas Cullen, analyst at logistics consultancy Transport Intelligence (Ti), said the shipping sector was "still adjusting to the phasing-out of sulphur in bunker-fuel, yet now it is confronted with demands for 'speed limits' for ships in order to limit carbon dioxide output".

He noted that much of the manoeuvring around this issue was being carried out behind closed doors at the International Maritime Organisation in London, adding: "The organisation, which represents most of the major interests in the shipping sector, adopted a policy in 2018 to support measures that cut 'carbon emissions' by 40% by 2030 and 50% by 2050.

Extensive leaking by various parties suggests that the French government has now taken the initiative by proposing some form of mandatory agreement to limit ship's speeds by type of vessels.

This has been supported by the publication of an open letter by a number of ship owners stating that they would prefer "to set maximum annual average speeds for container ships, and maximum absolute speeds for the remaining ship types, which take account of minimum speed requirements".

The group of ship owners that signed the letter are largely in the bulk trades, he noted, adding: "The major container shipping lines, however, have indicated their annoyance at these ideas with both Maersk and Hapag Lloyd publicly disagreeing with the proposals.

They assert their advanced vessels are already highly efficient and promise further fuel efficiency."

Cullen said the adoption by container ships of 'slow steaming' of around 15 knots or less had already had a major impact, adding: "Data published by Clarkson's and the UK Chamber of Shipping suggest that the speed of container ships has fallen by 25% since 2008.

This combined with the increased size of vessels probably has led to a very substantial fall in consumption per container.

Of course, the number of containers moved has increased, thus sustaining the gross consumption of fuel.”

He said the implications for customers of container shipping lines “are likely to be both hard to calculate and important”, adding: “Shippers already find it difficult to estimate the arrival times of container vessels; slowing ships further is likely to add to the confusion.

As the UK chamber of commerce points out, the logical response would be to switch to other modes of freight transport such as air freight, or what is increasingly an option between Europe and China, rail and road.

Indeed, the changing nature of supply chain management may be pushing in the direction of faster shipping services.

Managing this problem for the container shipping sector may be difficult.”

(from: lloydsloadinglist.com, May 9th 2019)

INDUSTRY

CONCERN AT LACK OF CLARITY ON LOW-SULPHUR FUEL COSTS

Uncertainty about how best to prepare for new IMO regulations mandating the use of low-sulphur fuels by container lines from the start of 2020 is not confined to shippers.

Analysis from Drewry claims that carriers are unsure whether to demolish older, less fuel-efficient vessels ahead of the deadline because it remains unclear how much the more expensive low-sulphur fuel oil will cost.

Under the new IMO 2020 regulations, from January 1, 2020 container vessel operators must switch to fuels with a sulphur content of 0.5%, compared with the 3.5 percent sulphur content fuels mostly used at present.

Analysts have estimated the new rules could cost the container shipping industry anywhere between \$10 billion and \$15 billion next year depending on the pricing of the new premium fuels.

The relentless upwards charge of Brent crude this year - prices last week briefly passed \$75 on the back of anticipated supply challenges before easing off - is further muddying the picture.

"Last week's news that the US will cease granting waivers for the import of sanctioned Iranian oil will contribute to carriers' rising operating expense in the short-term, but it is the lack of visibility into the extra fuel costs associated with IMO 2020 that is making it harder to plan much further ahead," said Drewry.

The analyst has long predicted that IMO 2020 would trigger much greater scrapping of containerships as many older and less fuel-efficient ships will be rendered uneconomic.

"The rapidly increasing move towards fitting exhaust scrubbers could force charter rates down for some ships that are not fitted with the system, potentially swelling the number of demolition candidates," it said.

"However, owners have thus far resisted a large-scale cull that would help to alleviate the container market's enduring over-capacity crisis."

Last year represented an eight-year low for container ship demolitions - approximately 120,000 teu of capacity was sold for scrap, a sum that would

have been far lower were it not for a surge in 4Q18 when over half the annual total was removed from the active fleet.

The heightened rate of demolitions witnessed in the fourth quarter has continued through 2019, and Drewry still expects a slight escalation in demolitions due to IMO 2020 taking annual scrapping this year to around the 300,000 teu mark, but still far lower than the analyst's previous estimate of 450,000 teu.



"Despite this much need reduction, our demolition forecast will only account for less than 2% of the current fleet of 22 million teu," it said.

"85% of the fleet is less than 15 years old and is therefore highly unlikely to be sent to the demolition yards.

Some 10% resides in the 15 to 20 age range, of which just over 100,000 teu have either been retrofitted with an exhaust scrubber or are pending the system to be installed.

Owners of the retrofitted ships clearly foresee plenty more years of revenue generation from those assets, but it would certainly help the supply-demand balance if more at the top end of the age range were to be demolished.

That leaves about 5% of the fleet over 20 years old.

Excluding the very few ships in that bracket that are fitted with or pending scrubbers that means there is currently around 1.15 million teu in low hanging fruit available to be scrapped.

Owners should get a move on.

Expect to see more containerships demolished as IMO 2020 approaches, and for the average age of scrapped vessels to reduce as the available pool of older ships is drained."

(from: lloydsloadinglist.com, April 30th 2019)

LOGISTICS

EUROPEAN TRUCK DRIVER SHORTAGE NOW MAJOR PROBLEM FOR SHIPPERS

The US is not alone in suffering a serious structural deficit of trucking capacity in terms of a shortage of drivers, according to one leading forwarder executive.

As reported in Lloyd's Loading List last week, new regulations and a lack of personnel behind the wheel continued to cause congestion and delays in the US, forcing up shipping costs.

And Iván Tintoré, CEO and co-founder of digital forwarder, iContainers, reveals that many of the same problems are also apparent in Europe.

"The trucks and driver scarcity extends globally," he told Lloyd's Loading List.

"As in the US, European shippers also face trucking challenges due to the shortage of drivers, rising wages and fuel costs, and insufficient capacity."

Tintoré said part of the problem in Europe was structural, not least the large number of smaller and medium-sized haulage operators which lack the economies of scale to meet the needs of major shippers.

"80% of EU logistics operators own fewer than 10 trucks and demand is currently driving up prices," he added.

But there are also serious shortages of drivers in key markets.

One market report published last year claimed the driver shortfall across Europe totalled 150,000 unfilled positions with six countries – the UK, Germany, France, Denmark, Sweden and Norway – accounting for 127,500 drivers.

Germany was reported to have 45,000 vacancies and the DSLV transport union has warned that in the next 15 years two thirds of all drivers could retire.

At present 30,000 a year are leaving the profession each year, but only 2,000 people are receiving truck driving qualifications.



France has a reported shortage of 20,000 drivers, while Sweden, Denmark and Norway report shortages of 5,000, 2,500 and 3,000, respectively, based on road transport association figures.

In Spain where 253,000 held a C or C + E driving license last year, 72% of drivers were over 50 years of age.

Tintoré said that in Europe alternative modes of transport increasingly helped take some of the logistics load off the road, while bearish economic growth also diminished the impact of capacity shortages, although any economic acceleration would cause bottlenecks to quickly become stark.

“Containerized rail is much more supported by the EU and member countries looking to reduce transport emissions,” he added.

“Rail operators are charged by the distance while the trucks must pay up to 25% of highway tolls in all directions.

Some major ports like Antwerp are looking to increase rail and barge share to take the pressure off the truckers and ease road congestion at ports.

“Regardless, trucks remain a go-to solution for multimodal logistics planning and shorter routes, as a vast majority of goods are transported within 150km of seaports.”

Additional factors that are helping ease shortages in the EU, according to Tintoré, include the ongoing ability of Eastern European companies with lower operation costs to offer solutions in Western European markets and the 5% increase in purchases of heavy load trucks this year which will help increase capacity as they enter service.

“EU economic growth – and hence shipping demand - is also weakening due to the political challenges and Brexit,” he added.

“Aside from these external solutions, we believe that the key lies within the industry itself.

We must become more efficient with the existing resources to eliminate waste and empty runs, create value and optimize capacity.

As it stands, it takes over three hours for a shipper to finalize a shipment and coordinate loading and routing with the truck driver.

And this is done via phone, email and, in some cases, even fax.

At iContainers, we believe in the immense value of automation: simple GPS-enabled tracking process and smartphone-accessible technology will significantly reduce the overall time and cost of the trucking.”

(from: lloydsloadinglist.com, April 29th 2019)

LAW & REGULATION

SHIPPERS CONDEMN CARRIERS' APPROACH TO IMO 2020

The Emergency Bunker Surcharges introduced by container lines last year are casting a long shadow on negotiations between shippers and carriers on how to pay the higher cost of low sulphur fuels ahead of the IMO 2020 regulations which enter into force next year.

Container lines were accused of profiteering and price signalling by some forwarders and shippers last summer when they introduced a range of Emergency Bunker Surcharges in the second quarter following a rise in the price of oil and after most had recorded substantial Q1 2018 losses.

Despite lines facing a \$10-15 billion increase in fuel costs next year due to the



global implementation of new IMO low-sulphur fuel regulations from the start of 2020, shippers are wary of liner proposals to pass on costs to customers following their experience with EBS last year, according to Rogier

Spoel, air freight policy manager at the European Shippers' Council (ESC).

"When the emergency bunker surcharges were put in place last year almost every carrier implemented them at the same time and there wasn't really grounds for them," he told Lloyd's Loading List.

"Yes, there was a rise in oil prices, but it wasn't like there was an oil crisis in the Middle East.

There was one small spike and then they fell back but the EBS remained.

That gave shippers the understanding that we really have to pay more attention in the future.

So, yes, shippers are wary, and that negative sentiment is flowing through to low-sulphur.

They don't want to be screwed by lines on the new IMO rules after their experience with EBS."

Liner efforts to recoup the cost of the new fuel before it is in use have already been heavily criticised by the British International Freight Association which described sulphur surcharges as "unjustified and blatant profiteering" last year.

Spoel said that while shippers were fully supportive of the sulphur emissions reduction aims of IMO 2020 and were keen to pay towards their implementation, liner efforts to introduce sulphur charges when it was still unclear how much the new fuel would cost were unwelcome.

"We all want cleaner transport, which at the end has a price ticket," he said.

"I think that the actual cost is not really the issue.

It's more the way surcharges are being forced on the market by carriers.

We would like a more coordinated effort – we need to talk to one another and see what's the best way to get the total support of the shipping community behind it.

Of course, we understand that carriers will pay the bill before it trickles down towards shippers, so we understand that carriers have the biggest risk.

But it's an automatic fallback option for the carriers to just lay it on the shippers and say well here you go, that's it."

He also called for a more coordinated approach to container shipping sustainability.

"Shippers would be happy to go on a customer journey with lines to better understand what they are doing and the challenges they are facing and what kind of projects they are rolling out on sustainability - whether they're building new ships or retro-fitting them with scrubbers, or working on biofuel programs, for example," he said.

"Shippers want to get past how much environmental initiatives will cost them and understand how they can help and support lines.

We don't want to hear 'you have to pay more because of the IMO rules.

We want to hear 'we're paying this surcharge because we are renewing our fleet, we are retrofitting ships with scrubbers.

We want to have a total view of what kind of CO2 reductions they are putting forth.

All this needs better communication.”

He said ESC was now working with analysts at Drewry to formulate a system for fairly implementing IMO 2020.

“It’s always easy to say from a shippers’ perspective you’d like more transparency,” he said.

“But that’s easier said than done because you’re dependent on carriers and there are different alliances with different carriers who all have different systems.

And they all incorporate it in a different way.

We are working with Drewry on creating a dashboard to collate data on fuel costs so we know how much we should be paying on each trade.

We always feel uncomfortable when lines communicate the actual surcharge per container.

It feels like they are informing other market players and then, like with EBS, they all have the same level.

With Drewry we aim to get more insight.”

(from: lloydsloadinglist.com, May 1st 2019)

STUDIES & RESEARCH

OCEAN FREIGHT RATES SET TO REMAIN SUBDUED

The spot freight rate outlook is “underwhelming” for the container shipping sector despite the best recent efforts of lines to retain control over capacity and pricing, according to one leading analyst, although rates on the main east-west trades remain up slightly from last year’s levels.

Maritime Strategies International (MSI) said carriers would likely continue to blank sailings on Asia-Europe and transpacific services into the summer - possibly taking advantage of scrubber installations due to the new ‘IMO 2020’ low sulphur fuel rules that come into force in January - but capacity expansion would continue to outweigh growth in volumes.

MSI said the coming quarters would also increasingly test lines’ ability to pass on fuel costs as higher crude prices increase bunker costs.

Demand growth on the Asia-Europe trades is expected to “remain weak” but “positive” through the summer, mostly due to stronger consumer sectors and solid growth in central and eastern European nations.

“We expect overall volume growth of 2-2.5% in the coming quarters,” said the latest report from MSI.

“Carriers have announced nine blanked sailings in May, totalling 115,000 TEU.

On the basis of scheduled sailings, and assuming our forecasted moderate volume growth comes to pass, vessel utilisation will improve later in Q2.

However, it will take either a similar volume of blanked sailings, or else 5+% demand growth, to bring load factors back up to around 90%.”

On the Asia-Europe trade, therefore, MSI forecasts spot rates of around \$930 per TEU in June and \$850 per TEU in September.

Over the remainder of this quarter, the analyst expects transpacific spot markets to remain higher on a year-on-year basis until the summer, when 2018 rate surges due to the US-China tariff war might see year-on-year comparisons turn bearish.

"In the absence of higher tariffs healthy consumer expenditure will drive an improvement in volumes while lines will continue to limit capacity upgrades, at least to the US West Coast, as far as possible," said MSI.

"On the Transpac as a whole, we expect spot rates of around \$1,860/FEU in June and \$2,000/FEU in September.



Risks are arguably weighted to the downside, although rates have actually held up better this year than we had initially feared."

Turning to the current market, MSI said that after signs of stabilisation in March, main-lane spot freight rates had been steady so far in April.

The SCFI Comprehensive index is currently 13% higher than a year earlier.

"The Asia-North Europe and Asia-Med trades, against a backdrop of capacity upgrades, have effectively moved sideways since mid-March," added the analyst.

"Carriers succeeded in implementing GRIs on the transpacific trades in the last week of March, although upward momentum since then has stalled and annual contract rate negotiations are reportedly proving challenging for liners."

(from: lloydsloadinglist.com, April 26th 2019)

ON THE CALENDAR

- 15-16/05/19 Napoli The Small Scale LNG Use. Euro-Mediterranean Conference & Expo
- 21-23/05/19 Brema Breakbulk Europe 2019
- 22-24/05/19 Shanghai Intermodal Asia 2019
- 23-24/05/19 Sorrento ECG Spring Congress & General Assembly
- 23-25/05/19 Pilos Wista MED 2019
- 28-29/05/19 Atene Posidonia Sea Tourism Forum
- 29-30/05/19 Atene International Green Shipping and Technology Summit 2019
- 29-30/05/19 Sevastopol SIMBF 2019 - International Maritime Business Forum & Exhibition
- 30-31/05/19 Ancona Adriatic Sea Forum
- 04-07/06/19 Oslo Nor-Shipping 2019
- 04-07/06/19 Monaco B. Transport Logistic 2019
- 05-06/06/19 Lisbona DELIVER, the European Rendezvous for E-Logistics
- 14-14/06/19 Collecchio Logisticamente Out
- 20-21/06/19 Pireo 7th Global Symposium of Maritime Executives PIREAS 2019
- 24-30/06/19 Genova Genoa Shipping Week
- 25-26/06/19 Dar Es Salaam 3rd Edition of the African Ports Expansion Summit
- 28-28/06/19 Genova Shipbrokers and Shipagents Dinner 2019
- 28-30/08/19 Jakarta Inamarine 2019
- 10-10/09/19 Londra 12th Annual Shipping & Marine Services Forum
- 11-13/09/19 Amburgo Seatrade Europe Cruise & River Cruise Convention
- 11-13/09/19 Amburgo MARINE INTERIORS Cruise & Ferry Global Expo

- 19-24/09/19 Genova 59° Salone Nautico
- 23-25/09/19 Doha Ports & Maritime Evolution, Rail & Logistics Evolution, Road & Logistics Evolution Qatar Assembly & Expo
- 23-24/09/19 Roma AIIT 2nd International Congress on transport infrastructure and systems in a changing world
- 03-05/10/19 Piacenza GIS 2019 - Giornate italiane del sollevamento dei trasporti eccezionali
- 06-09/10/19 Limassol 16th "Maritime Cyprus 2019" Conference
- 15-18/10/19 Oslo 15th GreenPort Congress and Cruise 2019
- 15-15/10/19 New York 11th Annual New York Maritime Forum
- 21-21/10/19 Atlantis The Maritime Standard Awards 2019
- 22-22/10/19 Atlantis The Maritime Standard Tanker Conference 2019
- 23-23/10/19 Parma Logisticamente On Food
- 06-06/11/19 Abu Dhabi The Maritime Standard Ship Finance and Trade Conference 2019
- 27-28/11/19 Madrid International Cruise Summit 2019
- 03-05/12/19 Pordenone Navaltech 2019 - Marine Technologies Expo
- 04-05/12/19 Barcellona Cruise Ship Interiors Expo

The Secretariat of C.I.S.Co. is able to communicate detailed information on the programs of all the events and how to participate.

