Newsletter

September 30th 2016

Link road, rail, sea!

Council Of Intermodal Shipping Consultants

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PORTS AND TERMINALS

THE FATAL BUBBLE GAME OF PORTS AND SHIPPING

It is fairly obvious that ships are not ports.

Yet both are suffering from severe overcapacity.

How did that happen and what is the cure?

First, the shipping and the ports sector overestimated demand.

Not surprising as they hire the same consultants to make the case for more ships and port extensions (consultants that have an interest in this happening, but that is a problem that we will leave for another post).

What is more surprising is their insistence in going ahead with adding capacity when it was clear to the rest of the world that the global economy was in crisis.

The mega containerships were built after the start of the financial crisis.

The mega port expansions in Northern Europe – just to pick one area – took also place after the 2008 financial and economic crisis: Rotterdam's Maasvlakte 2, JadeWeser Port, London Gateway, amongst others.

Second, both the shipping and ports sector ignored that competitors were investing, creating a powerful prisoner's dilemma.

What might have made sense for an individual player, certainly was not sensible if done by all players.

A more cynical mind would call it a pre-meditated strike.

It is one thing to build up a strategic capacity reserve: so, to be ready for good times, considering that you will be too late to fully benefit if you start building in good times.

But the more wicked strategic game is to create overcapacity to push competitors out of the market.

Where shipping has the Triple Es, the ports sector has Maasvlakte 2: both were ahead of the curve, both created a fatal dose of overcapacity that hurts competitors.

A third reason is subsidies and easy money.

This is most obvious for ports that get loans, guarantees and even outright subsidies to expand and be connected to hinterlands.

But also shipping gets its share of taxpayers money, in the form of favourable tax treatments, exemptions from social security payments and other support.

In some countries, public money was used to build up generous ship finance schemes, that directly created a ship bubble.

The result is capital destruction.

Ships are not used, ports are not used, so goodbye to healthy return on investment.

The opportunity costs related to the port bubble are possibly bigger than for ships, as they do not only relate to port infrastructure assets, but also to space, one of the scarcest goods in cities – still the places where most ports are located.

Ships are layed up – so put aside for the time being – or scrapped.

The port equivalent to laying up is empty terminals; and its version of scrapping is waterfront development.

Whatever the form, whatever the specifics, we get what was sowed: death from overcapacity.

(from: shippingtoday.eu, September 16th 2016)

MARITIME TRANSPORT

THE HANJIN LEGACY

The Hanjin bankruptcy came as no surprise as its attempts to restructure and reduce its commitments to the very large number of chartered-in ships failed.

The complexity of the effects of the bankruptcy on its creditors, customers and other shipowners is immense and highlights the weakness of owners chartering ships to companies that don't own or control the cargoes.

Intermediary companies have caused huge problems in the past mainly in the dry-bulk sector, but have been worsened by the Alliance structures that the container operators have formed and endlessly reformed.

Hanjin is the tip of the iceberg for shipping in the container and dry-bulk sectors as they service both ends of the manufacturing chain that is part of the Global Economy which is deeply troubled.

The shipping industry

The financial state of the Shipping Industry continues to decline in most sectors as the Global Economy itself is declining.

The problems the Industry faces have been created by the shipping companies, both public and private, grossly over-ordering new ships in the false belief that the Global Economy would continue to grow at the rates seen in the last decade.

The reality is the opposite and most of the new ships were delivered into a stagnant economy that has continued to decline.

Shipping continues to carry more than 90% of physical World Trade but as this has declined so have the freight rates of the ships that carry the Trade.

There is a chronic over-supply of ships in many sectors and the average age is historically low.

Most companies, whose ships do not have period charters with cargo owners, are now faced with freight income from the spot markets that barely cover ship operating expenses.

Debt service is not being covered and cash reserves for future maintenance and dry docking are also not being funded.

Neither are the new requirements including Ballast Water and Cleaner Fuel systems.

Charterers and cargo owners need to respond to these issues and at least pay freight rates enabling shipowners to operate safe ships maintained properly with experienced crew.

It is patently ridiculous for cargo owners to charter ships from the spot markets that are creating insolvency and bankruptcy amongst shipowners.

It is also absurd that shipowners should accept the low rates that don't cover the costs of operating the ships when they know from past experience that cargo owners can afford to pay more.

Ship managers should not be forced to lower standards or reduce quality or safety and investors are ill-advised to push for cost reductions in these essential areas.

The present over-supply of ships will continue throughout this decade and into the next one until ship recycling removes the surpluses and shipyards resist the temptation to over-build again.

With the demise of most shipping banks, facing huge losses from their careless lending in the recent past, new debt will be very difficult to find.

Also the new investors, comprised mostly of Private Equity, Hedge Funds and Venture Capital Funds, now face inevitable losses which cannot be avoided.

Wall Street Investment banks continue to prop up struggling shipping companies with expensive debt that takes priority security and further undermines the existing equity and debt, but enables the company to pay the legal and bank fees.

There will be further collapses in the container sector as some companies that falsely believe "bigger is better", have incurred huge debts and are losing money.

The rush to build super-sized container ships is a disaster, as there are not enough cargoes available to fill them and they have even fewer back-haul cargoes.

The previously large ships have been cascaded down into the feeder trades, for which they are too large, and numerous smaller ships await the scrapyard.

The depth of the Global Economic slowdown is clearly evident in Asia.

From China to Korea, Vietnam into the Philippines and even into Japan the slowdown in the economies of the USA and Europe and the ongoing wars in the Middle East, have reduced the demand for manufactured goods and with it the demand for ships on both sides of the manufacturing chain.

Many of the new investors that have come into shipping in recent years had no understanding of the workings of the shipping industry but were simply focused on the false belief that ship values would rise, and they would make large profits quickly.

Most of the publicly traded companies they invested in are now barely solvent and have no hope of generating profits from either their operations or the sale of ships.

Faced with the inevitability that many of the shipping markets will not improve the struggling companies should sell all their ships and close down their operations.

(from: hellenicshippingnews.com, September 22nd 2016)

RAIL TRANSPORT

RAIL PRESSURE GROUP CALLS FOR LONGER FREIGHT TRAINS

The managing director of Germany's Pro-Rail Alliance, Mr Dirk Flege, has called for politicians to act on upgrading Germany's rail network to accept 740m-long 35-wagon freight trains, which is supposed to become the standard in Europe.

"The tasks are clearly defined: the federal transport ministry should quickly conclude its evaluation process for the 740m network, which has now finally begun, thus enabling the federal parliament to debate the relevant legislation in October," Flege says.

Flege estimates that the 66 upgrade measures identified by Germany's infrastructure manager DB Networks will only cost between €200m and €300m.

"The measures will greatly benefit the economy and the environment and are not difficult to implement," Flege says.

"It often only involves moving signals and extending passing loops."

Only 11% of freight trains in Germany are longer than 700m, while 64% are less than 600m long.

"Upgrading the network for longer freight trains would also be an efficiency boost," says the chairman of DB Cargo, Mr Jürgen Wilder.

"The length of the train is our most effective lever for lowering the unit cost in rail freight transport, as was demonstrated by our pilot project for longer freight trains on the Maschen (Hamburg) - Padborg route."

"Longer freight trains are already operating in neighbouring countries," Flege says.

"Denmark has trains with a length of 835m, and France is planning freight trains measuring 1000m from 2018."

But trains often have to be reduced in length when they reach the German border which increases operating costs and reduces network capacity.

Mr Michail Stahlhut, chairman of SBB Cargo International, also wants train lengths to be increased.

"Because the new Gotthard tunnel is built for 750m trains, we can transport around 30% more freight using the same number of trains," Stahlhut says.

"The Gotthard tunnel is a massive opportunity for Europe's rail freight sector.

Italy is already making its network fit for 740m trains.

In the German government's current infrastructure plan, a decision on long freight trains has surprisingly been put on hold."

The European Commission want all routes on Europe's core rail networks to be upgraded to allow 750m freight trains to operate by 2030.

(from: railjournal.com, September 2nd 2016)

TRANSPORT & ENVIRONMENT

EU'S DECARBONISATION PLANS SCRUTINISED BY DIVIDED TRANSPORT INDUSTRY

EU Transport Commissioner Violeta Bulc has to make good on a few promises she made before the summer break.

Bulc published a plan to cut carbon emissions from the transport sector in July that sent a chill through the car industry and perked up the ears of MEPs and environmental NGOs who had been pushing for measures including an EU-wide cap on truck pollution.

In July, Bulc's announcement included a lot of detail that could mean dramatic changes for the transport sector.

The executive will promote cleaner fuels for transport and vehicle types that produce fewer emissions, like electric or fuel cell cars, for example.

Some of the commissioner's ideas will mean major changes for transport companies and will also force regulators to reconsider legislation: Bulc has promoted connected and driverless car technologies as another way to cut emissions, once they're commercially available.

Over the weekend, Bulc spelled out her support for those technologies at the G7 transport ministers' meeting in Japan—in November, she'll publish a detailed plan of how she wants to push them in the EU.

60% emissions reduction by 2050

The Commission had been under pressure to cut emissions from transport for a while.

Five years ago, the executive promised a 60% reduction from the sector by 2050 compared to 1990 levels.

MEPs pointed out that while other areas, like industry and housing, managed to clean up their act, emissions levels from transport—especially from automobiles and aviation—kept climbing.

“The transport sector is nullifying all the efforts that have been done with taxpayer money in other sectors,” German Green MEP Michael Cramer, the chair of the European Parliament’s Transport and Tourism Committee, told EurActiv.com.

Bulc’s plans to slash emissions will come in piece by piece over the next three years.

Next week, she’ll be in Montreal to negotiate for the EU in a meeting of ICAO, a UN body, focused on limiting emissions from aviation.

Many campaigners reacted positively to the commissioner’s decarbonisation agenda on the whole, although some criticised the plans back in July for being too soft on policing aviation emissions.

Other industries have piped up since the commissioner presented her plans to tout the progress they’ve made to use less fuel or produce fewer emissions.

The car industry had lobbied against one of the bombshell’s in the July announcement: a first-ever binding limit on emissions from trucks across the EU.

Bulc said she would propose the new standard for trucks by the end of her mandate in 2019.

Other countries outside the EU, including the US, Canada and Japan, already have binding standards for trucks.

Calls for ‘balanced approach’

When Bulc went public with her plans, car industry association ACEA called for a “more balanced approach” that doesn’t put too much of the emission-cutting burden on road transport while going easy on other modes of transport.

ACEA secretary general Erik Jonnaert called the Commission’s decarbonisation agenda “very ambitious” but insisted the industry would “do its part to continue reducing CO2 emissions across its entire portfolio, which includes passenger cars, vans, trucks and buses”.

To varying degrees, the different industries of the transport sector—road transport, rail, aviation and maritime—compete with each other for shipping and passenger traffic.

Each of those corners is waiting eagerly for more details and the first proposals to come out of Bulc's plans—for some, big business is at stake.

The Commission's decarbonisation strategy specifies that policymakers will have an eye towards "incentivising a shift towards lower emission transport modes such as inland waterways, short-sea shipping and rail."

Upcoming EU rules to overhaul how the rail sector works should "make rail more competitive and attractive for both passengers and freight," according to the strategy.

That won't make everyone happy in the transport sector.

Bulc will give a recorded keynote tomorrow (27 September) at a Brussels conference, where companies from different transport industries will gather to mull over the decarbonisation initiative.

Road freight bracing for change

The road freight industry—which now outweighs shipping on rail or any other mode of transport in Europe—is bracing itself for changes.

The sector will be hit with a new set of rules early next year, when Bulc proposes changes including an overhaul of how trucks are tolled and new measures to rein in how truckers can work when driving between EU countries.

MEPs have asked the Commission to consider a tolling system that would encourage cleaner trucks by charging them according to their CO2 emissions levels or energy efficiency.

Currently, railways and automobiles are tolled very differently.

Michael Cramer called the large gaps between the tolling systems "unfair competition".

"One hundred percent of the rail network is tolled and only one percent of the road network," he said.

(from: euractiv.com, September 26th 2016)

INDUSTRY

OUTLOOK FOR PANAMAX OWNERS EVEN DARKER AS YOUNGEST EVER BOXSHIP IS SCRAPPED

The 4,546 teu 2006-built Viktoria Wulff (ex MSC Firenze) has become the youngest containership to be sold for scrap as panamax owners cut their losses and abandon employment hopes in a hopelessly depressed market.

Previously the record for the youngest boxship sold for recycling stood at 13 years old.

The 10-year-old Viktoria Wulff, built at Gdynia, had been chartered by MSC and deployed on the carrier's Asia-Australasia services.

Brokers report that its German owners obtained $303 per LDT from breakers for the vessel "as is Shanghai" – ie, from the port where the ship is sold.

According to Alphaliner data, on 5 September there were 85 'classic' Panamax ships of 4,000-5,100 teu idled, most in 'hot lay-up' seeking employment on the spot market.

But the laid-up fleet is likely to be swelled by around 25 more Panamax vessels operated by bankrupt Hanjin Shipping, once they have been discharged and returned to owners or repossessed by lenders.

Charter rates for Panamax ships have weakened further in the past month and are now at about $4,500 a day, compared with almost $15,000 in January 2015 – that is if employment can be found at all.

The opening of the expanded Panama Canal in June and the upsizing by carriers of ships using the waterway was the final nail in the coffin for the former workhorses of the transpacific trade lanes, and the influx of ex-Hanjin Panamax ships will surely weaken the sector further.

A South Korean bankruptcy court yesterday ordered Hanjin to return ships it charters back to the owners, and to sell as many of its own ships as it can.

The move has been interpreted as a sign that Hanjin will either disappear altogether or become a much smaller company.

Market conditions have strengthened operators' position.

One container broker told The Loadstar this week that charterers were demanding "positioning" and "very flexible options".

He said: "The owners have no alternative; they don't like it, but if they want a contribution to their operating costs they have to bend over backwards for the charterer."

The dire situation for non-operating owners of panamax containerships has resulted in Singapore-based Rickmers Maritime Trust facing liquidation as it is unable to service its ship mortgages.

Rickmers owns a fleet of 16 3,450-5,000 teu vessels, only five of which are currently fixed on time charters in excess of 12 months.

Meanwhile, according to data from London shipbroker Braemar ACM, the total slot capacity of containerships demolished or sold for scrap so far this year is fast approaching 500,000 teu.

To date, the number of ships recorded as scrapped has reached 126, for 429,500 teu.

In the whole of 2015, 60 vessels, for 116,500 teu, were sold for recycling.

(from: theloadstar.co.uk, September 20th 2016)

LOGISTICS

RAILWAY BENEFITING FROM HANJIN TRAGEDY

The insolvency of the Korean shipping company Hanjin Shipping has thrown the logistics world into chaos and confusion.

Thousands of containers, ports and retailers worldwide have been affected when the shipping company filed for bankruptcy last week.

Around 80 of the company's cargo ships have either been seized or are stranded at sea.

The aftermath is clearly felt in the logistics industry, even creating an impact on Hellmann Worldwide Logistics.

The company reports an increasing demand for its alternative transcontinental transport, particularly in rail transport.

"We feel that the market is on the move with the Hanjin bankruptcy.

Requests for our rail transport from Asia to Europe have increased significantly, especially from the automotive sector, since the announcement of Hanjin's insolvency.

Just recently, a well-known automotive supplier requested 280 40-foot equivalent units from us," said Vedat Serbet, Product Manager Hellmann Rail Solutions International.

Hellmann, with its product Rail Solutions International, offers a safe solution for transport from Asia to Europe.

As a leading logistics service provider, Hellmann supports its customers in this difficult time and with appropriate advance booking, is able to guarantee full and partial loads (FCL & LCL).

In June of this year, Hellmann extended its rail transport between Asia and Europe through an expanded framework agreement with the Lianyungang port, thus, corroborating the common intention of continuing to promote the international freight transport between Asia and Europe.

The focus is on freight forwarding and logistics services for rail transport from South Korea and Japan via Lianyungang port to Europe, Central Asia, Iran and Turkey.

Hellmann takes these routes for the complete door-to-door transport service for its customers.

A train connection for container transport between Europe and Asia is still considered to be one of the major logistical challenges of the 21st century.

Hellmann Worldwide Logistics manages this task with a weekly, flexible connection by rail between Asia and Europe and back – faster than sea freight and cheaper than air freight.

The Yangtze River Delta as well as the northern, southern and western regions of China can be reached by various hubs in Eastern Europe within 17 days by train via a northern and a southern route.

Together with its partners, Hellmann operates weekly trains to and from China with a capacity of up to forty-one 40-foot containers per departure.

The offer is particularly aimed as transport solutions for LCL and FCL shipments.

Both in Asia and in Europe, Hellmann facilitates the pick-up and delivery of goods within its transport network via rail or truck.

Moreover, the company boosts the efficiency of rail transport through additional services such as customs clearance (in transit countries), cross-docking, HUB and warehouse solutions, and fiscal representations.

The Hanjin bankruptcy underlines the importance of rail solution as a necessary supplement to sea freight.

(from: transportjournal.com/hellmann.net, September 20th 2016)

LAW & REGULATION

EUROPEAN COMMISSION CHALLENGES PUBLIC PRICE ANNOUNCEMENTS BY SHIPPING LINER COMPANIES

In certain circumstances, public price signaling (i.e., unilateral public announcement of future price intentions) may amount to an exchange of sensitive information between competitors in violation of EU competition law.

Use of the internet to make public price announcements to customers can make the same price information accessible to competitors as well, with an inevitable risk of price signaling.

Price signaling – Legal framework

The Commission's 2011 guidelines on horizontal cooperation agreements provide that a genuine public unilateral price announcement in general does not constitute a concerted practice under Article 101 TFEU.

However, the guidelines further provide that the possibility of finding a concerted practice cannot be excluded where the case presents certain specific facts, such as when competitors announce their prices one by one within a short period of time.

Indeed, a public announcement with the possibility of readjustment could be used as a strategic response to a competitor in order to reach a common understanding about the terms of coordination.

The circumstances of the case therefore are of crucial importance when assessing price signaling practices.

Recently the Commission raised concerns about public price announcements when it adopted a commitment decision in the maritime sector where it considered the practice as anti-competitive under Article 101 TFEU.

The Commission's investigation

In 2011 the Commission raided 14 liner shipping companies which had been making regular public announcements of intended price increases for containerised shipping services (known as General Rate Increases, or GRIs).

Through press releases in the specialised trade press and on websites, the GRIs disclosed the intended increase in US dollars per transported container unit, the trade route concerned and the planned date of implementation.

In 2013 the Commission opened formal proceedings against the companies, as it had concerns that:

- The announcements, being made three to five weeks before implementation, gave each carrier the possibility to align its GRIs with those announced by other carriers.

- The companies were able to amend their originally announced increases in reaction to competitors' announcements because the original announcements did not bind the carriers.

- Customers were unable to rely on the announcements because they provided only partial information about prices and were not binding on the carriers.

The Commission considered that this practice might have led to higher prices for container liner shipping services, thereby harming competition and customers.

Announced GRI (General Rate Increase) – Effective May 1st				
Container Type	**20'**	**40'**	**40' HC**	**45'**
U.S. West Coast	$1040.00	$1200.00	$1350.00	$1520.00
U.S. East Coast	$1040.00	$1200.00	$1350.00	$1520.00
U.S. Inland	$1040.00	$1200.00	$1350.00	$1520.00
2Q16 TPEB Bunker Levels – Effective 04/01/16 – 06/30/16				
Container Type	**20'**	**40'**	**40' HC**	**45'**
U.S. West Coast	$205.00	$228.00	$257.00	$289.00
U.S. Inland	$324.00	$360.00	$405.00	$456.00
U.S. East Coast	$386.00	$429.00	$483.00	$543.00
2Q16 TPEB Low Sulphur Levels – Effective 04/01/16 – 06/30/16				
Container Type	**20'**	**40'**	**40'HC**	**45'**
U.S. West Coast	$26.00	$29.00	$33.00	$37.00
U.S. Inland	$26.00	$29.00	$33.00	$37.00
U.S. East Coast	$0.00	$0.00	$0.00	$0.00

The Commission concluded that the GRI announcements constituted an exchange of sensitive information which amounted to a restriction "by object" under Article 101 TFEU.

These announcements were not associated with efficiencies, as the information announced was not of significant value for customers.

Such announcements therefore could not benefit from the exemption available under Article 101(3) TFEU.

In order to resolve the Commission's concerns, the liner shipping companies offered the following commitments pursuant to Article 9(1) of Regulation (EC) No 1/2003:

- The companies will stop publishing and communicating GRIs.

- In order for customers to be able to understand and rely on the price announcements, published price figures must be more transparent and include at least the five main elements of the total price, including base rate, bunker charges, security charges, terminal handling charges and peak season charges.

- Whilst the carriers are not obliged to announce price changes, future announcements will be binding on the carriers as maximum prices for the announced period of validity.

- Announcements must not be made more than one month before the price implementation date.

These commitments will not apply to communications with purchasers that already have an existing rate agreement in force on the route to which the communication refers, nor to communications during bilateral negotiations or communications tailored to the needs of specific identified purchasers.

On 7 July 2016, after a one-month public consultation (market testing), the Commission adopted a formal decision accepting the commitments and making them legally binding.

The commitments will be applicable for three years starting from 7 December 2016.

Conclusion

This case enabled the Commission to clarify its position on price signaling.

When making public price announcements, businesses should limit themselves to providing information that is definite, concrete and useful for customers.

They should avoid any practice that is indicative of price signaling, such as making vague or non-binding announcements or reviewing price announcements as soon as competitors have made theirs.

Internal antitrust compliance programs should deal with the dangers of price signaling in detail.

This is a complex area, and legal advice should be taken in cases of doubt.

(from: hellenicshippingnews.com, September 19th 2016)

PROGRESS & TECHNOLOGY

HACK-PROOF BLOCKCHAIN TECHNOLOGY ARRIVES – THE PAPERLESS FUTURE FOR FREIGHT

Never let it be said again that the freight industry is slow to adopt new technologies.

Just a few weeks after a senior consultant told The Loadstar that blockchain technology would not be used in logistics before 2018, a freight forwarder has announced its first deployment.

Marine Transport International (MTI) is using blockchain technology for sharing verified gross mass (VGM) information for the new container weighing rules, after working on the platform for the past 18 months.

But first: what is blockchain?

Essentially, it is a very secure way to disseminate information between parties.

It creates a permanent, digital public ledger of transactions which can be shared among a distributed network of computers.

Developed originally to monitor and secure bitcoin, blockchain maintains a continuously growing list of records or transactions, called blocks, which are secure from tampering, hacking or revision.

To hack in would require every block in the chain to be altered, while there is no need for a central authority.

UK and US forwarder MTI, using technology company Black Swan's TrustMe solution, is using it to store VGM data, providing a permanent record visible to ports, shippers and cargo owners – replacing logs, spreadsheets and individual databases.

Users can “record and retrieve data from anywhere in the world using mobile phones, tablets and PCs, eliminating the need for costly, proprietary infrastructure”, according to MTI.

“Blockchain has the ability to empower our industry into a true digital age,” said Jody Cleworth, MTI’s chief executive.

“Instead of a VGM message being delivered sequentially to parties within the supply chain, our platform can provide a decentralised approach to delivering VGM messages.

The sheer volume of containers processed per year means that safely decentralising the management of these containers will radically reduce the complexities of shipping.

A grass roots approach in collecting and storing information on the blockchain is how shippers will be able to reap the full benefits of the technology.

We are now a public blockchain company and our focus is on delivering tangible benefits to global trade and all the actors within the supply chain.”

Better still, there are cost benefits, he added.

“It is relatively inexpensive to implement as the infrastructure for it already exists and/or is provided by third parties.

If we take into consideration the current legacy hierarchal EDI systems that are in use today in the industry, the blockchain has major cost and efficiency benefits as it is cloud-based, there are no barriers to connectivity and the transaction costs are relatively low and are based on use instead of subscription.”

So far the technology has been used only rarely, and mostly in the banking industry.

“But what we have here is an example of the shipping industry leading the way in executing a real, proven application of blockchain.

We’re incredibly excited to be at the forefront of this development,” said Anthony Abell, managing director of TrustMe.

Andrew Schmahl, principal of PwC’s transportation and logistics practice, explained the benefits of blockchain.

“It is an integrated global network which will tell you who has it, who broke it, why it’s late.

The concept of block chain is a system of verification which has the potential for democratising access to different participants.

A freight management system is OK, but blockchain is open source.

It will require some industry commitment though."

The technology is expected to have a significant impact on a logistics industry where so many players need to communicate so much information to each other.

MTI noted: "With millions of transactions processed each day in the shipping industry, the public blockchain will not only increase data efficiency, but also provide long term savings for EDI transmission-dependent companies."

MTI expects blockchain to be used in a variety of solutions, including tracking containers, commercial settlements of bills of lading, customs and security, and big data applications to the supply chain.

(from: theloadstar.co.uk, September 23rd 2016)

STUDIES & RESEARCH

TERMINAL OPERATORS RESPOND TO 'PERFECT STORM'

Global container terminal operators are adapting their strategies as the nature of their market environment changes markedly due to slowing growth, bigger ships, and larger liner alliances, according to a new report by container shipping analyst Drewry.

Drewry's latest Global Container Terminal Operators Annual Review report shows that container terminal operators are rapidly changing in the face of a 'perfect storm' creating pressure on profit margins and rates of return due to a "significant softening of demand growth; higher opex and capex costs due to bigger ships; increased business risks from larger liner alliances; and loss-making carriers pressuring for lower terminal handling charges".

It noted that the nature of the list of 24 companies qualifying as global or international terminal operators in the Drewry analysis was already changing due to major merger and acquisition (M&A) activity.

In particular, Cosco and China Shipping have merged, CMA CGM has acquired APL, and APM Terminals has bought Grup TCB – "all moves that at least in part can be seen as terminal operators mirroring the coming together of shipping lines in alliances", Drewry said.

One clear strategic trend is the slowing of activity in greenfield terminal projects by the global or international terminal operators.

The total number of active projects has fallen by almost half to 39 today compared with 64 back in 2006 – a period of intense and peak demand growth in the industry – Drewry observed.

"As significantly, the number of projects being developed by the carrier category of terminal operator has fallen to near zero, as carriers have re-trenched and become more and more cash-strapped," it added.

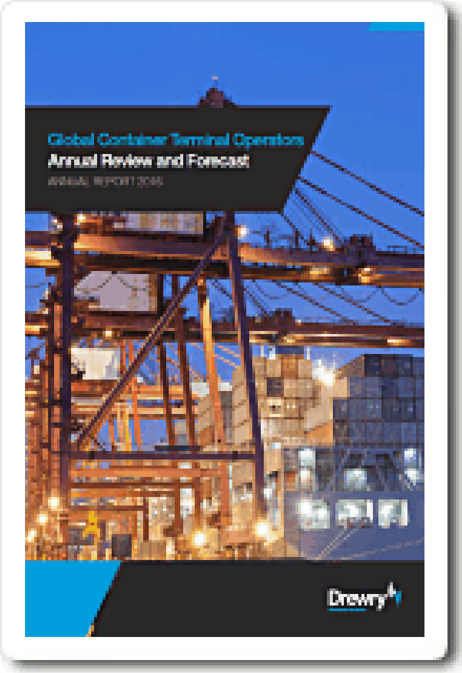
Carriers with terminal portfolios are clearly shying away from greenfield investments but are very active in terms of M&A and joint ventures.

Some have been selling assets to raise cash but others, notably China Shipping and Cosco, have been buying terminal stakes.

Another potentially significant trend is "stevedore" terminal operators making joint venture deals with shipping lines.

"The establishment of the three mega liner alliances in 2017 will increase business risk for terminals run by operators not affiliated with carriers, especially those focused on transhipment, and terminal operators are seeking to mitigate this," Drewry noted.

"Having a shipping line as a shareholder can be seen as a way of trying to tie in alliance volumes, although the choice of terminal by an alliance is never down to a single carrier's wishes."



Both Hutchsion and PSA have recently made deals with major carriers in key ports.

"The hope must be that the shipping lines in question have sufficient influence in their alliance to ensure that the joint venture terminal is the one the alliance uses," Drewry suggested.

"In the case of Singapore, PSA has done deals with the two leading members of the Ocean Alliance and this presents a clear challenge to Port Klang, where the existing O3 Alliance carries out much of its hubbing in the region."

In Rotterdam the story is more nuanced though, the report said.

"Hutchison faces a challenge to its market share from the two new terminals in Maasvlakte II, and so doing a deal with Cosco at Euromax has clear logic, especially now that 'Cosco' means 'Cosco-China Shipping' – two players for the price of one."

However, one of the two new terminals, DP World's Rotterdam World Gateway, has as a shareholder CMA CGM – now including APL's stake in the same terminal – also a member of the Ocean Alliance.

"The dynamics of this will be interesting to watch, therefore," Drewry observed.

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

REEFER

HAPAG-LLOYD ORDERS 5,750 NEW REEFERS

The dire market outlook confronting the world's container shipping lines has not stopped all investments in new equipment.

Hapag-Lloyd has announced an order for 5,750 "state-of-the-art" refrigerated containers in a bid to strengthen its position in the transport of temperature-sensitive goods.

The investment – for an undisclosed sum – will consist of 5,000 x 40-foot reefers and 750 x 20-foot units.

It said 1,000 of the new containers were equipped with "controlled atmosphere" technology, which the line said enabled various types of fruits and vegetables to be transported for longer periods of time while maintaining a consistent quality.

The units are due for delivery next month and will be gradually integrated into the line's existing operations.

The new reefer boxes will supplement the line's reefer network in tandem with the delivery of five new 10,500 TEU vessels, which Hapag-Lloyd ordered last April.

The "Valparaíso Express" class vessels – each featuring reefer capacity of more than 2,100 units - are currently being built in South Korea and are scheduled to be deployed on South America-Europe services from late 2016.

"Hapag-Lloyd is one of the world's biggest suppliers in the reefer segment and numbers among the market leaders in South America," said Anthony Firmin, chief operating officer at Hapag-Lloyd.

"With the newly ordered reefers, we will be able to continue offering state-of-the-art equipment to our customers while at the same time optimizing the efficiency of our container fleet.

"In this way, we are especially optimally equipped for the South America traffic, which is important in the reefer business."

(from: lloydsloadinglist.com, September 19th 2016)

ON THE CALENDAR

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.