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PORTS AND TERMINALS

EUROPE SET FOR FURTHER CONTAINER DECLINES IN H1

Weak global and regional economic indicators point to further declines in container volumes at European ports in the first half of 2016, with North Range ports projected to post a 5.2% year-on-year decrease, according to the latest report published today by Hackett Associates and the Institute of Shipping Economics and Logistics (ISL).

Its 'Global Port Tracker: North Europe Trade Outlook' report said the North European economy was showing signs of remaining in the doldrums, contributing to further declines in European container volumes in the first half of 2016.

"At best we are facing a mild recession, at worst something more severe, as capacity continues to sharply outpace demand," the report said.

"The North Europe Global Port model of economic fundamental indicators all point to a lack of growth and many of them to a further decline in economic activity, all of which will reduce the volume of trade."

For the coming six months, the forecast projects a 4.1% decrease in total moves across the North Range – compared to the previous six months – and a 5.2% decrease over the same period of the past year.

Loaded incoming containers are projected to decrease by 4.5% in the coming six months versus the previous six months, a 6% drop compared to the previous year.

Hackett figures for the full year 2015 estimate that total imports to Europe decreased by 3.2%, with at least a 4% slide anticipated in North Europe.

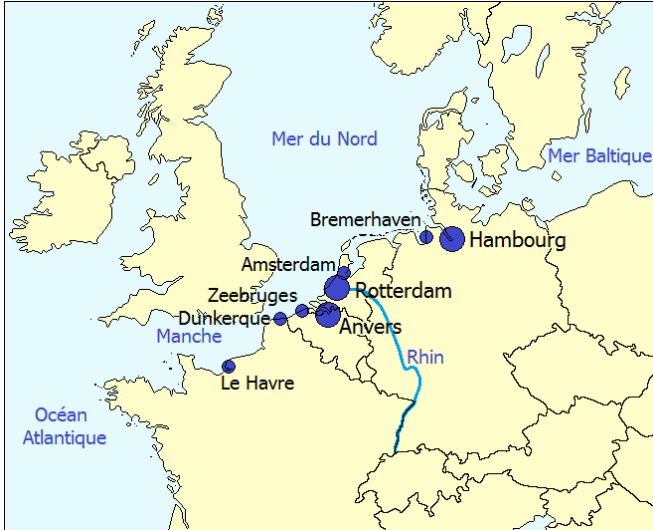
The six North Range ports are projected to post a 4.4% decrease in incoming volumes for the full year 2015, while loaded outgoing volumes are projected to report a 3.1% slide.

The total handled volume is forecast to dip by 2.3%.

It said that among the North Range major ports, "only the Port of Antwerp had a decent year in 2015 and will likely maintain strength in 2016 as it is not exposed to the collapse in the Russian trade volumes that has so plagued its

northern competitors”.

Looking forward, Ben Hackett of Hackett Associates warned: “It is also probably due to the fact that globalisation has reached an equilibrium whereby there are only a few industries still shifting sourcing and output to Asia, leaving the volume growth to follow consumption growth.



Added to this is the uncertainty still felt by the European consumers due to economic, political and security issues, all of which drive down demand.

We do not see recovery in volumes nor in freight rates.”

The ISL noted that for January to November 2015, the year-on-year growth in major world ports was negative.

“The December value is unlikely to change this much and with reports of reduced economic activity in China we are not optimistic in the short term,” Hackett concluded.

The Global Port Tracker: North Europe Trade Outlook provides a six-month projection plus an additional two-quarter forecast of inbound and outbound container movements in TEUs for the region’s six major container ports – Le Havre, Zeebrugge, Antwerp, Rotterdam, Bremen/Bremerhaven and Hamburg.

Hackett Associates provides consulting, research and advisory services to the international maritime industry, government agencies and international institutions.

The Institute of Shipping Economics and Logistics (ISL) one of the leading institutes in maritime research, consultancy, and know-how transfer.

(from: lloydslisting.com, January 4th 2016)

MARITIME TRANSPORT

DREWRY: CONTAINER SHIPPING SHOULD EXPECT INDUSTRY-WIDE LOSSES IN 2016

Further widening of the supply-demand imbalance at the trade route level and insufficient measures to reduce ship capacity will lead to an acceleration of freight rate reductions and industry-wide losses in 2016, according to the latest Container Forecaster report published by global shipping consultancy Drewry.

The decline in global container shipping freight rates is anticipated to have been as great as 9% last year and Drewry is forecasting that carrier unit revenues will decline further in 2016, albeit at a slightly slower pace.

Excluding 2009, the past 12 months has seen the lowest spot rates in most major trade lanes and all at the same time.

This is not solely due to fundamental supply/demand imbalances caused by weak volumes and over supply.

End of year 2015 spot rates from Asia to the US West Coast and US East Coast were around \$815 and \$1,520 per 40ft container respectively.

These were easily the lowest since 2009 and with decent cargo growth and load factors of over 90% to the US west coast, the rate deterioration emphasise that carriers have been fighting for market share and are positioning themselves further for the potential shifting of cargo from the West to the East Coast after the Panama Canal widening.

Spot rates of below \$200 per 40ft container in the Asia-North Europe trade during June 2015 were also unprecedented.

While spot rates have staged a recovery since the start of 2016, Drewry believes that these gains will prove short-lived.

Many stakeholders point to the fact that bunker prices of for example \$140 per tonne in Rotterdam (IFO380) are clearly contributing to lower overall container freight rates, but Drewry believes that a new and worrying trend has become apparent for ocean carriers.

Our most recent data suggests that they are no longer able to cut costs faster than the prevailing declines seen in the freight rate market.

Drewry believes that oil prices have probably hit the market bottom right now and costs for the positioning of empty containers and vessel lay ups will increase this year.

Our latest calculation is that a 10,000 teu vessel would incur a minimum of \$450,000 in reactivation costs if laid up in Asia for three months or more.

It should also not be forgotten that many lines no longer even quote a BAF on some trade lanes.

The consequence of this is that Drewry expects industry losses to widen to over \$5bn in 2016.

Ocean carriers believe they have taken a great deal of corrective action during the final three months of 2015 in order to lift very low freight rates.

But the removal of six major east-west services and the blanking of 32 voyages in November and 21 in December did relatively little to improve trade route supply/demand balances.



At the beginning of October 2015, average headhaul east-west load factors were only 85%, compared to 94% one year earlier.

The GRI initiatives implemented in late 2015 did not work for carriers on many trade lanes and in some cases were suspended or postponed because conditions were simply too feeble.

Drewry believes that more needs to be done by the industry to bring about any kind of stability.

Proposed or forthcoming industry consolidation may well reduce the number of big market players and improve individual company efficiency, but this will not reduce industry vessel capacity in any way.

With the idle fleet touching one million teu in late 2015, or just under 5% of the global fleet, decisions need to be taken by lines to remove more vessels and re-structure more trade lanes with new operational agreements.

Big vessels no longer guarantee decent profitability and should Asia to North Europe contract rates be signed at an average \$900 per feu (and this could be too optimistic) for 2016, this equates to an estimated \$1.4 billion loss for the carriers on one trade lane.

Neil Dekker, Drewry's director of container research, said: "Comparisons are being made to 2009 when approximately 1.3 million teu was removed from a considerably smaller fleet.

The mass scale lay ups were triggered by the fact that lines ran out of cash.

The industry is not there yet as some lines are still making a profit and the very low fuel prices are propping them up.

But a further two or three quarters of declining financial profitability may trigger a notable rise in the idle fleet as we enter the second half of 2016."

(from: gcaptain.com, January 7th 2016)

RAIL TRANSPORT

STATE-OWNED FIRM BUILDING HIGH-SPEED CARGO TRAINS

A state-owned company is building high-speed freight trains to run on tracks now carrying passenger-only bullet trains.

The first super-fast freight train will roll off an assembly line in the first half of 2016, an executive at China Railway Rolling Stock Corp. Ltd. (CRRC) said.

The executive, who declined to be named, said the new freight trains are being modeled on existing bullet trains and assembled at CRRC's Tangshan Railway Vehicle Co. Ltd.

Each freight train will have fewer parts than a passenger bullet train and thus will cost less to manufacture, he said.



China Railway Corp. (CRC), the nation's railroad operator, started developing a freight bullet train in 2014 in cooperation with CRRC's predecessors, China CNR Corp. Ltd. and CSR Corp. Ltd., the executive said.

He said Yang Yudong, CRC's deputy general manager, toured the Tangshan plant on December 15.

The new train has been designed to haul cargo at speeds of up to 250 kph, a CRC employee said.

The country's bullet trains can run at up to 350 kph.

The freight trains will be able to travel on some of the more than 16,000 kilometers of high-speed rail lines that crisscross China, transporting cargo such as e-commerce deliveries, but not bulk commodities such as coal, the person said.

Most freight trains follow rail lines designed only for low-speed travel.

The nation's fastest freight trains, which were put into service starting late last year, can run up to 160 kph.

Demand for non-bulk cargo has been rising, spurring development of a high-speed freight train, the CRC employee said.

CRC trains hauled about 2.5 billion tons of goods in the first nine months of the year, down 11.4 percent from the same period in 2014, company data show.

Non-bulk cargo tonnage rose 12.2 percent.

To meet this demand, last year the CRC deployed six express cargo trains running on four routes to carry non-bulk cargo.

These trains can run at speeds of up to 120 kph.

The French have been running 160 kph freight trains since 1984.

France and Germany unveiled freight trains that run at speeds of up to 300 kph in 2012.

(from: caixin.com, December 17th 2015)

INTERMODAL TRANSPORT

RECORD BREAKING YEAR FOR EUROTUNNEL'S FREIGHT SHUTTLE

Eurotunnel's Le Shuttle freight service has posted a new all-time record year in 2015 carrying more than 1,464,880 trucks (data as at 22.12.2015 at midnight) in both directions between Folkestone (Kent) and Coquelles (Pas-de-Calais) beating the previous high set in 2012, the year of the London Olympic Games.

"This is the highest level of traffic generated since the start of commercial services and has been achieved more than a week before the year end.

This extraordinary performance is proof of the confidence that transporters



from across Europe have in Eurotunnel and its staff and is recognition of the competitive advantages of the Shuttle service, compared to ferries, with its high departure frequency, 24 hours per day, 365 days per year," the company said in a statement.

"With infrastructure availability at 45%, three new truck shuttles on order and a market which continues to grow, the outlook for Eurotunnel is positive," it added.

Last week, Eurotunnel told Lloyd's Loading List.com that the truck shuttle was operating at maximum capacity almost full-time as the rush to get goods to stores in the UK before Christmas reached its peak.

The fixed link operator was facing its busiest period of the year far more serenely than it could have imagined earlier this autumn when a spate of incursions by migrants on to its French terminal caused regular disruption to freight traffic.

"The security that has been put in place around the site (of the French terminal) since the middle of October has proven to be extremely effective," Eurotunnel's spokesman, John Keefe said.

(from: lloydsloadinglist.com, December 23rd 2015)

TRANSPORT & ENVIRONMENT

NOT SO SIMPLE: COMPLIANCE WITH NEW LOW-SULPHUR REGULATIONS

There have been few reported incidents since the enforcement a year ago of stricter limits on bunker fuel burned by ships transiting the ECAs (emission control areas) of North Europe and the US.

There were concerns in the industry that there could be complications from the need to switch tanks to more expensive low-sulphur fuel when entering the ECA (or changing back when exiting) after several reported engine breakdowns on ships serving the US west coast, where new low-sulphur regulations were introduced 12 months earlier.

Nevertheless, this excellent *Hapag-Lloyd Insight* article explains that it is far from a straightforward operation to simply switch tanks from HFO (heavy fuel oil) to low-sulphur MDO (marine diesel oil): it is a complex process that begins some 24 hours before a vessel reaches an ECA border, and involves a number of ships' officers.

* * *

Time to change

In more and more regions of the world, ships have to change to low-sulfur fuel before being allowed to sail into Emission Control Areas.

But how does one make this switch with a gigantic ship?

The procedure is more complicated than you might expect.

Viscosities, temperatures, consumption – these are terms that fill any chief engineer with joy.

And it's just as well for these figures are crucial when it comes to the so-called fuel changeover that is required when ships enter or leave Emission Control Areas (ECA), for example, in North America and North Europe.

"The regulations in force there since January 1, 2015 state that the maximum sulphur content in fuel is 0.1 percent.

Beyond the ECA, the limit is 3.5 percent," says Chief Engineer Karsten Bartlau in the ship's office of the "Kuala Lumpur Express."

More and more of the world's maritime areas are introducing stringent caps on the sulphur content in fuels.

This is why the container ships of Hapag-Lloyd are increasingly using low sulphur Marine Diesel Oil, MDO for short.

This is not only considerably more expensive but also involves a complex procedure: before the vessel enters an Emission Control Area, the fuel system has to be switched - completely.

But what precisely does that entail? An on-board technology report.

Four times per tour is how often the "Kuala Lumpur Express" needs to switch fuels.

The 8,750-TEU vessel operates on the AX1 service between Northern Europe and the US East Coast – and thus between the ECAs in North America and those in the North and the Baltic Sea.

When entering the English Channel, for example, the regulations state that once ships pass "5 West," the longitude of five degrees west of Greenwich, only fuel with a sulphur content of less than 0.1 percent is allowed to pass through their fuel-injection nozzles.



Failing that, there is the risk of a six to seven-digit figure penalty on both sides of the

Atlantic, delays to the schedule, not to mention the ship could be prohibited from entering ports.

In the United States, a ship's officers can even be arrested if violations can be proven.

As a result, preparations for the fuel switch are very thorough.

The process starts around 24 hours before the ship reaches the ECA border with a message from the nautical officers.

"The nautical officers tell us when we will be reaching the border.

And from that point in time we calculate backwards," explains Chief Bartlau.

Together with the third engineer, he immediately starts making preparations.

To begin with, they slowly reduce the temperature in the HFO service tank to 120 degrees Celsius and raise the temperature in the MDO service tank to 45 degrees Celsius.

This ensures that the temperature difference between the two fuels is only around 75 degrees.

This provides a significant advantage.

"The difference in temperature between fuel that has just been used and new fuel is one of the most important determinants," says Bartlau.

The change of temperature gradient in the main engine should never be more than two degrees Celsius per minute at the most, as sudden changes can lead to leakage and in the worst case to a piston seizing.

The chief also uses a fuel changeover calculator to gauge the exact duration for the conversion – the software was specifically customized to each individual ship in the fleet.

In the example shown, the switch-over period for the "Kuala Lumpur Express" lasted exactly three hours and 41 minutes.

As this is a relatively new vessel, the changeover on this ship is very fast.

On other ships that are older, the entire process can take anything up to 72 hours.

"We pass this data on the nautical officers.

They need to know that as of 61.1 nautical miles to the west of "5 West" – with the addition of a safety zone of 10 to 15 minutes – we need to be traveling at a speed of 16.6 knots to ensure that we definitely use up the sulphurous fuel within the calculated time."

To give the Chief and the third engineer enough time to prepare for the changeover, they need to be notified five hours before they reach the zone.

Around 4:20 hours before reaching the edge of the zone, the engineers begin with the changeover.

The supply of hot steam – the heating for the HFO pipes and aggregates – is cut off.

They also open the MDO valve a little and shut the HFO valve by the same margin.

This process is repeated several times over the next 40 minutes as the 3:41 hours calculated for the fuel changeover apply to fully opened MDO and fully closed HFO valves.

As soon as the valve is open, MDO flows through the supply pump and the automatic filter, the circulation pump and the indicator filter.

It mixes with the HFO flowing back that has not been burnt and gradually replaces it.

At the same time, the temperature of the fuel drops.

“We successively actuate each of the spare supply and circulation pumps as well as all chambers in both filters.

Only then can we be sure that all residual HFO has been burnt,” says Bartlau.

Nothing could be worse than a changeover process that was executed in good time after which a port state control officer just happened to take a test sample from a pump that was not in operation.

“The cards would definitely be stacked against us if we were forced to say: please don’t take a sample from here!” Over the past few months, Bartlau has already witnessed one such inspection when a sample was taken and analyzed.



The result of the test was negative: the sulphur content was within the limit.

Wolfram Guntermann, Director Environmental Fleet, says: “We support regular and rigorous inspections in all Emission Control Areas.

That is the only way we will really see a positive impact on the environment.”

Shipping companies who consistently abide by the laws and regulations fear that there is far less willingness to take action if there are no inspections.

After all, there is a lot of money at stake – low sulphur MDO costs almost exactly twice as much as HFO.

That is why Hapag-Lloyd has joined the Trident Alliance.

This initiative is a coalition of shipping owners who are working towards bringing about a robust and transparent enforcement of maritime sulphur regulations.

Guntermann says: "At the same time it is also about creating a level playing field and ensuring fair competition."

When entering Emission Control Areas, the challenge lies in completing the fuel changeover just a few minutes before crossing the border.

If the chief engineer begins the changeover process prematurely, then he is literally burning money.

Just one hour too long is tantamount to a four-digit dollar amount.

When leaving the zone, the primary goal is to avoid damaging the engine's components through the changeover from cold MDO to hot HFO.

That is why the "two degrees per minute" rule also applies in this case.

Chief Bartlau says: "On our first few trips the changeover was quite an exciting process.

No one knew how the main engine and the aggregates would respond.

But now with our vast know-how, we've established a very conscientious routine here on board."

(from: [theloadstar.co.uk/hapag-lloyd insight](http://theloadstar.co.uk/hapag-lloyd-insight), January 7th 2016)

LEASING

'RECKLESS' ORDERS FOR ULVCS BY CARRIERS TO BLAME FOR BOXSHIP CHARTER MARKET CRASH

The cavalier attitude of ocean carriers towards the ordering of new ultra-large tonnage is almost entirely to blame for the current dire market conditions within the container industry and the collapse of the charter market, according to a respected maritime consultant.

Alphaliner said that the gravity facing containership owners compared with that during the financial crisis in 2009, but suggests that the context is now "rather different".

"This time, carriers' reckless order wave of the past few years is largely to blame for the overcapacity that wreaks havoc to the market," said Alphaliner, "while the poor health of the world economy has only made things worse."

The full extent of the carnage exacted on the boxship charter market in 2015 was recounted by Alphaliner in its latest update.

It said that after a "wind of optimism" that had prevailed among containership owners in the first half of the year it became obvious by August that the market was changing direction, which would eventually lead to a rate collapse.

Indeed, in the last weeks of 2015 daily hire rates for containerships of over 4,000 teu plunged to all-time lows.

For example: according to Alphaliner's data, charter rates for an 8,800 teu ship plummeted from \$31,000 per day in the first half of the year to \$8,000 in the second half as demand almost totally dried up.

The influence of the 'big three' container lines, Maersk, MSC and CMA CGM, on the charter market is substantial: between them they accounted for 36% of the chartering activity in 2015, according to Alphaliner's records.

Hence, as their new mega-container vessels have been delivered for Asia-Europe deployment, the trio have cascaded incumbent ships into smaller trades and off-hired, or not extended, smaller boxships, thus exacerbating the difficulties for the weakening charter market.

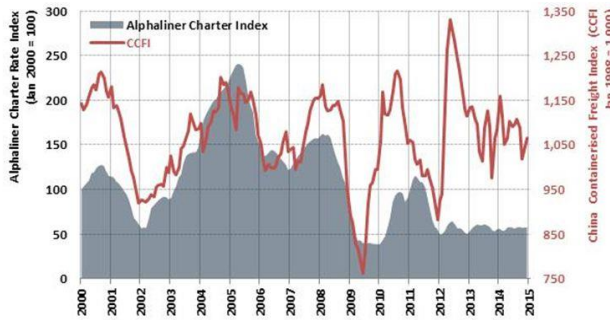
Looking ahead, Alphaliner said that the prospects for 7,500 teu to 9,000 teu ships could improve later in the year with the opening of the new Panama locks as carriers prepare to “shake-up service patterns” to reduce unit costs.

ALPHALINER
China Shipping Innovation Conference - Jan 2015



Freight market link to charter market broken down

- Pre-2009 : freight rate index closely correlated to charter index
- Post-2009 : correlation has broken down due to supply overhang
- Freight market recovery will precede charter market recovery



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However, what is potentially good news for the owners of bigger vessels, is very bad news for the current fleet of panamax containerships.

“The situation can only get worse in 2016 for conventional panamaxes, already vastly affected by a chronic oversupply” said the

consultant.

“The new Panama locks are expected to open at the start of the peak season, just when panamax chartering activity picks up as seasonal Asia-US east coast loops are launched.

“This time, it will be much larger ships that stand to benefit, leaving many traditional panamaxes stranded,” it said.

In terms of other smaller sectors, Alphaliner’s view is again mostly negative for the year, given the cascade impact from panamax ships looking for any form of employment.

In fact, it suggests that the only size of containership likely to enjoy a positive outlook this year is in the 1,000-1,800 teu sector.

These vessels, notes Alphaliner, could benefit from the dearth of newbuilding ships of this size coming on stream and their niche deployment requirement for trades that have physical restrictions such as in draught or length.

(from: *theloadstar.co.uk*, January 11th 2016)

LOGISTICS

YTO EXPRESS NOW CHINA'S LARGEST, FASTEST GROWING LOGISTICS COMPANY

Shanghai YTO Express (Logistics) Co. Ltd. is now the largest express delivery business by market share in China after taking advantage of the booming e-commerce industry, China Daily reported.

According to the report, the company now employs up to 220,000 workers in 20,000 delivery centers across China.

Yu Weijiao, YTO chairman, has turned the company into a driving force that generated billions of yuan in revenue.

YTO has 84 centers in Beijing alone and 20,000 country-wide, as the group takes advantage of the government's decision to realign the economy from cheap, mass-produced exports toward more sustainable consumer-fuelled domestic growth.

Ma Junsheng, chief of the State Post Bureau, said that companies such as YTO delivered 14 billion packages last year, as China surpassed the United States in the sector for the first time.

The report said that the company's revenue reached 204 billion yuan (\$37.79 billion), up 42 percent compared to the same period in 2013, an "amazing achievement" during a time of slowing economic activity.

"We have become the no. 1 express delivery service in the country and provide more opportunities for other businesses involved in the sector," Yu said.

"In 2014, up to 19 billion yuan was indirectly generated by express delivery services, and that figure is expected to reach 60 billion yuan by 2020."

Yu, 49, was born in Tonglu County, Zhejiang Province.

He successfully turned the small firm into an express delivery empire in just 15 years.

The data of YTO's growth showed the group's rapid rise, the report said.

During this year's Singles' Day on Nov. 11, the company got a record-breaking 53.28 million orders across China.

The group handled more than 30.59 million packages, or roughly 21 percent of the industry's total.

According to the report, the key to YTO's success is expansion.

Last month, the company unveiled its new headquarters in Shanghai, worth 600 million yuan, a far cry from YTO's humble beginnings in 2000 when it started with a meager investment of 50,000 yuan and employed only 17 staff.

Fifteen years later, the group now employs 220,000 staff and operates a network that covers about 93 percent of the counties across the country.

In 2014, YTO delivered 2.1 billion packages, generating revenue of 24.6 billion yuan.

The maximum number of parcels handled in a single day last year hit 25 million.

"We still see huge growth potential for the fast delivery industry," Yu said.

"There is a great deal of demand out there for express services from food to toys and from clothes to electronic goods."



The report said that the sector is highly competitive and only the strongest are expected to survive, while smaller players are likely to link up with the leading companies.

Yu pointed out that a new age is dawning for the business as it matures and expands.

"Competition can be cruel and only the best will survive," Yu said.

"The rising cost in human resources requires us to set up a solid management system and an experienced team.

We are also looking for opportunities in setting up cross-border (country-to-country) e-commerce industrial parks by cooperating with local governments."

As the State Council approved a proposal to promote the development of the express delivery sector, which will be worth 800 billion yuan by 2020, the key is to increase international competitiveness and expand air delivery capacity.

YTO also plans to expand its air cargo operations as the company completed the maiden flight of its first aircraft in September.

It hopes to have a cargo fleet of 50 aircraft by 2020 and make it 100 in 2025.

Yu said that the group must continue to evolve.

Although YTO plans to take the company public, a timetable has yet to be announced, as the company is aiming to build a highly competitive international network in the future.

Last year, the group also set up an overseas business department and the company has registered its trademark in more than 100 countries.

"About 20 overseas branches will be established next year, in countries including South Korea, Australia, the United States, Thailand, India, Russia and France," Yu said.

YTO is also looking to diversify part of the business to increase the bottom line and stay competitive.

It considers diversifying IT, finance and cultural projects but wants to maintain the express delivery service as the core of the company's operations.

(from: theloadstar.co.uk, December 23rd 2015)

LAW & REGULATION

WHY ARE WE WEIGHTING? TIME TO ACT, JANUARY 2016

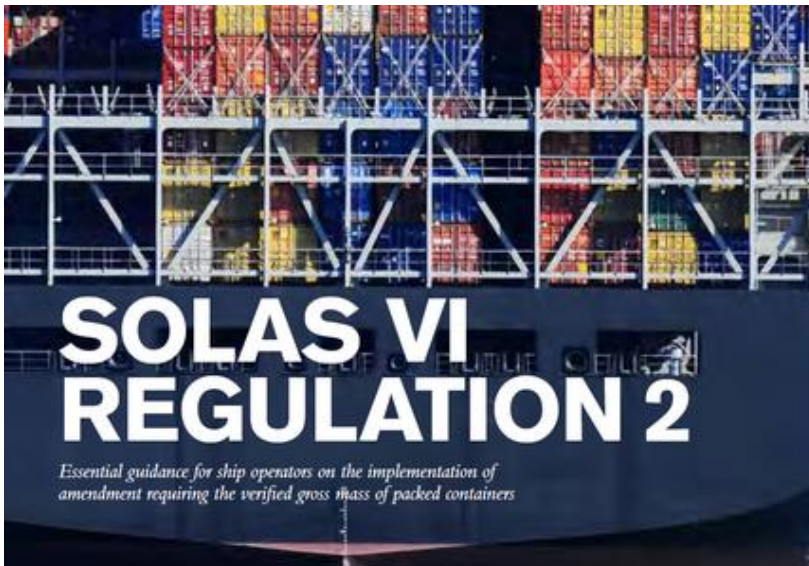
The implications of the verification of the gross mass of containers — a relatively modest change to the International Maritime Organization (IMO) Safety of Life at Sea Convention (SOLAS) that in essence reiterates the existing responsibility of shippers to declare gross mass accurately — are reverberating through the container supply chain.

The IMO has amended SOLAS to require, as a condition for loading a packed container onto a ship for export, that the container has a verified gross mass (VGM).

The shipper (as named on the ocean bill of lading) is responsible for obtaining the VGM of the packed container and communicating it to the ocean carrier and the terminal operator.

This requirement will become mandatory on 1 July 2016 and will apply globally.

After that date, it will be a violation of SOLAS to load a packed container onto a ship if the ocean carrier and terminal operator do not have a VGM.



Recognising the pivotal nature of the port interface, container terminals have been drawn into the implementation of the new regulation as recipients of information for ship stowage planning and, critically, they now have a joint responsibility not to load a container on board a

ship if the VGM is not available.

There has been considerable debate as to whether container terminals need to position themselves to be able to weigh containers, not least because of the

cost of creating appropriate infrastructure, and amending systems and procedures, with an uncertain return on investment.

Some carriers and forwarders are also considering whether they wish to offer container weighing as a commercial service to their customers.

Some of the main requirements of the new regulations for ocean carriers and terminal operators are:

1. Ship stowage plans should use VGMs for all packed containers loaded on board.
2. A terminal operator may rely on a shipper's signed weight verification to be accurate.

The terminal operator is not obliged to check the shipper's VGM.

However, if the terminal operator establishes a VGM which differs from that declared by the shipper, the terminal operator's VGM should prevail.

3. If a packed container does not have a VGM when presented at a container terminal:

3.1 Handling processes need to be agreed between the ocean carrier and the terminal operator.

These will also be important for road hauliers which need to understand the consequences of arriving at a container terminal without a VGM.

3.2 It may not be loaded on board a ship unless and until the VGM has been obtained and used in the stowage plan.

There are a number of key issues for ocean carriers and terminal operators to consider, including:

1. Reviewing the adequacy of existing terminal service agreements, haulage agreements and standard terms of business for terminals.

Existing carrier bills of lading terms are unlikely to require revision.

2. Establishing which body is the Competent Authority in the jurisdiction of the export terminals and how these intend to implement the amended regulations.

3. Preparing and agreeing appropriate systems and procedures to address:

3.1 Containers arriving without a VGM, including a consistent gate policy.

3.2 Changes in VGM between booking and loading; and

3.3 Preventing containers being loaded without a VGM.

4. Establishing and communicating deadlines for receipt of VGMs for export containers.

5. Establishing a system of record keeping for misdeclarations, discrepancies and corrections.

6. Considering providing a commercial weighing service, assessing the available technologies, practical implementation and the commercial and legal terms and conditions to govern this.

7. What happens if the terminal operator establishes the VGM for those containers without one in order to allow the container to be loaded onboard the ship – who agrees and pays?

8. Reinforcing awareness amongst ocean carriers and their customers of existing free time and demurrage policies.

The position for shippers and freight forwarders is to establish the identity of the “Competent Authority” in their jurisdiction and how they intend implementing the SOLAS amendments.

In the UK, this is the Maritime and Coastguard Agency (MCA) which has helpfully produced a guidance note (MGN 534 (M+F)).

Shippers and forwarders need to consider how they will comply with their obligations – whether by weighing the packed container (Method 1) or by calculating the aggregate weight of the empty container (its tare weight) and weighing its contents (Method 2).

If the shipper intends to use Method 2, the UK regime will require them to obtain accreditation from the MCA.

It will be important for shippers and forwarders to have dialogue between each other when working together and also for forwarders to have dialogue between themselves where they consolidate and co-load LCL shipments together into FCL shipments.

It is hoped that ocean carriers will take a pro-active approach towards implementation in each jurisdiction in which they operate and be able to guide their customers accordingly.

Carriers will need to communicate any revisions to cut-off times and highlight the consequences of failing to comply with the new SOLAS requirements.

This is probably an opportune time for forwarders, particularly when acting as NVOCCs, to review their agreements, standard terms of business and house bills of lading to ensure they contain adequate protections you would ordinarily expect in cases of claims from either shippers or carriers.

Ocean carriers may wish to consider providing an online database of tare weights for their container fleets to assist those shippers using Method 2.

Similarly road hauliers may wish to consider checking the accuracy of any internal databases containing the tare weights for their fleets of tractor and trailer units to assist those shippers using Method 1.

Some road hauliers with weighbridge facilities at their depots may also consider whether they wish to offer container weighing as a commercial service to either shippers under merchant haulage or ocean carriers under carrier haulage.



Alternatively, road hauliers may wish to investigate the network of available weighing facilities which offer a minimum deviation from the main routes to export port terminals.

Importantly, any weighbridges used must be certified and calibrated in accordance with applicable national standards to provide compliant VGMS for the purposes of SOLAS.

The UK has taken a very proactive role in looking at the implementation of the SOLAS amendments.

However, in short, there is much which probably still needs to be done and increasingly little time in which these needs are to be achieved.

Whilst the challenges are not insurmountable, many remain to be resolved and only through concerted efforts between participants in the container supply chain is this likely to be achieved by 1 July 2016.

(from: hellenicshippingnews, December 28th 2015)

STUDIES & RESEARCH

CARRIERS WILL HAVE TO IDLE MORE CAPACITY THAN IN 2009 FOR RATES TO RECOVER

Container shipping companies will have to idle vessels at a more substantial rate than in 2009 and most of such capacity will have to remain inactive to ensure a more sustainable recovery in freight rates, according to Denmark-based SeaIntel Maritime Analysis.

SeaIntel said that current rate levels of the nine deepsea trades covered by the Shanghai Shipping Exchange's Shanghai Containerised Freight Index are below the levels seen during the 2009 financial crisis except for the transpacific rates.

When freight rates bottomed out in 2009, carriers sought to idle vessels in the range of 10%-15% of the global tonnage, according to the latest SeaIntel Sunday Spotlight.

As a result, rates surged in 2010 and the year saw the highest freight rates recorded for eight of the nine deepsea trades covered by the SCFI.

That year also saw the biggest year-on-year increase in the average freight levels so far.

The SCFI tracks spot rates of shipping containers from Shanghai to 15 major destinations in the world.

Sample data for SCFI calculation are collected from a panel of 41 liner companies and freight forwarding firms.

Massive overcapacity, weaker trade demand and low freight rates have plagued the global container shipping sector.

Shipping lines have resorted to missed sailings and cost-cutting measures to address the downturn.

Idling of vessels, however, has yet to be ramped up to 2009 levels.

The idle box fleet stands at 303 vessels, or 5.9% of the total fleet, representing 3.8%, or 746,014 teu, of total containership capacity, latest data from Lloyd's List Intelligence showed.

“With 1.7m teu having been delivered in 2015 and global demand growth in the range of 0%, it is clear that more substantial idling of tonnage would be necessary to stage a recovery,” SeaIntel said.

“If we were to see a resurgence of rates in 2016, this would have to be driven by a much more substantial idling of capacity post-Chinese New Year,” SeaIntel added.

The Chinese Lunar New Year begins on February 8.

If carriers stage a rate recovery similar to 2010 by idling sufficient capacity, this would mean an additional combined revenue of \$13bn this year, SeaIntel said, pointing out that the revenue gain projection was based on volume estimates from UK-based Container Trade Statistics.



SeaIntel said that while the spot rates reported by the Shanghai Shipping Exchange and the contract rates included in the freight indices published by CTS are correlated, the latter only exhibit about 50% of the former’s volatility.

Hence, the potential revenue gain was derived by assuming that 50% of the spot rate increase will on average apply to every teu shipped on each of the nine deepsea trades.

SeaIntel, however, pointed out that the problem of carriers in 2009 was driven by demand while the present downturn has been primarily caused by supply.

“This means that in order to stage a more sustained recovery, a large part of the fleet would have to remain idled – something the carriers did not manage to do in 2010.”

According to Alphaliner, the idle containership fleet stood at 306 vessels representing 1.33m teu as of December 14, down 70,000 teu compared with a fortnight earlier.

This marks the first decrease in the idle fleet since July.

Alphaliner said the recent rise in the number of ships sold for demolition and the general repairs of numerous large vessels led to the lower idle capacity figures and not because of an increase in demand.

Drewry Maritime Research said in December that the size of the idle fleet swelled 52% to 900,000 teu in November 2015 from the previous month.

The idle vessels accounted for 4.6% of the world's fleet as of November.

Drewry said the idle fleet peaked in 2009 when as much as 1.4m teu worth of ship capacity, then representing 11% of the world fleet, was laid up.

(from: lloydsloadinglist.com, January 6th 2016)

INFORMATION TECHNOLOGY

SHIPPING ORGANIZATIONS LAUNCH OWN CYBER SECURITY GUIDELINES

Every business connected to Internet is worried about cyber threats, which are growing day-by-day.

Shipping companies seem to be taking cyber security seriously.

To help ship-owners improve cyber security for their ships, international shipping associations, including BIMCO, CLIA, ICS, INTERCARGO and INTERTANKO, have recently released a set of cyber security guidelines for ships.

The Guidelines on Cyber Security Onboard Ships will help the global shipping industry prevent major safety, environmental and commercial issues that could result from a cyber incident onboard a ship, according to BIMCO, the world's largest international shipping association with 2,200 members in around 130 countries.

"BIMCO has led the way to identify potential cyber vulnerabilities for ships – and their implications – based on the latest expert research," BIMCO Secretary General Angus Frew stated.

"The aim is to provide the shipping industry with clear and comprehensive information on cyber security risks to ships enabling shipowners to take measures to protect against attacks and to deal with the eventuality of cyber incidents."

According to experts, cyberattacks, which may affect companies and ships, can be divided into two main categories, untargeted attacks and targeted attacks.

In untargeted attacks, a company or a ship's systems and data are one of many potential targets, and in targeted attacks, a company or a ship's systems and data can intentionally be targeted.

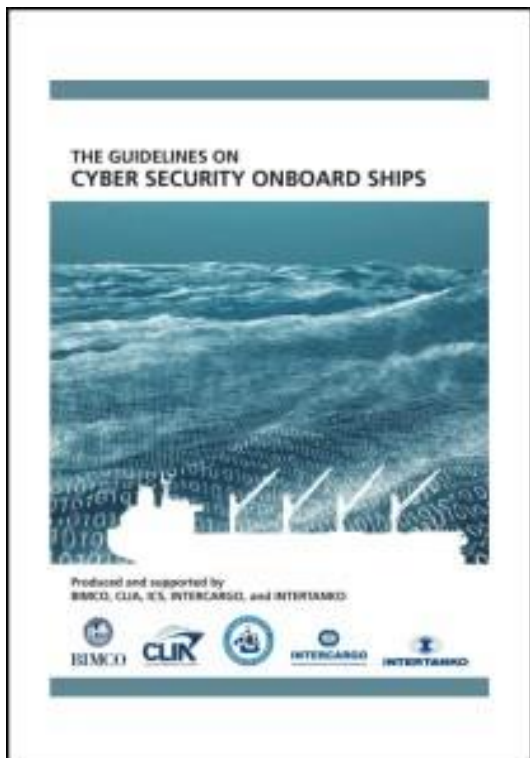
Experts believe that targeted attacks may be more sophisticated and use tools and techniques specifically created for targeting a particular company or ship.

Shipping companies are recommended to initially perform an assessment of the potential threats that may realistically be faced.

This should be followed by an assessment of the systems and procedures on board, in order to map their robustness to handle the current level of threat.

These vulnerability assessments will serve as the foundation for a senior management level discussion/workshop. It may be facilitated by internal experts or supported by external experts with knowledge of the maritime industry and its key processes.

The growing complexity of ships, and their connectivity with services provided from shore side networks via the internet, makes onboard systems increasingly exposed to cyberattacks.



In this respect, these systems may be vulnerable either as a way to deliver a cyberattack, or as a system affected because of a successful cyberattack.

According to experts, stand-alone systems will be less vulnerable to cyberattacks compared to those attached to uncontrolled networks or directly to the internet.

It is recommended that companies should develop, and ships should have access to, appropriate contingency plans in order to effectively respond to cyber incidents. Without a contingency plan, decisions and actions may be made that inadvertently

make recovery work more difficult and compromise evidence.

The guidelines, first for the shipping industry, are free, and will be updated regularly by the industry associations because cyber threats are changing all the time.

BIMCO said that they will make sure that the shipping companies have the latest information available.

“The guidelines launched today should help companies take a risk-based approach to cyber security that is specific to their business and the ships they operate,” Frew added.

The guidelines can be downloaded here:

https://www.bimco.org/News/2016/01/04_Cyber_security_guidelines.aspx

(from: *gcaptain.com*, January 5th 2015)

ON THE CALENDAR

2016

| | |
|----------------|--|
| 28-29 Jan | 10th Indian Ocean Ports & Logistics 2016 Reunion Island |
| 15-17 Feb | PMAESA Conference 2016 Dar Es Salaam, Tanzania |
| 16-17 Feb | RoRo Shipping Conference Gothenburg, Sweden |
| 25-26 Feb | 7th Intermodal Asia 2016 Melbourne, Australia |
| 29 Feb - 2 Mar | ICHCA International Conference 2016 Barcelona, Spain |
| 13-15 Mar | International Maritime Transport and Logistics Conference "Toward Smart Ports" Alexandria, Egypt |
| 22-23 Mar | 8th International Conference & Exhibition USA 2016 Charleston, USA |
| 7-8 Apr | 15th Intermodal Africa 2016 Accra, Ghana |
| 24 -29 Apr | 28th Annual Port State Control Course Southampton, UK |
| 27-28 Apr | 4th MED Ports 2016 Tanger, Morocco |
| 19-20 May | International Conference on Short-Sea Shipping: Myth or Future of Regional Transport Le Havre, France |
| 26-27 May | 5th Black Sea Ports & Shipping 2016 Constanta, Romania |
| 30 May – 2 Jun | 10th International Harbour Master Association Congress Vancouver, Canada |
| 14-15 Jul | 14th ASEAN Ports & Shipping 2016 Bangkok, Thailand |
| 22-23 Sep | 11th Southern Asia Ports, Logistics & Shipping 2016 Colombo, Sri Lanka |
| 26-27 Oct | 12th Trans Middle East 2016 Jeddah, Saudi Arabia |
| 17-18 Nov | 16th Intermodal Africa 2016 Mombasa, Kenya |

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