Council Of Intermodal Shipping Consultants

Newsletter

April 30th 2016

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YEAR XXXIV
Issue of April 30th 2016

STUDIES & RESEARCH

CONFERENCES

April 30th 2016

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

MEGA-SHIP PARTY STARTS ON THE WEST COAST

The thing about port productivity is that it's not only about what individual ports are doing, it's also about carrier decisions, logistics supply chains and shipper/manufacturer distribution channels.

Added to this often uneasy and complicated mix is the mega-ship factor, as a new generation of huge vessels come on-line in large numbers.

At this stage it looks like West Coast ports could be the early "winners."

But is winning the mega-ship game really worth it?

The jury is still out.

French shipping giant CMA CGM, the world's No. 3 container line after Maersk and MSC, recently said it will deploy six 18,000-TEU ships in the Transpacific market to accelerate its growth.

That decision goes against the grain of conventional wisdom, which holds that mega-ships should be confined mainly to the Asia-Europe trades, where there is enough deep water for them to operate efficiently.

But CMA CGM's decision "is in line with both the growth strategy set by the group in the United States and around the world and the optimization of its fleet," according to a company statement.

"The flagship fleet of the group will henceforth be deployed on the most active and dynamic market to date — the Transpacific — and will support its development as well as that of its customers," the statement continued.

CMA CGM's Benjamin Franklin was the largest ship ever to call in the U.S. last December and was inaugurated on February 19 in Long Beach.

It will remain in the Transpacific trade.

Starting at the end of May, the line's other five super-sized vessels will join the fleet on the Pearl River Express line.

Drewry Maritime Research says these ships will become by far the largest ever to sail on the Transpacific, and has expressed reservations about West Coast ports' ability to "efficiently handle ships of this size on a regular basis."

In a recent report, Drewry concluded that West Coast ports "are not yet in a position to handle 18,000-TEU containerships regularly and have much work to do in terms of improving productivity if they are to see them call on anything other than an ad-hoc basis."

Drewry has also questioned CMA CGM's contention that the six mega-ships will help accelerate growth in the Transpacific.

That statement has a whiff of spin about it as the size of ships deployed has no influence on cargo demand.

More realistically, CMA CGM has realized that it has a surplus of big ships on the faltering Asia-Europe route and decided that the relatively stronger Asia-USWC route can take up some of that slack," Drewry said.

"As more megaships enter service, the industry is rapidly approaching a critical stage," said Tim Power, Drewry managing director.

"To ensure the economics of vessel upsizing continue to benefit the entire supply chain, lines and ports need to work in a more coordinated manner," he said.

Working in a coordinated manner has not exactly been a hallmark of port and carrier relationships, and with cargo demand soft on the Transpacific, Drewry analysts say if more lines adopt CMA CGM's strategy without rationalizing the number of services it would hurt both rates and yield.

The shipper perspective from Hackett Associates founder Ben Hackett, who compiles Port Tracker statistics with the National Retail Federation, is sharply critical.

He said the decision to add new mega-ships to routes between Asia and the West Coast runs the risk of chaos.

"Does this make sense? Absolutely not," Hackett said.

"It flies in the face of financial and economic wisdom and totally ignores the state of the freight market."

U.S. terminals are investing heavily to be "big ship ready" with moves such as raising the heights of container cranes so they can lift boxes stacked 10-high on deck, and making ship berths longer and deeper.

The Port of Long Beach has pegged more than $4 billion to expand its terminal and rail capacity, along with new bridge and road infrastructure.

The soon-to-be-opened $1.3 billion Middle Harbor container terminal project, which the port says will be the world's first all-electric, fully automated terminal, will be able to accommodate 18,000-TEU vessels immediately and eventually will be able to handle ships of up to 24,000 TEUs.

When the second phase of the project opens in 2019, it will have an annual capacity of around 3.4 million TEUs.

The vessel upsizing trend in the Asia-USWC will almost certainly continue, as carriers such as Maersk Line and CSCL have ordered 14,000-TEU vessels specifically for the trade.

Drewry has noted it's important for the West Coast ports to "step up" because they are losing some of their dominant market share to East Coast rivals, which will soon get a boost from the expanded Panama Canal.

The canal is now scheduled to open in late June and will handle triple the maximum size of containerships that can call there.

The bottom line facing ports all over the world is that from now until 2019 carriers will need to find homes for 72 x 18,000+ TEU vessels.

"There is much to be done," says Drewry.

West Coast ports will have to gear up in terms of water depth, dock length, and cranes, "but there is also a need to improve the efficiency of how cargo is brought to and from the port complex via truckers (who are in short supply) and intermodal railroad."

Terminal automation will help to improve productivity, as would longer working hours to turn ports into 24/7 operations, but this would require more flexibility from union longshore workers — and how likely is that?

Meanwhile, introducing too many mega-ships to the West Coast ports before they are fully ready would most likely worsen productivity, rather than improve it, and could add days to move boxes at terminals, thus undermining West

Coast competitiveness versus the East Coast, says Lawrence Gross, president of Gross Transportation Consulting of New Jersey, writing in IHS Media.

"Although bigger ships may optimize line-haul costs, they impose significant additional costs to the terminals and other land-side operators," he said.

"When volumes don't grow, and cargo comes in ever-larger but more widely spaced chunks, coupled with the requirement to turn those big ships rapidly, the terminal needs more of everything: more land, more cranes, more shuttle units and other equipment to handle the same volume delivered in smaller, more frequent doses," he said.

Ocean carriers "hold the upper hand because of their ability to shift volume away from any terminal that doesn't meet their requirements," Gross writes.

"The massive investment needed to support the mega-ships in effect became the cover charge just to stay in the game."

Carriers are mainly concerned with how long the ship is tied up at berth, Gross adds.

"What happens to the containers before and after they clear the ship's rail is a problem for the land-side players to deal with." he said.

Gross also poses a question that voices the fears of some industry insiders.

"Will we look back a decade from now and see the (mega-ship) as an evolutionary dead end, a dinosaur that was too large to survive in a changing world?"

(from: cargobusinessnews.com, April 27th 2016)

MARITIME TRANSPORT

LEADING CONTAINER LINES JOIN FORCES IN 'OCEAN ALLIANCE'

Four of the world's leading container shipping lines have formed a new alliance that will see them cooperating in the deployment of their combined fleet of more than 350 containerships across the world's main container trades.

CMA CGM, COSCO Container Lines, Evergreen Line and Orient Overseas Container Line today signed a Memorandum of Understanding to form the 'OCEAN Alliance', which they claimed would offer shippers "access to the largest number of sailings and port rotations connecting markets in Asia, Europe and the US", along with "competitive products and comprehensive service networks covering the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-North America East Coast, and Trans-Atlantic trades".

In what they described as "a milestone agreement among four of the world's leading container shipping lines", they said each line would "offer best-in-class services to customers with fast transit times, competitive sailing frequencies, and the most extensive port coverage in the market".

In a joint statement, the member carriers said: "This new partnership will allow each of its members to bring significantly improved services to its respective customers.

Shippers will have an attractive selection of frequent departures and direct calls to meet their supply chain needs, including access to a vast network with the largest number of sailings and port rotations connecting markets in Asia, Europe and the United States."

They claimed the alliance would also bring service reliability and the most efficient integration of the latest vessels in a fleet of over 350 containerships.

Initially, the deployment will cover more than 40 services globally, mostly connected with Asia, including about 20 services each in the US- and Europe-related trades.

Subject to regulatory approvals of competent authorities, the new alliance plans to begin operations in April 2017 and operate for an initial period of five years.

Lawrence Lee, president of Evergreen Marine Corporation, commented: “Joint service cooperation is an essential part of our own strategic planning.

This new alliance enables us to optimize fleet deployment and offer competitive service to meet customers’ changing demands.”

The carriers said further details about OCEAN Alliance and the transition plans from the four member lines in their current alliances would be communicated to stakeholders and the market in due course.

Observers predicted last year that there would be a shake-up in the alliance structure following the planned acquisition by CMA CGM of APL parent company group NOL and the merger of Chinese lines Cosco and China Shipping Container Line.

CMA CGM, the world's third-largest container shipping line, is part of the Ocean Three alliance that includes United Arab Shipping Co and CSCL.

Cosco, however, is a member of the CKYHE alliance, which also includes Evergreen, K Line, Yang Ming and Hanjin Shipping as members.

OOCL and APL are part of the G6 Alliance.

(from: lloydsloadinglist.com, April 20th 2016)

ROAD TRANSPORT

THE EUROPEAN COMMISSION SHOULD INTRODUCE TRUCK TOLLS BASED ON CO2 EMISSIONS

Trucks transport the majority of goods in Europe and, although there are more positive efforts being made to transport by rail, trucks will remain an important actor in the movement of freight.

So if they are here to stay then trucks will need to become a lot cleaner and safer, Samuel Kenny freight policy officer at NGO Transport & Environment writes.

"Trucks are responsible for a whole range of impacts that bring costs to society; they damage roads, emit air pollution, contribute to climate change and are involved in a disproportionate number of fatal crashes.

These negative impacts are called "external costs" and were recently shown to cause a remarkable €143 billion in damages every year in Europe.

Currently, only 30% of this amount is being paid for by those responsible and we as the taxpayers are left to pay for the rest.

One great way to reduce these costs – and make sure it's not just the public who pays – is by tolling trucks for their use of the road.

Belgium recently introduced a toll for trucks on a large network of their roads.

The toll in Belgium will be differentiated based on the "EURO class" of the vehicle, which means that people who drive a truck that emits less air pollution will pay a reduced toll.

This will help to improve air quality within the country.

The toll also means that the three regional governments can receive more revenue for the public budget.

In Brussels, the city decided to charge trucks more than in Wallonia and Flanders and, on top of this, it will charge the most polluting trucks 100% more than the least polluting trucks.

Actually Brussels wanted to go further but couldn't because of EU law.

This should be changed.

Belgium's toll has to comply with a European directive, known as the "Eurovignette" directive, that establishes the parameters by which countries can toll the trucks on their roads.

Countries can charge trucks for the damage they cause to road infrastructure and then differentiate this based on the weight of the vehicle, congestion, and EURO class.

In addition to this, countries may charge trucks based on how much they pollute the air and noise.

The European Commission is set to review this directive at the end of the year and will have an opportunity to improve pricing signals and transition to a cleaner transport sector.

The Commission wants to reduce the CO_2 emissions from transport by 60% before 2050.

Trucks are the cause of 25% of the CO_2 emissions from road transport in Europe.

It is clear that we need to do something about trucks if we are to have a cleaner and more sustainable transport sector.

One step would be if tolls were differentiated based on the CO_2 emissions from trucks.

This would create a monetary incentive for truck drivers and shippers to choose cleaner vehicles.

However, countries who have considered doing this have been confronted with the fact that it's not legal under existing EU law.

Transport & Environment is campaigning for CO_2 differentiation to be enabled in this year's review of the Eurovignette directive.

An increased limit on the cap that can be charged for air pollution should also be included in the upcoming review.

It would allow for governments to further use the toll to improve air quality within their country.

Another problem within the current directive is that countries are still able to have a time-based charging system.

Such a system allows truck drivers to buy a sticker that accounts for a specific time period.

After that, they are free to drive as much as they want within that period.

By very definition, and proven time and again, this system is not reflective of the actual damage caused by trucks.

Belgium's neighbour, the Netherlands, is one of only nine countries that cling to this antiquated system.

The Commission should phase-out time-based systems to promote a cleaner and healthier transport sector that is also less of a burden on the public purse.

The Commission defines the parameters by which countries can toll the trucks on our roads.

They should not limit the positive things that countries can achieve through their tolls.

Tolling could be an effective aid in transitioning to a cleaner transport sector but this requires CO2 to be included, caps to be improved, and antiquated systems to be phased-out".

(from: euractiv.com, April 18th 2016)

INTERMODAL TRANSPORT

EUROTUNNEL CONFIRMS DEPTH OF THROUGH RAIL FREIGHT DECLINE

In Q1 2016 the number of through rail freight trains year on year fell by 44% from 787 to 442, with tonnage down by 41% to 265,041 tonnes.

Intermodal operators increasingly avoided the fixed link and opted for other routes, typically rail to Continental ports such as Zeebrugge, Moerdijk and Rotterdam for onward ro-ro or lo-lo shipment to UK ports and then road delivery to UK customers.

"Through tunnel rail freight was the traffic most affected by the migrant crisis as a result of the difficulties experienced in securing the SNCF yard at Calais-Fréthun and lost half of its customers and services to other routes during the autumn of 2015," noted Groupe Eurotunnel SA (GETSA) in its Q1 2016 results report.

"[We are] working with all parties concerned to relaunch traffic now that the tracks are once again secure."

GETSA's shuttle freight services hit an all-time quarterly record of 410,729 trucks, 10% ahead of Q1 2015 and 6% above the previous record quarter, Q4 2014.

Its "Le Shuttle" passenger car and coach services carried more than 0.5M cars, up 8% year on year.

Overall shuttle service revenues increased by 13% to €135.5M.

Through rail passenger services operated by Eurostar carried slightly fewer passengers, 2.2M.

On GETSA's own rail freight side, its Europorte arm logged almost unchanged revenues of €72.6M.

Europorte's Socorail affiliate won new tenders to operate in-port rail services for the seaports of Nantes-St Nazaire and La Rochelle for another five years, while the British affiliate, GB Railfreight, won a 5-year contract with generator Drax for biomass, and it now also operates the "Caledonian Sleeper" (passenger service).

The Drax deal has enabled it to compensate for the reduction in coal transport linked to the increase in Carbon Tax in the UK in 2015.

On the down side, Europorte has had difficulty obtaining paths from SNCF Réseau to develop car transportation services for customers.

(from: worldcargonews.com, April 24th 2016)

AIR TRANSPORT

WORLD'S FIRST FREIGHT AIRSHIP SET TO ENTER SERVICE IN 2018

After 20 years of development work, the world's first commercial cargo airship is set to launch in 2018 after manufacturer Lockheed Martin received an order for 12 of its 20-tonne payload LMH-1 hybrid cargo airships.

Lockheed Martin said its Hybrid Airship represented "a revolution in remote cargo delivery, capable of carrying more than 20 metric tonnes of cargo along with 19 passengers and two pilots".

Stressing its potential to transform the delivery of cargo into remote locations that lack road or airport infrastructure, the manufacturer and its launch customer Straightline Aviation (SLA) said the primary initial market identified would be oil and gas or mining companies and their engineering contractors, but they also insist it has many other potential uses, such as in disaster relief work, as an alternative to ice-roads, or even as a link between remote agricultural areas and existing infrastructure for the transport of perishables.

Mike Kendrick, SLA co-founder and chief executive officer, told Lloyd's Loading List that the costs per mile of the hybrid airship were around one third of those for fixed-wing aircraft such as a Boeing 737 and between one seventh and one tenth of the heavy-lift helicopters currently often used by the oil and gas or mining sector to transport cargo into hard-to-reach locations, giving the hybrid airship a compelling economic rationale.

It could also carry significantly larger payloads than even the biggest heavy-lift helicopters.

Mike Kendrick, SLA co-founder and CEO, told Lloyd's Loading List that SLA planned to initially work mainly direct with customers, principally from the energy and mining sectors, which had already identified the need for the vehicle on medium-term projects, with the vehicles providing regular transport for specific projects over a period of one or two years.

It was likely to become available for ad hoc work at a later stage, for example via freight forwarders.

Rob Binns, CEO of Hybrid Enterprise – which is marketing the LMH-1 on behalf of Lockheed Martin – said that although port-to-port shipments by ocean would clearly usually be cheaper, and road transport where roads existed, the hybrid airship was a highly affordable alternative where these transport infrastructure elements were lacking.

He pointed out that more than two-thirds of the world's land area and more than half the world's population have no direct access to paved roads.

"As you move farther away from infrastructure, cost, time and the safety of transport becomes more of a challenge," Binns said.

"Hybrid Airships enable affordable and safe delivery of heavy cargo and personnel to virtually anywhere – water or land, in normal flying weather conditions – with little to no infrastructure."

Binns also stressed that because the Hybrid Airship required little or no fixed ground infrastructure and burned significantly less fuel compared to conventional aircraft, this made it an environmentally friendly solution to remote cargo delivery.

Although Lockheed Martin has been working on developing a hybrid cargo airship for around 20 years, one factor that had contributed to the recent growth of interest in the vehicle has reportedly been the drop in energy and commodity prices, which has caused mining and energy firms to re-examine the logistics of their exploration projects.

Whereas in the past they may have afforded to build entire roads or airports to support new extraction projects, the new cargo airship can instead be used to transport materials to and from the projects without the need to create new transport infrastructure, cutting costs as well as the environmental impact.

Binns acknowledged that the drop in energy and commodity prices had reinforced the need among companies in those sectors for cost-effective logistics services, although he insisted that the hybrid airship "has a place in the transport system when commodity prices are high or low".

He said the main factor determining the timing of this first order had "more to do with the final design ready for market".

Binns told Lloyd's Loading List: "Lockheed Martin has been developing its Hybrid Airship for over 20 years, which far precedes the sharp drop in energy and commodity prices.

We have always believed that remote transportation was an untapped market that the hybrid airship could capitalise on, but developing game-changing technologies takes time."

He continued: "The collapse in commodity prices has most definitely resulted in mining, oil and gas companies looking for more efficient operation methods and our Hybrid Airship meets those needs.

We view the Hybrid Airship as the future of energy-efficient cargo transportation, as it has the same cargo capacity as a Boeing 737 but can transport this with a third of the fuel and with a third of the carbon footprint."

Although a prototype predecessor to the LMH-1 hybrid cargo airship, the P-791, a fully functional, manned flight demonstrator, had flown its first flight as long ago as 2006, the LMH-1 has undergone significant development and design changes.

One key adaptation of the LMH-1 that set it apart from rival hybrid airships also currently under development include its Air Cushion Landing System (ACLS), allowing the airship to land on any terrain – including on an ocean with waves up to 1 metre high.

Once landed, the air cushion system can be reversed, securing the airship to the ground.

This latter feature highlights one of the factors that had prevented previous generations of airships being practical for commercial cargo operations, with lighter-than-air airships requiring a crew of 15-22 people that would tie the airship to a 'mooring mast', which also had to be moved to the landing or destination location.

Binns stressed Lockheed Martin's Hybrid Airship does not require pre-existing infrastructures such as mooring masts or a platform to offload cargo, with the vehicle's heavier-than-air design and ACLS overcoming these previous infrastructure restraints.

The airship's tri-lobe shape contains the helium that contributes around 80% of the vehicles upward lift, while the remainder comes from its forward-propulsion system and aerodynamic shape, when in normal flight.

"As a result of money saved on infrastructure, reduced fuel costs, and improved carbon footprint, Lockheed Martin's Hybrid Airship is now being viewed as an economically viable solution for remote transportation in the energy sector," Binns added.

Lockheed Martin emphasised that it had invested more than 20 years to "develop the technology, prove the performance, and ensure there are compelling economics for the Hybrid Airship".

It has also completed all required FAA certification planning steps for the new class of aircraft and is ready to begin construction of the first commercial model and the completion of the FAA Type certification process.

The construction of the first commercial model over the coming months will be followed by a 12-month further period of proving trials in various weather and landing conditions.

Binns said he could not see any technical issues that would delay the commercial availability of the world's first hybrid cargo airship in 2018.

(from: lloydsloadinglist.com, April 13th 2016)

LOGISTICS

STRONG YEAR FOR GERMAN GIANT DACHSER

German giant Dachser has reported strong, organic growth for fiscal year 2015.

Consolidated revenue increased by 6.5 percent to EUR 5.64 billion.

Shipments rose by 4.0 percent to 78.1 million, while tonnage increased by 5.2 percent to 37.3 million metric tons.

The primary contributors for the positive performance were the overland freight services for food and industrial goods in Europe.

"We reaped the rewards of our long-term investment policy and growth strategies, which we are consistently implementing throughout the company," explains Dachser CEO Bernhard Simon.

"European exports remain our growth engine, in addition to solutions that intelligently combine overland, air, and sea freight.

But mostly, our customers respect the fact that we consistently focus on quality."

Business trends in detail

Within the Road Logistics business field, which makes up 72 percent of Dachser's revenue, Dachser European Logistics (EL) continues to benefit from export as an engine of growth.

Dachser generated revenue of EUR 3.433 billion (+ 5.5 percent) in 2015 from transporting and storing industrial goods.

Shipments and tonnage rose 3.8 percent and 4.2 percent, respectively.

"Thanks to extremely expert and flexible maneuvering in the marketplace, which was difficult this year for Europe, we were able to grow in all regional business units for overland freight," says Bernhard Simon.

In addition to strong, export-driven performance in Germany and France, there were also two-digit growth rates in the EL North Central Europe and EL Iberia business units.

"Reorienting Azkar to European operations has produced successful outcomes," says Bernhard Simon.

"We were able to gain the confidence of major customers and also invest in new markets.

In the past year, we upgraded 48 Iberian branches for the transport of hazardous materials, and in so doing, gained access to the Spanish chemical industry, which is both robust and export-oriented."

With revenue growing 8.1 percent to EUR 741 million, Dachser Food Logistics advanced to become the growth leader.

At a national level, food logistics mostly owes this success to a strong showing in consumer goods in Germany.

But the European Food Network also developed for cross-border food shipments.

With 13 partners, eight correspondents, and regular line hauls between 29 countries, it's the food network with the greatest coverage in Europe.

"We are contributing to the company's success by investing in the network.

We have opened up a new branch officei in Erlensee, near Frankfurt, that will also serve as the central hub for food transports in Europe," says Bernhard Simon.

Dachser Air & Sea Logistics generated revenue growth of 8.0 percent and contributed a total of EUR 1.599 billion to consolidated revenue in 2015.

"We're already established in the world's most important economic centers, either directly or through partners, so last year we didn't significantly expand our network geographically," explains Simon.

"Instead, we are focusing on standardized processes, integrated IT systems, and close connections with the European overland network.

We want to offer our customers global logistics solutions for distribution and procurement from a single source, what we call Dachser Interlocking."

Simon announced greater investments for the current year: "Having invested EUR 81 million last year, we will be investing around EUR 125 million in 2016.

Some of this money will go toward information technology and technical equipment.

But as in previous years, the lion's share will be put into our European Road Logistics network where we will be building or expanding logistics facilities in Austria, France, Germany, and Poland."

(from: logisticsbusiness.com, April 22nd 2016)

LAW & REGULATION

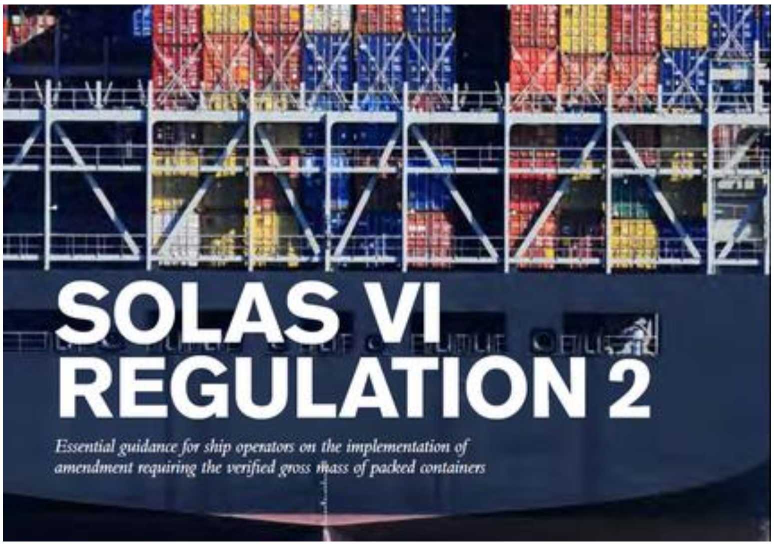
SOLAS - US COAST GUARD HOLDS THE LINE ON VGM

While some shippers claim providing a VGM is unworkable, the US Coast Guard says there is "no reason" for the VGM requirement to cause any delays in US supply chains.

While US shipper groups continue to come up with reasons why the SOLAS amendment requiring containers to have a verified gross mass (VGM) before they are loaded on a vessel from 1 July, they have not convinced the US Coast Guard to back their campaign to somehow delay implementation in the US.

Speaking today to the US Congress Transport & Infrastructure Committee Subcommittee on Coast Guard and Maritime Transportation, Admiral Paul Thomas, Deputy Commandant for Prevention Policy, U.S. Coast Guard made it clear the US can do this, if shippers and carriers put their minds to it.

During the regulatory process that lead to the VGM requirement, Admiral Paul Thomas explained, the Coast Guard was "mindful of the existing regulatory structure in the US that already ensures the weight is known" before containers are moved by road or rail.



The SOLAS amendment, Admiral Thomas emphasised, "may require a change in the status quo regarding how the weight is verified and transmitted", but does not require all new methods of weighing.

There is a lot of confusion in the US around the VGM requirement, but Admiral Thomas said most of it is due to a lack of understanding of the flexibility in the regulation, and what he called "the general terms of provision for equivalencies".

If there is to be any supply chain disruption, he added, it will be because shippers and carriers have not been able to figure out which of the methods they will employ, and urged those involved to look closely at what he said are a number of options for obtaining a VGM.

Representing liners, World Shipping Council (WSC) President and CEO John Butler reiterated its view that VGM is both “reasonable” and workable.

The liner industry, he said, is preparing for implementation, but facing opposition from a group of mainly commodity exporters.

“They want to provide only part of it.

Problem is it will not work with the IT solution we have built” he stated.

These shippers involved want to provide only the weight of the cargo, as they do today, leaving it to carriers to add the equipment weight and complete the VGM.

But doing it this way, Butler said, will result in a manual process, and that will cause supply chain disruption.

Speaking as the Agriculture Transport Committee SOLAS Committee Chair, Donna Lem (also VP, Mallory Alexander International Logistics) repeated the AgTC’s claims the VGM requirement is redundant and WSC guidelines not flexible enough to be workable.

AgTC shippers maintain they cannot realistically weigh containers under Method 1 - ports are refusing to do it and in many places weighbridges are unavailable, or too expensive.

Method 2, as they see it, is also unworkable because the shipper has to declare the weight of a container they may not own or lease, creating a legal liability the insurers of the cargo will not accept .

Butler dismissed the liability point as a non issue, on the basis that carriers are not actually trying to duck liability for any inaccuracy in container tare weights, should that somehow prove to be an issue.

Somehow the AgTC has arrived at the view that the Coast Guard believes their current method of providing a gross weight to the carrier (and in some cases a net weight) is, in Lem’s words, “compliant”.

AgTC therefore believes the WSC members are the problem for refusing to accept a signed gross weight on the bill of lading as meeting the shipper's obligation in respect of the VGM requirement.

Butler contends that SOLAS requires the shipper to provide the VGM, including the weight of the container when using method 2, and there is no valid reason why they cannot simply add the tare weight of the container, if they really know the weight of the cargo.

Sub committee members are clearly getting weary with the whole VGM debate, and one asked the AgTC how they expect Congress to resolve this impasse.

What AgTC wants, said Lem, is explicit written guidance from the coastguard that its existing procedures today are "compliant".

That, however, seems very unlikely as it not clear where AgTC members are actually getting the weight of their cargo from.

As Butler pointed out, all AgTC members are really being asked to do is provide the weight of their cargo plus the container.

"If you are not weighing stuff today, how do you know how much it weighs?" he asked.

(from: worldcargonews.com, April 14th 2016)

EUROPE "UNITES" ON WEIGHING

European organisations representing shippers, freight forwarders, terminal operators and port authorities are calling on national authorities to ensure there is a level playing field when it comes to implementing and enforcing the new SOLAS verified gross mass regulation.

The organisations representing European shippers (ESC), forwarders (CLECAT), terminal operators (Feport) and port authorities (ESPO) say they are fully committed to the successful implementation of the IMO SOLAS Ch VI amendment, which takes legal effect on 1st July.

From this date, as reported passim, all shippers (or other party named in the ocean carrier's bill of lading) must declare to the carrier in advance the verified weight of packed containers (verified gross mass or VGM) that are to be loaded by lo-lo or by ro-ro if (and only if) the ro-ro move is a feeder move to a lo-lo ship.

However, they want the relevant national authorities to take urgent, coordinated action along the lines that they are jointly recommending.

"The absence of such action will lead to competition distortion and significant interruption to the functioning of the logistics chain," says the joint statement.

- Member States [of the EU and EFTA] should pursue a coordinated European approach, taking into consideration the national guidelines of other member states when deciding on national rules.

- Supply chain actors and national authorities should work towards commonly accepted guidelines in order to minimise distortion of competition and ensure smooth functioning of the SOLAS requirements.

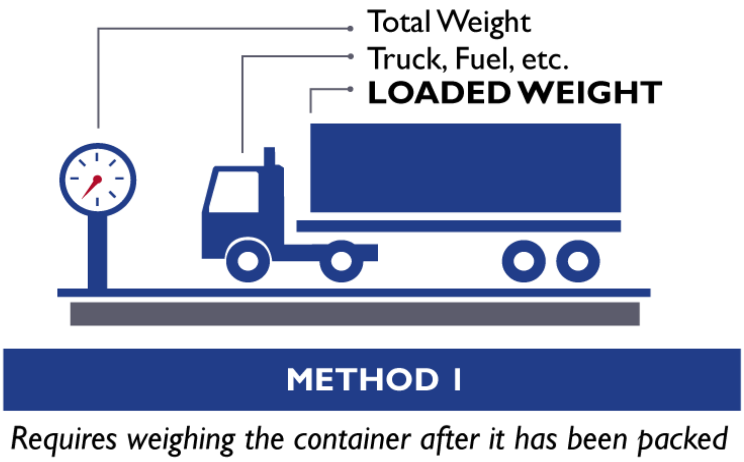
- Cooperation in drafting of guidelines must focus on two main elements: tolerances applying to weighing equipment and the certification of those shippers approved to issue VGM certificates using Method 2 based upon common standards and programmes (such as AEO, ISO 9001, ISO 28000) or other existing obligations or recommendations to provide the container weight.

Regarding the accuracy of weighing equipment, the joint statement points out it is currently the responsibility of each national jurisdiction to define the appropriate standards and this is particularly important in relation to both Method 1 and Method 2.

"National authorities need to be aware that excessive requirements can have an adverse impact on the logistics chain.

For example, an over-reliance on weighbridges for Method 1 weighing may create unnecessary bottlenecks, which could be avoided by using other devices, such as spreader-mounted weighing devices.

Similarly an over-complicated system for the regulation of Method 1 and 2 users could lead to delays in their authorisation in the short time left before implementation deadline of the SOLAS amendments.



In order to avoid market distortions, it is important that countries around Europe adopt similar standards on certification that are not overly restrictive and do not have an adverse impact on the functioning of the logistics chain.

So as to ensure transparency and certainty for all actors in the supply chain, evidence should be available when required of the shipper's authorisation to provide a VGM."

Notably, the four organisations' consensus point is a wide margin of error - plus or minus 5% of the declared VGM - although the statement refers to this as an "example of accepted tolerance level."

The point is that someone has to come up with a figure, since "variations in implementation may lead to a distortion in competition between member states."

The problem is that this "lowest common denominator" approach denatures the whole point of the SOLAS Ch VI change and is unlikely to be acceptable to shipping lines and insurers or, indeed, some national jurisdictions.

We know, for example, that after wide industry consultations the UK MCA is seeking either ± 2% above 20 tonnes and ± 400kgs below 20 tonnes, or ± 2% above 15 tonnes and ±300kgs below 15 tonnes, with a preference for the latter.

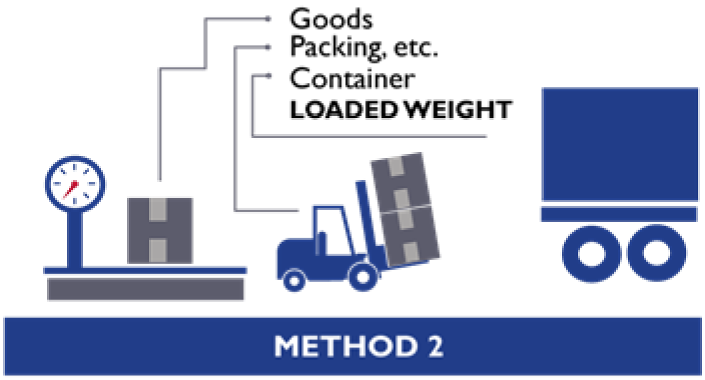
The four organisations seem to be collapsing the difference between tolerance for weighing and tolerance for fines or prosecution.

In any event their statement continues: "We encourage this coordination to pursue a level of tolerance which allows sufficient flexibility to take into account variations which may occur through natural weight variations, inaccurate tare weight on official plates (the CSC plate), or through the use of different equipment, so as to not create blockages to the supply chain by unduly refusing carriage, while also not jeopardising safety and therefore the purpose of the rules."

It is also worth observing that these organisations are in a bit of a bind.

They recognise that getting almost 30 countries to agree a consensus is going to be difficult, but they want the European Commission to take it up like they want a hole in the head.

Some of them are fighting the proposed EU ports Directive tooth and nail and the last thing they want is for the EC to be handed an increase in power over the ports industry.



Requires weighing all the cargo and contents of the container and adding those weights to the container's tare weight as indicated on the door end of the container.

On the communication side, they say, the VGM and any other relevant information, shall always be communicated by the shipper to the carrier and subsequently to the terminal operator, unless otherwise agreed.

"The shipper remains responsible for communicating via the agreed chain of communication and in accordance with an agreed timetable.

It is recommended to communicate the VGM at the earliest opportunity, and if possible before the delivery of the packed container to a port terminal facility, in order to avoid complications.

If the VGM has not already been communicated, or if no contractual agreement has been agreed to obtain the VGM at arrival at the terminal, it is possible that the terminal will refuse entry of the container."

The statement concludes by pointing out that he carrier and terminal operator are not responsible for ensuring the accuracy of the VGM provided by the shipper (or other named party in the BL).

"All actors in the logistics chain are entitled to rely on the VGM declared by the original shipper as being accurate.

If no VGM has been established, a container cannot be loaded on a vessel."

(from: worldcargonews.com, April 20th 2016)

STUDIES & RESEARCH

'MEGA-SIZED CONTAINER VESSELS PRESENT MEGA-SIZED CHALLENGES FOR PORTS AND SHIPPERS'

According to the latest data collated by Dynaliners, there are 37 ultra-large container vessels (ULCVs) of over 18,000 teu in operation, with a staggering 72 more of these mega-ULCVs on order for delivery by 2020.

Including vessels still to be received, Dynaliners notes that Maersk Line will continue to head the ULCV league table with 31 vessels of 18,000 teu or over, followed by the newly-merged China Lines at 22 and MSC in third spot with 20.

With the exception of Asia to the US west coast, where CMA CGM is the only carrier so far to deploy 18,000 teu ships, the 100-plus mega-vessels will be restricted to operating between ports in Asia and Europe.

Already challenged by the current fleet of ULCVs, container ports will need to up their game again to cope with the ships that will be introduced into Asia-Europe loops over the next few years.

Speaking at the Global Liner Shipping Conference in London last week, APM Terminals chief executive Kim Fejfer outlined the challenges facing port operators from the new breed of mega-containership.

He said the need for change in the port sector "has been more pronounced in the past two years than in the past twenty".

"A decade ago, a large terminal with 900 metres of quay could handle three or more vessels simultaneously," said Mr Fejfer, "but now, with vessels of 400 metres in length, the same terminal, even with reinforced quayside, larger STS [ship-to-shore] cranes and deeper depth, can only accommodate two ultra-large vessels at once to handle the same number of container moves."

He argued that the potential 50% jump in container exchanges from handling 13,000 teu ULCVs to the largest 20,000 teu behemoths meant "considerably less flexibility for container terminals".

"Now there is a need for more yard space, larger gates and more manning to handle the volume peaks in the terminal infrastructure.

These result in additional costs to the terminal operator which the shipping lines are not ready to pay," he said.

Elsewhere, the debate on mega-ships continues.

In his latest blog, Economies of scale; a defunct shipping model?, OECD ports and shipping analyst Olaf Merk questions whether anybody – carriers, shippers or ports – is actually benefiting from the introduction of the ULCVs.

He notes that almost every ocean carrier has ordered the mega-ships to tap into the 'economies of scale' paradigm, but believes this has fuelled fleet overcapacity and depressed freight rates.

"There is not enough cargo, so container ships sail half-empty and lose money," said Mr Merk.

"So much for their projected cost savings."

Accepting that shippers are 'happy' with low rates, Mr Merk notes that they have "traditionally spread risk by using different ships, different lines and different ports".

"They could now find their cargo on one mega-ship, operated by one mega-alliance, calling at just a few mega-ports," he cautions adding that this would be a "very risky cocktail" for shippers, with a delay or at worst an accident causing "mega-consequences".

Noting also that mega-ships "can only be profitable if they are handled very quickly at ports", Mr Merk is in agreement with the APMT executive in that container ports face "huge challenges" from the mega-ships bringing cargo peaks "that lower the return on investment".

(from: theloadstar.co.uk, April 18th 2016)

CONFERENCES

WHAT NEXT FOR LINER SHIPPING?

This year's TOC Asia conference in Singapore highlighted how carriers are struggling to find an alternative to the business model that has lead to shipping lines moving containers at rates below cost.

Container shipping has a big problem.

The days when container traffic grew at a multiple of two to three times global GDP growth are over in most markets.

Today that ratio is approaching 1:1.

While demand slow steams, supply continues to expand rapidly.

The global container ship fleet will grow another 7% this year, well ahead of demand growth that could be as low as 2%.

In his keynote address at TOC Asia Robbert van Trooijen, Chief Executive Asia Pacific Region, Maersk Line cautioned that global figures can be misleading: "don't generalise, there are opportunities" he stressed.

The Pacific trades and import cargo into the US in particular are currently strong.

Van Trooijen also said there are encouraging signs growth in Asia-Europe "might be better than we thought" as European retailers address very low inventory levels.

These pockets of opportunity, however, are not going to tilt the supply and demand balance in the carriers' favour in the short term.

Perhaps unsurprisingly van Trooijen did see not mega vessels themselves as part of the problem.

Maersk, he noted, was the first to order 18,000 TEU vessels, but then "carriers that don't have the market share" followed suit and bought bigger ships than they can fill.

Shippers have benefitted as carriers drop rates to defend market share but van Trooijen warned that this is a short term situation.

Even sailing vessels at 95% full carriers are not making money - "99% is not even enough sometimes".

This is very difficult to manage practically: "everyone is overbooking" and blank sailings have increased, van Trooijen noted.

Shipping line consolidation, either in the form of mergers and acquisitions or larger alliances, will help address the supply demand imbalance.

There is still not enough of it, said Van Trooijen, but "now we have some momentum, it creates more stability" .

Terminal operators are not seeing the same stability.

In the middle of the conference CMA CGM, COSCO Container Lines, Evergreen Line and Orient Overseas Container Line announced their new "Ocean Alliance" covering seven trade lanes, and there was plenty of talk that other new arrangements will follow.

This didn't surprise the terminal operators gathered in Singapore, many of whom are bracing for change as new groupings address terminal selection.

On the liner side of the business, the underlying murmur at TOC Asia was that shipping needs to go much further, and change its whole business model somehow.

In a conference session on big data, Kris Kosmala, GM Asia Pacific for business process optimisation specialist Quintiq, said the industry is using pricing and asset management tools that are so simplistic they belong "back in 1990".

Big data and data analytics, Kosmala said, could change the way the industry operates, but shipping lines are not lining up to embrace change.

Echoing the rationale behind the XVELA initiative, Kosmala noted there is very little collaboration between parties to identify and act on mutually beneficial opportunities, and very little innovation.

When Quintiq pitches data analytics to shipping lines, he continued, they actually want to see their competitors doing it first before they are prepared to follow suit.

"If you decide like the rest of the industry you will see the same results as your competitors" he observed.

(from: worldcargonews.com, April 22nd 2016)

ON THE CALENDAR

2016

▪	19-20 May	International Conference on Short-Sea Shipping: Myth or Future of Regional Transport
▪	26-27 May	5th Black Sea Ports & Shipping 2016
▪	30 May – 2 Jun	10th International Harbour Master Association Congress
▪	14-16 Jun	TOC Europe
▪	27 Jun – 1 Jul	38th PMAWCA Council and 11th PAPC Conference
▪	14-15 Jul	14th ASEAN Ports & Shipping 2016
▪	22-23 Sep	11th Southern Asia Ports, Logistics & Shipping 2016
▪	26-27 Oct	12th Trans Middle East 2016
▪	17-18 Nov	16th Intermodal Africa 2016

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