Newsletter

May 31st 2016

Link road, rail, sea!

Council Of Intermodal Shipping Consultants

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C.I.S.C.O. NEWS

ON WEDNESDAY JUNE 29th 2016, INSIDE THE FORTRESS OF MASCHIO ANGIOINO IN NAPLES, A CONFERENCE ORGANIZED BY C.I.S.CO. ABOUT THE ISSUE OF CONTAINERIZED LOGISTICS

On wednesday June 29th next, starting at 2:30 p.m. within the Maschio Angioino (Piazza Castello, Napoli) it will hold a conference organized by C.I.S.Co. about the issue of containerized logistics.

The event is part of the appointments within the Shipping Week, an occurrence that takes place annually, alternating the cities of Naples and Genoa venues; this year it will take place from June 27th to July 2nd in Naples.

The conference aims to give space to different actors moving within the container transport tapping topical issues, with the participation of companies of international importance in the sector.

They will discuss general and wide-ranging issues as the naval gigantism and the development of port and behind the port infrastructure, but also more specific and related to operational scope issues as new containerized services, refrigerated loads and new technologies for containers.

For further information, write to info@ciscoconsultant.it.

PORTS AND TERMINALS

TOTAL FIRST-QUARTER SEABORNE CARGO THROUGHPUT IN PORT OF HAMBURG JUST BELOW PREVIOUS YEAR'S

Total throughput for the Port of Hamburg in the first quarter of 2016 was 2.5% lower at 34.8 million tons.

First noticeable early in the second half of 2015, the economic downturn in China and Russia, both especially important markets for Hamburg, may have slowed somewhat during the first quarter of 2016 – yet Hamburg's seaborne cargo throughput remained below the previous year's record level.

Contributing to the total were bulk cargo throughput at 11.5 million tons (down 1.9%) and general cargo throughput at 23.3 million tons (down 2.7%), both segments being somewhat weaker than in the same quarter of 2015.

At 2.2 million TEU (down 3.4%) container throughput for the quarter was also lower.

The first-quarter total for seaborne cargo throughput was shaped especially by lower container traffic with China, the Port of Hamburg's most important trading partner by a wide margin.

Down 8% at 651,000 TEU, container traffic with China was 57,000 TEU lower than in the previous year, and as the largest volume fall affected the global total.

Gratifying double-digit and single-digit growth rates in container traffic with Finland (up 11.1%), the USA (up 14.2%), Malaysia (up 6.4%), the United Kingdom (up 31.8%) and India (up 4.1%), all of them among the Port of Hamburg's Top Ten trading partners, were not sufficient to restore the previous total.

"Taken together, the downturns for the Top Three trading partners, China (down 8%), Singapore (down 7.6%) and Russia (down 4.9%) constituted the main factor affecting our result on container handling.

We saw the onset of stabilisation occurring during the first quarter and are assuming that the volume downturn in container traffic with China and Russia has bottomed out, with both countries remaining core markets for the Port of Hamburg.

A few weeks ago, we discerned positive signals from the Russian economy at TransRussia, while showcasing at the largest Russian logistics trade fair and during the numerous information functions and discussions with representatives of firms and the world of politics.

Even in tough times, for Russia the Port of Hamburg remains an essential international trade hub," said Axel Mattern, CEO of Port of Hamburg Marketing (HHM), at its quarterly press conference.

In 2016 China too remains a market region being intensively cultivated by Port of Hamburg Marketing and its Representative Offices in Hong Kong and Shanghai.

In addition to Shanghai, in mid-June a port business delegation including representatives of BUSS Port Logistics, Brunsbüttel Ports, TCO Transcargo and HPA Hamburg Port Authority will be visiting Ningbo, Tianjin and Beijing.

Along with discussions with Chinese representatives of leading import and export companies, specialized talks are also firmly planned with Chinese ports and transport companies, as well as trade associations and government agencies, as part of the program for the trading centres on the itinerary.

In Shanghai, the members of the Port of Hamburg delegation will be running a Logistics Workshop for their Chinese port customers and partners.

As a networking event, they will also be inviting them to a Port of Hamburg VIP Dinner.

A visit to the "Transport Logistic China" trade fair is also planned.

At 2.2 million TEU, first-quarter container throughput remained slightly below the previous year's, being down by 78,000 TEU, or 3.4%.

This was primarily due to the slow start to container traffic with China and Russia early in the year.

The first three months, for instance, brought cancellation of some sailings on container liner services on the East Asia trade route owing to cargo space over-capacity, and complete withdrawal of one liner service.

Besides Hamburg, other ports were affected.

Fortunately, in the course of the first quarter Hamburg also received new liner services.

For a start, Maersk shipping line's Colombia fruit service now links the Colombian ports of Turbo and Santa Maria with the HHLA Frucht and Kühl-Zentrum at O'Swaldkai multi-purpose terminal, while HDS/IRISL's new ECL container service links Hamburg with the ports of Genoa, Istanbul, Port Said and Bandar Abbas every two weeks.

Since Iran is seeing pent-up demand for investment goods for its oil, automotive, chemical and energy sectors following the trade restrictions of recent years, Axel Mattern and his Executive Board colleague Ingo Egloff are assuming that Hamburg with its traditionally excellent relations with Iran will again be of growing significance as the Northern European transhipment location for cargo to and from Iran.

Bulk cargo throughput in the first quarter at 11.5 million tons was just below the previous year's record total, being down by 1.9%.

Contributing to the segment total were suction cargoes, down by 13.5% at 2.3 million tons, grab cargoes, down by 1.5% at 5.4 million tons, and liquid cargoes at 3.7 million, up by 6.1%.

Among liquid cargoes, imports of oil products at 2.7 million tons developed especially well, increasing by 65.5%.

Among suction cargoes, the especially strong grain exports of the previous year's first quarter were not repeated, causing a 13.5% fall in throughput.

While imports of oilseeds were up by 51.7% at 912,000 tons, these failed to offset the downturn in grain exports.

Hamburg is Europe's leading rail port, offering shippers generally more than 1,100 weekly block train links with transhipment to and from intermodal terminals in Germany and elsewhere.

"During the first quarter, 11.6 million tons of freight was transported by rail into or out of the Port of Hamburg.

That is an increase of 1.3%.

Against the background of the 2.5% fall in total throughput, it represents a further advance in the rail share in the Port of Hamburg's modal split, which was about 45.8% for 2015 as a whole.

"The fact that Easter fell in March caused a slightly weaker result for rail in the overall quarterly balance.

Limited freight train connections over the holidays caused lower volumes of freight to be transported to and from the port.

At 585,000 TEU (down by 2.8%), the total figure for containers transported by rail during the first quarter was therefore lower than in the comparable quarter of the previous year.

Quarterly returns for port throughput and port traffic therefore always need to be seen in context," explained Ingo Egloff, CEO of Port of Hamburg Marketing.

Hamburg's cargo handling terminals are preparing for further growth in rail container traffic.

One example is at HHLA Container Terminal Altenwerder, where HHLA is continuing to expand the largest rail container terminal in Europe.

By the end of this, handling capacity at this facility directly adjacent to Container Terminal Altenwerder, and therefore guaranteeing the shortest distances between loading/unloading of trains and ships, will have been boosted by 140,000 TEU to 930,000 TEU.

Ingo Egloff is convinced that against the background of the forthcoming extension of the truck toll to all federal main roads, rail will become even more attractive as the mode of transport for long-haul freight.

Dredging of the navigation channel and the expansion and modernisation of transport infrastructure are of immense importance for Hamburg's further development as Germany's leading port and logistics location in.

Fit-for-purpose transport links constitute truly vital arteries for global foreign trade.

(from: shipmanagementinternational.com, May 24th 2016)

MARITIME TRANSPORT

THE ALLIANCE 'RIVALS SCALE OF 2M AND OCEAN ALLIANCE'

The newly formed THE Alliance will come close to matching the deployed capacity of rival groupings 2M and Ocean Alliance, Copenhagen-based SeaIntel Maritime Analysis said.

On May 13, German line Hapag-Lloyd and five Asia-based carriers unveiled a partnership covering all east-west trade lanes.

The third alliance — which also includes South Korea's Hanjin Shipping, Japan's Mitsui OSK Lines, NYK Line, K Line and Taiwan's Yang Ming Marine Transport — is scheduled to start in April 2017, after regulatory approvals.

THE Alliance said "it is anticipated" that UASC, which is in merger talks with Hapag-Lloyd, will become part of the new alliance.

HMM, which is undergoing a creditor-led restructuring, is also looking to join THE Alliance once it stabilises its business.

"All three are powerful alliances and THE Alliance can certainly be a match for both 2M and Ocean Alliance," SeaIntel Maritime Analysis said in its weekly Spotlight report, assuming that both THE Alliance and Ocean Alliance will secure the approval of regulatory authorities.

Comparing the three alliances in terms of the current and future fleet of vessels in excess of 8,000 teu, SeaIntel said while THE Alliance is smaller than the two groups, it has the capability to be an equal competitor, as the difference is relatively small.

SeaIntel included UASC and HMM in THE Alliance when it made the comparison.

Moreover, in terms of the delivery profile of the new vessels, SeaIntel said THE Alliance already has 89% of its final future capacity in operation, compared with 82% for 2M and 76% for the Ocean Alliance.

"This provides a competitive advantage for THE Alliance as it is better capable of designing a long-term durable network at the outset, with much less need for future adjustments," SeaIntel said, assuming the group will not acquire ships to match the size of 2M and the Ocean Alliance.

Comparing the fleet of the three groups in terms of their distribution across vessel sizes, the three are equally matched in capabilities for vessels from the 12,000 teu-17,999 teu range, SeaIntel said.

While THE Alliance falls short in terms of capacity in the 18,000 teu-plus segment compared with 2M and Ocean Alliance, that may not prove detrimental to the group, according to SeaIntel.

"Perhaps the reality is that an alliance of six to eight members would be much better served with slightly more flexible vessels below 18,000 teu, which provide more deployment opportunities," said SeaIntel.

"If they are able to leverage this approach, having fewer of these vessels might not constitute a material disadvantage."

SeaIntel, however, pointed out that the major challenge for the new alliance "will be finding a way to design a network that meets the needs of up to eight different carriers, each with their own requirements and wishes, and with different customer portfolios that need to be served".

THE Alliance will also have to address the challenge of lower product differentiation and the difficulty of making tactical decisions if consensus is required, SeaIntel added.

It also pointed out the new alliance is "heavily imbalanced", with Hapag-Lloyd more than 50% larger than Hanjin Shipping, the second-biggest member.

No single carrier in the two other alliances dominates to such an extent.

"The dominance will be even more pronounced should the merger with UASC succeed, and unless we see further consolidation, it it likely that THE Alliance may find itself being viewed simply as 'Hapag-Lloyd and the Seven Dwarfs'," SeaIntel added.

On the possibility that HMM ends up not joining THE Alliance, SeaIntel said such a situation would "only very marginally impact" the latter's capabilities.

However, if UASC is unable to join, the impact will be "more serious" as UASC will be the main provider of the ultra large tonnage, SeaIntel said.

SeaIntel sees the reshaping of the competitive landscape as a positive development.

"While it is not a certainty that it will happen, the new alliance constellations certainly provide a strong opportunity for the newfound partnerships to fundamentally redesign their networks.

Clearly, the redesign will aim at reducing unit costs, but done in the right way, this could at the same time pave the way for more stable networks, less prone to creating supply chain disruptions."

The co-operation agreements of Ocean Alliance and THE Alliance each cover an initial period of five years.

Maersk and Mediterranean Shipping Company of the 2M group have agreed on a 10-year vessel-sharing agreement.

"From an industry perspective and from shippers as well, stability is probably the most important value that could arise from the reshaping of the competitive landscape," SeaIntel said, pointing out the rampant blanking of sailings, frequent network changes and deteriorating reliability in the past year.

(from: lloydsloadinglist.com, May 17th 2016)

RAIL TRANSPORT

DB CARGO CUTS FREIGHT ACTIVITIES IN PROFITABILITY DRIVE

German Rail's (DB) rail freight subsidiary, DB Cargo has confirmed plans to withdraw freight services from 215 locations in Germany reducing the total number of locations it serves to around 1300.

DB Cargo, which made a loss of €183m in 2015, is currently trying to reduce costs as it attempts to return to profitability and growth.

DB Cargo says the 215 locations only generate around 0.4% of its turnover and are not therefore worth serving.

It is possible that some will be served by some of Germany's many small short-line style operators as has happened in the past when DB has ceased serving freight customers.

DB Cargo has set itself a target of growing at 1% faster than the overall market per year from 2018, and says it also needs to "enormously improve" both productivity and quality.

DB reported in March an overall loss of €1.3bn - its first loss since 2003 - despite a 1.9% overall increase in group revenues to €40.5bn.

The underlying cause was the poor performance of its rail freight business, especially in Germany.

Despite a 1.4% overall increase in freight tonne-km in Germany during 2015, DB Cargo suffered a 4.3% drop in tonne-km to 98 billion and saw its freight revenue drop by 8-10%.

DB has previously admitted that many of its customers switched to competitors during the series of strikes in 2014-15 and have now signed long-term contracts with those operators.

DB says that the strikes cost it €360m in total revenue and €300m in overall Ebit profit.

(from: railjournal.com, May 19th 2016)

INTERMODAL TRANSPORT

HUPAC UPBEAT ON GOTTHARD

Hupac looks forward to the opening of the new Gotthard Base Tunnel at the end of this year and other infrastructure improvements.

Swiss combined transport operator Hupac ended the 2015 financial year with a slight increase in volume.

The results were impacted by the change in the CHF/€ exchange rate.

Hupac's 2016-2020 strategy includes investments for the Gotthard flat track and to enter new segments and new geographic markets.

In the 2015 financial year, Hupac increased transport volume 0.2%.

The volume in transalpine transports through Switzerland was down by 0.6%, while non-transalpine traffic increased by 5.9%.

Group profit for the year fell by 19.7% to just under CHF 6.1M.

The development of the CHF/€ exchange rate and its serious effects on Swiss companies engaged in exports should be noted in relation to this.

Hupac Ltd's revenue declined by 10.3%, while production costs decreased by 11.8%.

This resulted in gross profits of CHF100M, representing a 4.2% decrease from the prior year.

The cash flow of the Hupac Group remained virtually unchanged at CHF41.3M, while capital expenditures in fixed assets rose by 46.3% to CHF24.6M.

Hupac sees great opportunities for combined transport through Switzerland.

The upcoming opening of the Gotthard base tunnel is a "monumental event and will significantly improve the market opportunities on the Gotthard line in the long term.''

Supplemental measures – Ceneri base tunnel, 4m high corridor up to Italy, and expansion of terminal capacity in Italy – will be completed by 2020.

“With our new 2016-2020 strategy, we are setting the course for growth" said Hans-Jörg Bertschi, Chairman of the Board of Hupac Ltd., at the presentation of the company’s annual results to the media in Zurich.

“In the coming years, we will prepare for the flat track via the Gotthard.

With respect to the investment programme for the next five years, we have earmarked approximately CHF280M for terminals, rolling stock and IT systems.”

The objectives are to win back market share through Switzerland and to acquire new business, especially in the trailer transport and consumer goods segments.

At the same time, the company is developing it geographic scope.

In the Russian market, Hupac will continue its growth strategy with its own rolling stock for Russian broad gauge track.

In early 2016 a branch was opened in Shanghai for the market in China.

Other target markets are southeast Europe with transports to Turkey, the Iberian Peninsula and France.

The Gotthard base tunnel, due to open this December, provides ''quick wins for modal shift.''

The first test runs with Hupac trains have been successful.

Day-to-day operations will benefit in many respects:

- More reliable routes regardless of weather conditions
- Decrease of the route distance by 30 kms
- Fewer stops to change locomotives and to use bank engines
- Lower energy consumption
- Less rolling stock maintenance due to the elimination of the mountain route

- New operating concept with ETCS for greater timetable stability and punctuality

- Sufficient capacity for future growth.

By the end of 2020, the Ceneri base tunnel and the 4-meter corridor between Basel and northern Italy will be completed.

"With improved production parameters, such as a 750m train length, profiles up to 4m in height and a train weight of up to 1600t with one locomotive, we are able to produce more efficiently and thus compensate the reduction in operating subsidies,'' said Hupac Managing Director Bernhard Kunz.

First, however, the sector has to get ready for several years of intensive construction.

The greatest challenge is a 6-month total closure of the Luino line in 2017.

"We are currently working with our partners among the infrastructure operators and railway companies to develop alternatives and detours so that the infrastructures of the future can be built with a minimum impact on today's operational activities."

In late 2015 Hupac successfully completed the programme imposed by the Federal Office of Transport regarding the reduction of noise generated by freight wagons.

As a result, Hupac is the only company in Europe with an entire low-noise fleet of around 5000 wagons.

In 2015 Hupac started operating a first series of pocket wagons with disc brakes.

This new technology allows a further decrease in noise level of around 3 dB.

(from: worldcargonews.com, May 15th 2016)

TRANSPORT & ENVIRONMENT

INDUSTRY LASHES OUT AT 'POPULIST' EU BIOFUELS POLICY

The recent confirmation that the European Union will no longer have a target for biofuels in transport after 2020 is sending shockwaves across the industry, which lashed out at the bloc's "populist" policies at a Brussels event this week.

"There is no silver bullet" when it comes to reducing carbon dioxide emissions from the transport sector, according to the European Commission, which will outline policy options in a "communication" on the topic in June or July.

"It will assess the different options in a holistic manner," said Bernd Kuepker, an official at the Commission's energy directorate who was speaking on Wednesday (11 May) at an event hosted by the Bavarian representation to the EU.

"So it will look at all the different options" including fuel efficiency, the promotion of electric vehicles, and "the shift to advanced renewable fuels," said Kuepker, who is in charge of renewable energies at DG energy.

Officials confirmed last week that EU regulations requiring member states to use "at least 10%" renewable energy in transport will be scrapped after 2020, effectively dropping a mandate for using biofuels in transport beyond that date.

'No real alternative' to 1st generation biofuels

That news is having a chilling effect on biofuel makers, who warned they need regulatory certainty to invest in so-called second generation biofuels that do not compete with food crops.

"We will not invest in any advanced technology unless we are sure that the regulation will stay at least for a period of five to ten years," said Jörg Jacob, CEO of German Biofuels, a company producing biodiesel from rapeseed oils.

"There is no real alternative today to the first generation biofuels which we are producing," he said at the event.

"There will be in the future – in ten or fifteen years – if the preconditions can be achieved.

But up to now, we have a functioning system of biofuels and we should not endanger them by regulations or by political discussions like ILUC," he stated, referring to the ongoing controversy surrounding the indirect land use change of biofuels.

Discussions about land displacement and food scarcity caused by biofuels are driven more by "ideology" or "populism" rather than science, he added, lashing out at the EU's decision to drop its biofuels target after 2020.

An EU directive on ILUC adopted last year limits to 7% the use of harmful biofuels which compete with crops grown on agricultural land.

It also sets an indicative 0.5% target for second generation biofuels, whose contribution would count double towards the 10% renewable energy target for transport for 2020.

But the distinction between first and second generation biofuels is unhelpful, according to Alexander Knebel, a spokesperson for the German renewable energies agency, who was speaking at the Brussels event.

"There are rather transitions, I would argue," he said.

Citing biogas as an example, Knebel underlined that "the process of methanisation also lends itself to other raw materials" which can all be used in transport.

His view was echoed by Robert Götz, head of renewable energies at the Bavarian ministry of economic affairs, who said the controversy surrounding biofuels' contribution to deforestation or food scarcity was a distraction.

"In our opinion, there are not yet convincing scientific proof" that biofuels contribute to displacement of food crops for fuel production, Götz said, referring to Indirect Land Use Change, or ILUC.

"It's a theoretical debate that distracts us from the actual need to take action now," he claimed.

Götz said it was crucial to continue research on more sustainable second generation biofuels and bring them to market as quickly as possible.

"But conventional and advanced biofuels are not in competition to each other," he said, adding "we cannot afford waiting for future fuels" to decarbonise the transport sector.

"We need to use any kind of sustainable form of energy – whether electricity, conventional or advanced biofuels".

Trucking, aviation and shipping

Biofuels are seen as a promising alternative to diesel particularly in the trucking sector, where electrification is still a distant prospect.

"To achieve CO2 reductions there, biofuels will still play a role," said Nienke Smeets, an official from the Dutch ministry for infrastructure and the environment who was speaking at the event.

Member states "can do a lot" to reduce transport emissions at the national level, Smeets said, mentioning tax incentives and subsidies.

"But there are a few things we need at EU level," she added, mentioning "clarity on biofuels legislation post-2020" as "absolutely essential".

"We need strict CO2 limits for cars in order to get zero emission vehicles on the market.

And we also need them for trucks," Smeets said.

In the Netherlands, the government has passed legislation requiring all new passenger cars to be zero emissions as of 2035, she explained, which means switching to electric mobility for light duty vehicles by that date.

"But we know that for trucks, LNG is a more likely option," alongside biofuels and hybrid electric solutions, Smeets said, adding hydrogen could also be an option for the longer term.

"For aviation and shipping, we also see a potential for biofuels because there are not that many other options to decarbonise."

(from: euractiv.com, May 13th 2016)

LAW & REGULATION

FEARS FOR SUPPLY CHAINS AS ASIAN SHIPPERS SEEM UNPREPARED FOR CONTAINER WEIGHT DEADLINE

Asian exporters unprepared for SOLAS Verified Gross Mass (VGM) regulations could force carriers to blank sailings, while some shippers have hinted they will cheat on weight declarations.

A major east-west shipping line told The Loadstar a lack of shipper urgency on new container weight rules may cause serious supply chain disruption.

"Even receivers in overseas areas think that they are not really impacted, however they often fail to check whether their suppliers in Asia are actually prepared.

Failure to do so could seriously upset their supply chains, as non-VGM compliant cargo will not be loaded," said a Hong Kong-based carrier executive.

He added: "If this happens on a large scale, sailings might need to be blanked."

With less than 50 days until the 1 July deadline, the carrier source said customers were questioning how various countries will monitor and enforce the weight verification rules.

"Some shippers have asked how often boxes are weighed to check the VGM is correct, which might hint that some could try their luck with their declarations," he said.

The source also raised the issue of boxes exported from Asia before the SOLAS deadline and subsequently transhipped to a second vessel after 1 July without a VGM.

"For cargo that leaves end of May from Asia for a feeder port in Europe, this should already be subject to the new rules, as these units may go onto a second ship in Europe after July 1.

I believe that it will be tough for all shippers to have all procedures in place by 1 July – but this is not because there was not enough notice."

However, guidance by relevant authorities on implementation and enforcement is severely lacking.

According to shipping software firm CargoSmart, only 18 out of 162 SOLAS countries have published guidelines or discussion papers on container weight rules.

"The wide variation of the rules in different countries, and the unclear guidelines in some, may cause confusion to shippers," said Lionel Louie, CargoSmart's chief commercial officer.

He added that out of the 18 countries with published guidelines, only seven are in Asia where the majority of global export containers originate.

"It is not only the shippers, but also the Asian countries that are not well prepared for the new SOLAS rule," he said.

China is one of the seven Asian countries with published guidelines.

The Maritime Safety Administration (MSA) says it will perform random spot-checks on export containers, with any breaches of the maximum allowable weight discrepancy between the VGM declared by the shipper and that obtained by the MSA resulting in vessels not being permitted to sail until the error is rectified.

Shippers must ensure their declared VGM falls within plus/minus 5% or one tonne, whichever is less, of the weight obtained by the MSA.

China's MSA guidelines also advise that shippers adopting SOLAS weighing Method 2 – whereby a container's tare weight is added to the accumulative weight of the cargo and packaging inside to create a VGM – should establish internal processes to ensure their weight declarations fall within the required accuracy standards, including standard operating procedures with external suppliers and proper training for staff involved in the weighing process.

Most Asian exporters are likely to opt for Method 2 due to cost considerations and the availability of weighing services at ports and terminals, according to CargoSmart's Mr Louie.

"There is extra cost if shippers have to weigh the container through service providers or at terminals.

Besides, most of the terminals in Asia are lacking weighing facilities, which makes Method 1 a less-preferred option," he said.

For its part, CargoSmart is working closely with ocean carriers and terminal operators to assist shippers with their VGM submission method and timing, an area of SOLAS implementation many observers see as being key to avoiding supply chain disruption.

(from: theloadstar.co.uk, May 16th 2016)

SHIPPERS STILL UNCLEAR ON CONTAINER WEIGHING METHODS

International shippers remain unclear about how to comply with new container weight verification rules that come into force from 1 July, want quality standards to support the necessary processes, and need governments around the world to publish their guidance "as soon as possible", representatives said this week.

Implementation of the new container weight verification rules was discussed at this week's meeting of the International Maritime Organisation (IMO) – the organisation responsible for the amendments to its Safety of Life at Sea (SOLAS) convention – where the Global Shippers' Forum (GSF) highlighted the need for countries to work together to solve a number of still-unresolved issues.

The requirement to verify the gross mass of a loaded container (VGM) prior to loading will become legally binding on 1 July 2016, and two methods of weighing have been outlined.

Speaking on a panel with colleagues from the World Shipping Council and freight insurance and risk-management specialist TT Club, GSF head of policy Alex Veitch focused on 'Method 2', which involves adding together the weight of all individual items and packaging, rather than 'Method 1' - weighing the packed container using certified and calibrated equipment.

Using 'Method 2', shippers are permitted to calculate the gross mass of the items and packaging rather than weighing them individually provided they are using an audit system authorised by the national government of the country in which they are operating, thus saving time and money.

However, as the deadline approaches for the implementation of the new rules, Veitch said international companies were finding it challenging to establish the requirements for 'Method 2'.

In addition, where guidance is available, some countries are using slightly different approaches.

GSF urged member states to use international standards as far as possible for their 'Method 2' audit authorisation process, such as ISO 9001 or similar quality management standards.

This will enable businesses to produce accurate container weight information with minimal impact on trade, GSF argued.

In the longer term, GSF encouraged member states to consider mutual recognition of each other's 'Method 2' authorisation, similar in principle to bilateral arrangements between countries on customs issues.

Veitch said: "International shippers prefer to use international quality management standards as far as possible, to ensure all their sites around the world meet regulated requirements.

We urge governments to publish their guidance for Container Weight Verification as soon as possible and to consider the use of ISO 9001 or similar standards in their 'Method 2' requirements."

The debates come as shippers in the US continue to argue for different methods to be allowed for the establishment of the weight of a laden container.

The Agriculture Transportation Coalition (AgTC) has proposed that shippers should only be responsible for supplying the net weight of goods inside a packed container, and that carriers should then add the tare weight of the container they provide to ascertain the verified gross mass of the container.

The IMO's amendments to SOLAS call for the shipper or its agents to verify the gross mass of the container, either by weighing the packed container using certified equipment, or by adding the tare weight to the calculated weight of all goods and packaging.

But AgTC argues that the tare weight of the container is not within its shipper members' control and therefore shippers should not be responsible for calculating and verifying the weight of the container, Lloyd's List reports.

Earlier this month, the US Coast Guard issued a "declaration of equivalency", stating the US would consider a number of methods to submit combined cargo and container weight.

This has frustrated international regulators that complain, privately, that this late US intervention has introduced uncertainty for all concerned, despite the fact that the USCG was intimately involved in the development of the IMO's amendments to SOLAS and accepted its guidance.

The event yesterday at the IMO in London was organised by The International Cargo Handling Coordination Association (ICHCA), with container line representative body the World Shipping Council also on the panel.

GSF, TT Club, WSC, and ICHCA have jointly published an international FAQ (frequently asked questions) document on Container Weight Verification, which is available from the GSF website.

Created in 2006 as the successor to the Tripartite Shippers' Group, the GSF represents the interests of various national and regional shippers' organisations in Asia, Europe, North and South America and Africa.

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

PROGRESS & TECHNOLOGY

TECHNOLOGY 'SET TO TRANSFORM WAREHOUSING'

Fully automated, 'robotized' warehouses using robots to pick products at piece level will come sooner than many people think and will transform warehousing, according to innovation experts speaking at a seminar on disruptive innovation at this year's Multimodal event in Birmingham, UK.

Responding to a question from Lloyd's Loading List, Will Whitehorn, whose roles have included chair of the innovation implementation initiative Transport Systems Catapult, as well as a board member of transport company Stagecoach, said that with any disruptive innovation, some of the implications are impossible to forsee.

But he said removing people from the warehouse opened the possibility to radically transform their use, for example by removing certain health and safety requirements or the need for them to be maintained at room temperature.

He said you could change the way the space would work, for example the size or spacing of aisles, and you could get much more from the same warehouse space.

He also believed that 'laser printing' or '3D-printing', within 10 years, will mean all but the most complex products could be made at the destination site rather than needing to be transported and stored, with warehouses becoming mainly used for items that could not be reproduced artificially, such as food products – or, potentially, as sites where 3D-printing could take place.

"By taking humans out of warehouses, we can completely change the types of warehouse being operated, and if you combine that with 3D printing – which is already being used in industries such as aviation, where airlines are 3D printing spare parts at airports rather than storing them in DCs – then you are going to see a completely different type of warehouse in operation," he said.

Dominic Regan, from technology firm Oracle, said that commodity warehouses had been becoming automated for years, but full automation was the obvious next stage.

That technology was only just now becoming available.

But he disagreed with Whitehorn that most non-organic products will become printable, arguing that that warehouses will continue to be a place to store consolidated items produced more efficiently elsewhere.

"The warehouse will still be doing that role of broker between supplier and customer," he said.

Peter Ward, CEO of the UK Warehouse Association (UKWA) told Lloyd's Loading List that there were already fully automated "dark" warehouses, but these were for moving products in and out at pallet level.

The challenge of moving from this to the far more complex issues of automating storage and retrieval at piece level had not yet been solved, although Amazon has been pioneering the use of 'Kiva' robots to help pick products.

Whitehorn said one dramatic change would come thanks to new more-powerful batteries that will make electric vehicles far more widespread.

"At Stagecoach, we are looking at an electric bus that can operate for an entire day on just a single charge – that sort of technology is going to have a huge effect," he added.

Most speakers and delegates expected that fully autonomous vehicles would become available within five years, although Whitehorn said logistical and regulatory challenges meant that 10 years was a more-likely time horizon for fully autonomous road freight vehicles.

Several speakers agreed that e-retail's increasing demand for faster deliveries to consumers meant a trend would continue towards smaller distribution centres that were located closer to population centres, rather than in massive central national or regional distribution centres.

This created challenges both in terms of land availability and costs that would likely lead to more warehouses that were thinner, longer and taller.

Long, thin warehouses made it easier to get products in and out of the warehouse via vehicles more quickly, Whitehorn explained.

In general, speakers said driverless vehicles, 3D-printing, robots operating warehouses, and new forms of energy were likely to change supply chains more dramatically than ever before.

Whitehorn said these factors would not only change the way supply chains are managed, but also how infrastructure itself is used.

“Robotics and autonomous vehicles will also change the way we use road and rail networks,” he added.

In terms of energy, the move away from the use of fossil fuels would also represent one of the largest shifts in modern history, as oil producing companies come under increasing pressure from new types of fuel, as well as the increasing ease of extracting oil via new technologies.

Meanwhile, Peter Louden, chief operating officer of e-commerce parcel fulfilment provider Doddle, explained how the rate of technological change was outstripping a company that was only three years old, but has already developed a network of parcel stations at sites around the UK.

He said his company had been forced to “disrupt itself”.

He told delegates: “When we set up our first shops we were putting in expensive touch-screens for example, but when we wanted to set up Doddle Neighbour we realised we could do that by providing the whole store on a mobile phone so that people could set up a parcel shop in their front room – e-commerce is far outgunning every other development.”

That growth was also catching out retailers, who were already struggling at integrating concepts such as goods returns into their ‘omni-channel’ supply chains without incurring huge losses.

“Click and collect has been almost traded out of shops by the explosion in demand, so we have a lot of retailers asking if we can sell them our technology,” Louden added.

(from: lloydsloadinglist.com, May 23rd 2016)

STUDIES & RESEARCH

BREXIT AND SHIPPING

"Brexit" is the notion that the United Kingdom would leave the European Union.

What would be the impact of Brexit on the shipping sector?

Introduction

On 23 June 2016, voters in the UK and Gibraltar will vote on whether the UK should leave the EU.

Almost no one living in the UK today under the age of 50 years has any real sense of what it is like for the UK to operate outside the EU.

Over 43 years of EU provisions, policy and philosophy have been grafted onto, or embedded into, UK law.

The closest analogy is a colony gaining independence and deciding what it wants to do, or not do, with the law and institutions of the departing power.

While a great deal of the focus of the debate to date has been on what will happen on voting day – on whether the proposition will be carried or defeated – in reality, the focus needs to be on what would happen after 23 June 2016 if there was a vote to leave.

Significance of shipping in the UK and the EU

Shipping is extremely important to the EU.

In 2014, more than 51.5% of EU external freight trade by value was transported by sea.

More than 400 million people are transported by sea from EU ports annually.

The EU's 22 coastal Member States have more than 1,200 seaports offering direct employment to around 110,000 people and providing indirect support to around three million more.

Almost 90 per cent of the EU's external trade by volume is facilitated by seaports, as are 40 per cent of freight exchanges between member states.

The EU's seaports are the gateway for two-thirds of all goods which are imported by more than 60,000 cargo ships from non-EU countries.

Over 3.8 billion tonnes of cargo are handled in these ports annually.

Shipping is also extremely important to the UK.

The sector contributes around €12 billion annually to the UK economy.

Around 240,000 people are employed in the sector in the UK.

The UK is one of the top 10 ship owning nations according to UNCTAD with about 3% of the world tonnage.

Bringing the two strands together – the importance of shipping to the EU and to the UK – leads to some important conclusions.

The rest of the EU is the UK's biggest trading partner.

Almost half of the UK's imports are from the rest of the EU (53%) and almost half of the UK's exports are to the rest of the EU (45%).

It is believed that several million jobs in the UK are linked to trade with the rest of the EU and the most common estimate is that there around three million people employed in this context

No-one can suggest realistically that trade between the UK and the EU would stop if the UK left the EU but the terms of the trade would change.

EU law and shipping

Since the early 1970s – but particularly since the mid-1980s – the EU has become involved in the shipping sector.

Over time, an enormous volume of law has been adopted – regulations, directives and decisions as well as case law.

If the UK were to leave the EU then the logical question would be as to what would happen to that law vis-à-vis the UK.

Answering that question is not simple given that it is not yet known whether the UK will vote to leave and, if it does vote to leave, what arrangements would be put in place to replace the current ones.

It is possible that some of the legislation will remain in place (for example, because it is already part of UK law (such as where a directive has been implemented) or because the UK has opted into that piece of legislation) or it may simply disappear from the UK legislative environment.

Indeed, if the EU legislation is retained by the UK, it may be somewhat "frozen" in time if amendments or interpretations by the courts are not also taken on board.

There is little doubt that EU shipping law and UK shipping law would diverge in a post-Brexit environment but it is not yet clear (and would not be for some time) as to the extent of that divergence.

So what could happen if the UK were to leave the EU?

It is clear that trade between the UK and the EU would continue but what would differ would be the terms on which that trade would occur.

Today, the UK is part of the "internal market" and there are, for the very most part, no barriers to trade among the 28 Member States (whether those barriers are, for example, physical, technical or fiscal) and there is a common external customs tariff vis-á-vis the rest of the world.

It is meant to be as convenient to trade between Liverpool and Lisbon as it would be to trade between Liverpool and Leeds.

If the UK leaves the EU then trade will become more difficult – the degree of difficulty depends on the arrangements concluded between the UK and the EU post-Brexit.

The campaigners for Brexit are probably correct in saying that there will be trade agreements between the EU and a Brexited UK but the difficulties involved and the time such arrangements would take to adopt should not be underestimated.

The EU-India Bilateral Trade and Investment Agreement negotiations commenced in 2007 (nine years ago) and are stalled since March 2015.

The Economic and Trade Agreement (CETA) agreement between Canada and the EU is a mammoth exercise.

Work on it commenced in October 2008.

The launch of negotiations was announced in 2009.

An agreement in principle was signed in 2013.

The negotiations were concluded in 2014.

The 1,634 page agreement has to be translated into 24 EU languages and ratification has been an on-going process.

In regard to the EU-US "Transatlantic Trade and Investment Partnership" ("TTIP"), the negotiations are currently in their 13th round!

The Chairman of Lloyd's of London, John Nelson, is reported as saying that it would be "fantasy" to think that bilateral negotiations on trade agreements would be simple and he also said that it would take "many, many years" to negotiate such arrangements.

Clearly, there would be trade agreements to be negotiated – not only between the UK and the EU but between the UK and all the States with which the EU has a plethora of arrangements with various countries worldwide.

So, it is not just a matter of negotiating a single trade agreement, it would be a matter of negotiating a range of agreements.

Not only would many trade agreements have to be concluded but there would also be uncertainty arising from Brexit itself which would impact on trade.

Examples of that uncertainty would be currency volatility which has already commenced and may continue further.

There is also no guarantee that the Member States which remain would not seek to either strengthen their own position in the event of a Brexit or even punish the UK so as to deter others from leaving.

Guy Platten, the Chief Executive of the UK's Chamber of Shipping has said: "no one has left the European Union before, and the EU may seek to 'punish' the UK for leaving, in order to discourage others from leaving too.

The Brexit negotiations are unlikely to be quick or easy".

Examples of legal issues which would arise if Brexit were to occur

It is impossible to enumerate every legal issue.

So a sample of the issues illustrates the point.

If a contract was predicated upon continued membership of the EU or was dependent on the exercise of EU freedoms (e.g., the operation of cabotage services) then the contract may become frustrated by Brexit occurring.

There could also be challenges to the successful operation of contracts caused by volatile currency movements.

EU competition law would continue to apply to UK shipping undertakings (i.e., businesses) whenever their activities had an effect on trade between EU Member States (an easy threshold to meet in practice).

Therefore, UK businesses would not be able to escape from the application of EU competition law.

Indeed, many of the UK's own substantive competition law rules are the same as the EU's own substantive rules so it is quite likely that the competition law environment might not change too much in that respect.

However, compliance costs could rise for business because it might not be possible to avail of the EU's Merger Control Regulation regime.

Equally, businesses could be fined not only at the UK but also the EU level rather than, as is more common now, being fined only at only one level.

Conversely, the EU's State aid rules may well not apply to the UK in the event of a Brexit so there could be greater freedom for the UK to provide assistance to UK shipping interests but that would be subject to international trade law and the EU's so-called dumping laws which apply to non-Member States providing assistance which damage EU interests.

Ultimately, there is little doubt that competition law regime in a Brexited UK and an EU without the UK would become more complex and complicated leading to higher compliance costs and greater uncertainty for those in the shipping sector.

The rules on freedom to provide services/cabotage may well not apply to UK entities if the UK were to leave the EU unless there was some special agreement concluded which may well prove difficult.

A Brexited UK could impose different sanctions on third States than the EU would impose.

This may mean some inconsistency and divergence in terms of making compliance more complicated.

In regard to employment law, it is very likely that the employment rights of seafarers would be best protected by remaining part of the EU (and that view has been advocated by the trade union Nautilus International) but supporters of Brexit would say that reduced compliance costs would help make UK shipping more competitive.

EU environmental law would probably still remain, in practiced terms, because the EU would simply apply their rules to vessels plying in EU waters irrespective of their flag or ownership.

An area of considerable uncertainty would be in the area of litigation where many judgments and arbitral awards within the EU are easily recognised and enforced within the EU because of the EU's rules governing such matters (e.g., the so-called "Brussels Regulation").

There is no doubt that UK businesses would find it more difficult to have judgments and awards in their favour recognised and enforced within the EU were the UK to be outside (unless special arrangements could be negotiated which would prove very difficult).

More uncertainty?

There is already considerable uncertainty in the run up to the referendum on 23 June 2016.

If the UK votes to leave the EU then there would be, under Article 50 of the Treaty on the European Union, a prolonged period of negotiation on the terms of its departure.

Not only would there be that period of uncertainty but there could even be a second referendum on whether or not the UK should accept the terms of the "Withdrawal Treaty".

One could see the "Britremain" supporters arguing that the precise terms of the withdrawal – which were not known on 23 June 2016 – should be put to the electorate. All of this means that the uncertainty which currently exists could well be prolonged in the event of a Brexit vote and there could even be two Brexit referendums!

(from: hellenicshippingnews.com, May 12th 2016)

REEFER

COMPETITION AMONG US EAST COAST PORTS FOR PERISHABLES HEATS UP AS FACILITIES INCREASE COLD STORAGE SPACE

A new cold storage facility will open at the US port of Savannah this summer, highlighting the growing competition between east coast ports jostling for South American reefer cargo.

The 100,000sq ft refrigerated storage and cold treatment facility is being built by Georgia-based PortFresh Logistics.

Located 15 miles from Savannah's Garden City container terminal, PortFresh Logistics and Georgia Ports Authority (GPA) hope the facility will help the US east coast gateway improve its position as an entry-point for Latin American perishables.

Brian Kastick, chief executive of PortFresh Logistics, said: "Currently, more than 90% of imported fruits and vegetables entering the US east coast arrive via north-east ports.

That means cargo headed to the south-east must be trucked down, adding time and expense to the logistics supply chain."

The PortFresh facility will increase Savannah's cold storage capacity to 930,000sq ft.

Savannah's Garden City Terminal, the fourth biggest container facility in the US, has 84 refrigerated container racks and 733 chassis plug-ins, powering 2,749 reefer boxes at a time.

Although Savannah trails only Houston and Los Angeles in US export volumes, and boasts the largest throughput of refrigerated poultry exports, it lags behind regional rivals in terms of perishable imports.

To improve its fresh-produce import credentials, GPA took part in the USDA's cold treatment pilot programme.

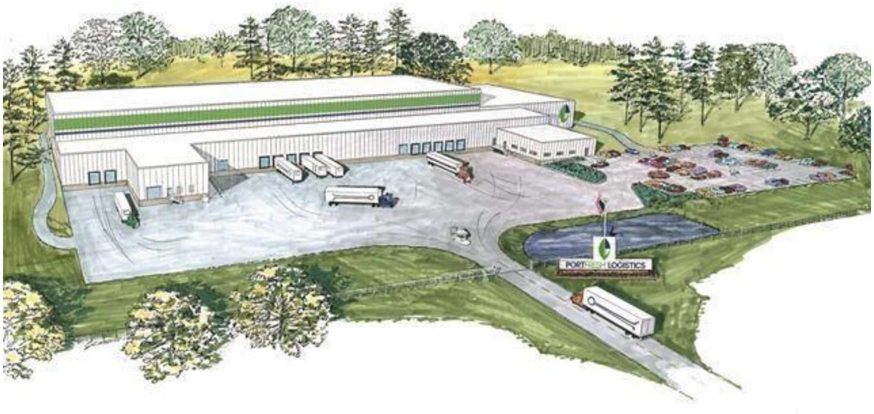
This allowed Savannah to begin importing citrus, grapes and blueberries after chilling them for at least 17 days to protect against fruit flies.

Previously, USDA regulations had required these cargoes to be imported via the colder north-east ports and trucked south, but new reefer technology has made it possible to safeguard against pests and go direct to southern gateways such as Savannah.

GPA says this initiative – coupled with investment in new reefer capacity and Savannah's proximity to growing consumer markets Atlanta, Charlotte, and Memphis – has helped refrigerated imports at the port grow by 24% between 2011 and 2015.

Nearly 140,000 teu of reefer cargo was handled at Savannah in fiscal year 2015, and growth this year is anticipated at 4.5%.Savannah isn't the only US port ramping up its reefer and cold storage capacity.

Hoping to benefit from next month's much-awaited opening of the expanded Panama Canal, there has been a flurry of activity among east and Gulf coast ports hoping to receive bigger ships laden with higher concentrations of reefer cargo.



Houston, Wilmington, Everglades, Miami, Manatee and Jacksonville have all added – or plan to add – significant cold storage capacity, whilst others have dredged harbours and extended quays in the anticipation of serving larger ships.

According to the Panama Canal Authority (ACP), the expansion – which will see the maximum capacity of container vessels transiting the canal nearly triple from 5,000 teu to 14,000 teu – could prompt shipping lines to consolidate reefer services onto larger vessels.

An as an example, ACP says the average vessel capacity currently transiting the canal from South America's west coast to Europe is 3,510 teu, which is likely to increase to 6,500 teu.

Should a similar vessel size increase take place for South American cargo destined for US south-east's population centres, with bigger ships resulting in a higher concentration of perishable imports at fewer ports, some of those ports currently investing in new reefer infrastructure may find themselves scrabbling to hit their projected returns.

(from: theloadstar.co.uk, May 19th 2016)

ON THE CALENDAR

▪ 06/06/16 - 10/06/16	Atene	Posidonia 2016
▪ 09/06/16 - 13/06/16	Sevastopol	SIMBF 2016
▪ 14/06/16 - 16/06/16	Shanghai	Transport Logistic China
▪ 14/06/16 - 16/06/16	Amburgo	TOC Europe 2016
▪ 27/06/16 - 02/07/16	Napoli	Naples Shipping Week
▪ 14/07/16 - 15/07/16	Bangkok	14th Asean Ports & Shipping 2016
▪ 05/09/16 - 07/09/16	Muscat	Middle East Transport and Logistics Exhibition ME TRANSLOG
▪ 06/09/16 - 09/09/16	Amburgo	SMM 2016
▪ 13/09/16 - 16/09/16	Birmingham	IMHX 2016
▪ 14/09/16 - 14/09/16	New York	8th Annual Global Commodities, Energy & Shipping
▪ 15/09/16 - 16/09/16	Accra	4th Annual Africa Port & Rail Expansion Summit
▪ 18/09/16 - 21/09/16	Genova	IUMI Annual Conference 2016
▪ 21/09/16 - 22/09/16	Londra	9th Arctic Shipping Summit
▪ 21/09/16 - 23/09/16	Santa Cruz, Tenerife	Seatrade Cruise Med 2016
▪ 22/09/16 - 23/09/16	Sri Lanka	11th Southern Asia 2016
▪ 30/09/16 - 30/09/16	La Spezia	Italian Cruise Day
▪ 03/10/16 - 06/10/16	La Valletta	Malta Maritime Summit 2016
▪ 05/10/16 - 05/10/16	Londra	9th Annual Shipping, Marine Services & Offshore Forum
▪ 11/10/16 - 14/10/16	Venezia	GreenPort Cruise - GreenPort Congress
▪ 16/10/16 - 18/10/16	Lisbona	World Coal Leaders Network 2016
▪ 17/10/16 - 21/10/16	Paris Le Bourget	Euronaval 2016
▪ 23/10/16 -26/10/16	Abu Dhabi	Breakbulk Middle East 2016
▪ 24/10/16 -24/10/16	Dubai	The Maritime Standard Awards 2016
▪ 25/10/16 - 27/10/16	Copenhagen	Danish Maritime Fair 2016
▪ 25/10/16 - 26/10/16	Abu Dhabi	NATRANS Expo 2016
▪ 26/10/16 - 28/10/16	Abu Dhabi	Overseas Project Cargo Association 3rd Annual
▪ 26/10/16 - 27/10/16	Jeddah	12th Trans Middle East 2016
▪ 02/11/16 - 02/11/16	Londra	6th Annual Shipping & Offshore CSR Forum
▪ 15/11/16 - 17/11/16	Rotterdam	Intermodal Europe 2016
▪ 15/11/16 - 17/11/16	Rotterdam	Transport & Logistics 2016
▪ 16/11/16 - 18/11/16	Istanbul	Logitrans 2016
▪ 17/11/16 - 18/11/16	Mombasa	16th Intermodal Africa 2016
▪ 20/11/16 - 23/11/16	Dubai	3rd International Conference on Coastal Zone Engineering and Management in the Middle East (Arabian Coast 2016)
▪ 23/11/16 - 24/11/16	Budapest	Translog Connect 2016
▪ 23/11/16 - 25/11/16	Jakarta	MARINTEC INDONESIA 2016
▪ 05/12/16 - 07/12/16	Dammam	Saudi Transtec 2016
▪ 07/12/16 - 09/12/16	Guangzhou	INMEX China 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.