Newsletter

March 15th 2017

Link road, rail, sea!

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Council Of Intermodal Shipping Consultants

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PORTS AND TERMINALS

ISTHMUS WILL COMPETE WITH PANAMA CANAL .... Page 3

MARITIME TRANSPORT

THE 'GHOST SHIP' SET TO BE THE FUTURE OF SHIPPING .... " 5

RAIL TRANSPORT

UIC PROTESTS AT TERMINATION OF PALLET EXCHANGE DEAL .... " 9

ROAD TRANSPORT

EAST-WEST TENSIONS REIGNITE AS POLAND FIGHTS LABOUR RULES FOR TRUCKERS " 11

INTERMODAL TRANSPORT

NEW INTERMODAL FROM ANTWERP PORT TO RHINE-RUHR-MAIN .... " 14

INLAND RIVER TRANSPORT

RHINE FAIRWAY IMPROVEMENTS .... " 16

LAW & REGULATION

IS THE SHIPPING INDUSTRY OVERREACTING ABOUT REGULATION TIMING? .... " 18

PROGRESS & TECHNOLOGY

MAERSK PARTNERS IBM TO DIGITALISE THE SUPPLY CHAIN PROCESS .... " 23

STUDIES & RESEARCH

MAINTAINING AND BOOSTING THE COMPETITIVE POSITION OF THE EUROPEAN SHIPPING INDUSTRY REQUIRE A SHIFT IN POLICY PRIORITY SAYS DELOITTE STUDY .... " 25

REEFER

EUROPE-CHINA SILK ROUTE REEFER VOLUMES ON THE UP, BUT FOR HOW LONG? .... Page 29

ON THE CALENDAR .... " 32

March 15th 2017

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PORTS AND TERMINALS

ISTHMUS WILL COMPETE WITH PANAMA CANAL

A 3-billion-peso (US $153-million) investment seeks to spur economic development in the Isthmus of Tehuantepec interoceanic corridor through a comprehensive project that will connect the Gulf of Mexico to the Pacific Ocean and rival the Panama Canal.

The announcement was made by the governor of Oaxaca, who explained that the project includes the construction of a direct highway route between the port cities of Salina Cruz in Oaxaca and Coatzacoalcos in Veracruz.

Alejandro Murat Hinojosa said the 700-million-peso highway will reduce travel time between the two ports from the current four hours.

Also part of the investment package:

- The bidding process will start soon to find an operator for the railway system between the two cities.

- The Antonio Dovalí Jaime oil refinery in Salina Cruz will be modernized and readied for a new trans-isthmus pipeline.

  As well, 100 million pesos has been allocated to modernize the port.

- A 500-million-peso agroindustrial park.

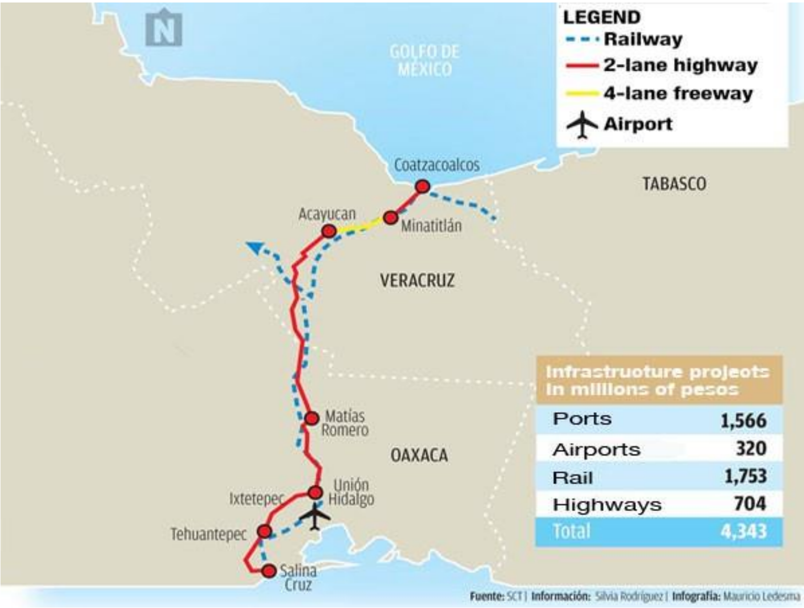
- 250 million pesos in renewable energy development through wind farms and solar power plants.

- Over half a billion pesos to boost 11 sectors, including the mezcal, lemon, pineapple, coffee and timber industries, and link them with private investors and local universities in an effort to improve regional, domestic and international trade.

Some aspects of the investment in the region have been announced before, such as the new airport and military base in the city of Ixtepec, located an hour away from Salina Cruz.

Murat also noted during the announcement that the mentality of Oaxaca's business sector must change: "We have to believe in ourselves, in our virtues, and work together as a team if we're to bring our state up from the bottom ranks, because we are competitive, we have the elements and the tools to be the best, we only need to believe in ourselves."

The isthmus region has been designated one of several Special Economic Zones, intended to promote economic development in Mexico's poorest regions.



Until now it has been the focus of wind power development but little else.

The state's Environment and Sustainable Development Secretary said last week that 90% of the money invested in Oaxaca has gone into wind farms in the isthmus.

There are now 24 in operation, containing 1,765 turbines, making the state the country's chief source of wind energy.

Not part of the new investment money but an important element for the region's transportation is the new Mitla-Tehuantepec highway connecting it with the state's Central Valleys.

Murat said it would be completed within 12 months.

Both it and another major highway project that links Oaxaca city with the coast have been subject to long delays.

Work on the latter is to begin soon, Murat said, as contracts worth 1.5 billion pesos have been awarded to local contractors.

A total of 3 billion pesos has been allocated for completion of the highway, which runs between Barranca Larga, outside Oaxaca, and Ventanilla, near Puerto Escondido.

(from: hellenicshippingnews.com, March 13th 2017)

MARITIME TRANSPORT

THE 'GHOST SHIP' SET TO BE THE FUTURE OF SHIPPING

With self-driving motor vehicles poised to be a real prospect on our roads by 2020, it is no surprise that the shipping industry is faced with the introduction of unmanned vessels on the seas.

Rolls Royce, one of the key manufacturers in the unmanned vessel space, expects the first shore-side remote controlled vessels to sail within 10 -15 years.

The key benefit of automation is the elimination of human input.

It is well established that many of the incidents that occur on the road or casualties that occur on the seas are caused by human error.

Safety and environmental efficiency is one of the key benefits to the introduction of unmanned vessels.

It is expected that these vessels will be safer and 'greener' than their current equivalent 'manned vessels'.

Moreover, many casualties at sea are caused by slower reaction times, human error in making decisions under pressure, fatigue due to shift work, poor maintenance, equipment failure, or a combination of the above.

In tough economic times, ship owners are under pressure to maintain their vessels.

Human error increases under these conditions.

These 'human error costs' are one of the biggest concerns for Protection and Indemnity insurers when insuring against losses caused by marine accidents.

Allianz S.E. reported that human error accounts for more than 75% of marine losses.

Norwegian based Protection and Indemnity Club, Gard AS reports that as much 70 – 80% of marine accidents are attributed to human error.

The introduction of unmanned vessels may be the most immediate solution.

However, the concern is whether it is the most viable solution.

Other benefits to the introduction of unmanned vessels may include decrease in crew costs and in operational overheads and an increase in capacity.

Having crew on board a vessel requires extra space, including accommodation, ablution facilities, and a galley, which could be used as cargo space.

The decrease in operational costs is an attractive prospect to ship-owners.

Rolls Royce also predict the decrease in the risk of piracy attacks in unmanned vessels, due to there being no humans to use as leverage for ransoms.

However, the counter-argument to the prevention of piracy is that the human element, including the use of armed guards may prevent piracy attacks.

This argument may be resolved by employing drone technology as security.

The idea of automation as a means to managing the crew complement and increasing efficiency on board a vessel is not new.

For example, instead of placing reliance on paper charts, modern vessels are equipped with sophisticated Electronic Chart Display and Information system (ECDIS) and Automatic Radar Plotting Aid (ARPA) systems.

In addition, many vessels are also fitted with Unmanned Machinery Space (UMS), as regulated by international convention.

The UMS automatically detects high exhaust temperatures in the engine room, fires and flooding and sets off alarms on various controls panels situated in the vessel.

The system assesses the basic problem, which allows the relevant crew member to take the necessary remedial action.

In some instances, the engine will engage an automatic slow-down when a problem is encountered as a result of the UMS.

The number of vessels equipped with UMS technology has increased rapidly over recent years and is now a crucial tool for safety and maintenance on board a vessel.

The degree to which automated systems have replaced crew is well illustrated by introduction of the mega container vessels, such as the Maersk triple E class vessel, which can carry up to 18000 containers, but is manned by a meagre crew compliment of 13.

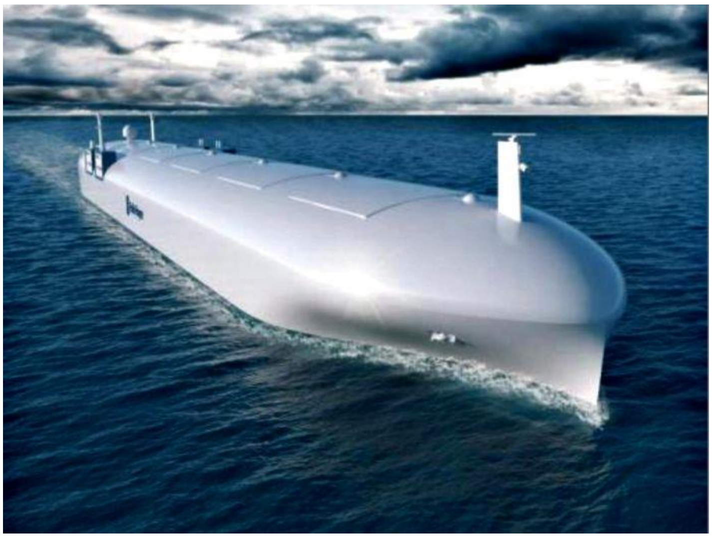
Given the current levels of automation, it seems that the next logical step in technological development would be an entirely unmanned vessel, controlled remotely from land.

Although the benefits are clear and technological capabilities are in place, there remain many obstacles to ship owners, operators and insurers to the introduction of autonomous ships.

The legal and regulatory framework needed for the introduction of these unmanned ships is the primary obstacle.

International conventions form the basis for commercial dealing, such as the arranging of fixtures and importantly insurance cover.

Without an amendment to the international framework, unmanned vessels will have to fit into the international framework created by the Safety of Life at Sea convention (SOLAS) and the International Safety Management (ISM) code.



SOLAS is comprehensive in regulating safety at sea, including the requirements relating to navigational safety and ship manning.

Unmanned ships may fall foul of current regulations setting out a minimum crew requirement, be illegal and unseaworthy, and therefore uninsurable and not commercially operational.

However, this approach does not take into account the 'shore side crew' or 'crew operation centers', which may be involved in the operation of the unmanned vessels.

It is an open question whether the provisions of SOLAS can be read to include the definitions of an unmanned or whether amendments or a separate code for unmanned vessels is required.

What is clear is that unmanned vessel and SOLAS are seeking to achieve the same goal – safety at sea.

Insurers calculate risk based on data.

With the introduction of unmanned vessels, there is no reliable data on the potential risks other than what is produced by the manufacturers, which is not independent data.

In the circumstance, insurers may have a real issue in calculating the risk and therefore the premium payable in terms of unmanned vessels.

The insurability of these unmanned vessels is also dependent on the regulatory framework established to provide for the operation of unmanned ships.

There are clear benefits and elimination of risks, but also new risks to consider, such as internet and cyber security.

Can the systems be infiltrated by malware, for instance?

What are the risks in terms of manned ships at sea interacting with unmanned ships at sea?

What are the product liability issues?

Technology is driving the development of safety at sea.

However, it cannot do so alone.

The human element is still omnipresent in the development of the legal and regulatory framework, which drives the commercial operation.

Without the necessary foundation, it appears that unmanned vessel may have to sit on the sidelines for the time being.

The pressure is now on the legislatures and policy makes to provide the necessary framework.

It is expected that the SOLAS 2024 regulations will provide for a 'watch-free bridge' system similar to the UMS, which already exists.

What is clear is that we are moving towards an era of autonomous shipping where the next logical step will be the unmanned vessel.

Industry stakeholders will now have to come together to consider the legal and commercial implications of the future of shipping.

(from: hellenicshippingnews.com, March 13th 2017)

RAIL TRANSPORT

UIC PROTESTS AT TERMINATION OF PALLET EXCHANGE DEAL

The International Union of Railways (UIC) is protesting strongly against a unilateral decision by the European Pallet Association (EPAL) to terminate an agreement for the exchange of freight pallets which will take effect on May 1.

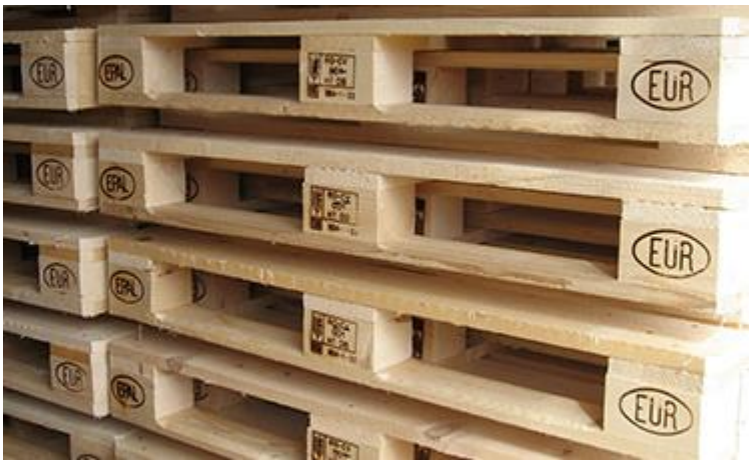
Rail Cargo Austria, acting on behalf of UIC members, signed an agreement with EPAL in October 2014 regarding the continuation of the European Pallet Pool for the unrestricted exchange of UIC/EUR and EPAL pallets.

"EPAL can no longer guarantee that UIC/EUR pallets meet the demands that the industry, retail and logistics sectors justifiably place on the quality and safety of EPAL Euro pallets," says the CEO of EPAL, Mr Martin Leibrandt.

"In particular, the uncontrolled import of counterfeit UIC/EUR pallets endangers the quality and safety of the EPAL Euro pallet pool.

According to research by EPAL, there are more than four million counterfeit UIC/EUR pallets from Ukraine on the market, and this number increases all the time.

East European gangs for the main part are increasingly counterfeiting UIC/EUR pallets, since it has become riskier to counterfeit EPAL Euro pallets due to the joint action of EPAL, customs authorities and lawyers.



EPAL assumes responsibility for the quality and safety of the EPAL Euro pallet pool.

The industry, retail and logistics sectors can count on that."

The UIC described the decision to terminate the deal as incomprehensible.

"UIC protests in the strongest terms against the grounds given for terminating the agreement," the UIC says.

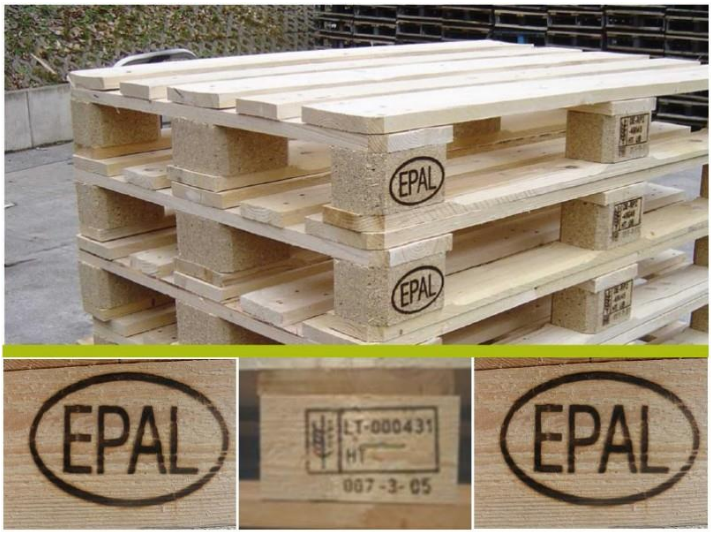
“Quality failings have no place in the UIC network: for us, the safety and quality of our pallets have top priority.”

EPAL claims that the UIC has failed to take any measures comparable with those of EPAL to protect the quality and safety of UIC/EUR pallets since October 2014.

“In many countries, the UIC does not organise the exchange pool at all,” EPAL says.

“Yet, in the two-and-a-half years of negotiations, the UIC declined EPAL’s offer to take over the organisation of quality assurance and trademark protection for UIC/EUR pallets.

Terminating the exchangeability agreement is in EPAL’s view the only option to effectively protect the quality and safety of the EPAL Euro pallet pool in the future.”



The UIC acknowledges that fake EUR pallets are a major risk to the safety of users and goods in transit and says its members take a proactive approach on counterfeiting, and take all appropriate measures to stop fakes.

“The argument that UIC pallets are counterfeited is divorced from reality: trademark infringements are, regrettably, a fact of life for all pallet manufacturers,” the UIC says.

“UIC takes a tough line on all forms of fraud.

EPAL’s decision to terminate the agreement will jeopardise the pallet pool as an enduring, open solution which is advantageous in price terms compared to other systems such as pallet hire.

Repealing the agreement will create uncertainty amongst users.

UIC and its member railways will continue to consider both pallet brands as equivalent and exchange them in future, since we still believe in and will stand up for a borderless, barrier-free pallet pool.”

(from: railjournal.com, March 6th 2017)

ROAD TRANSPORT

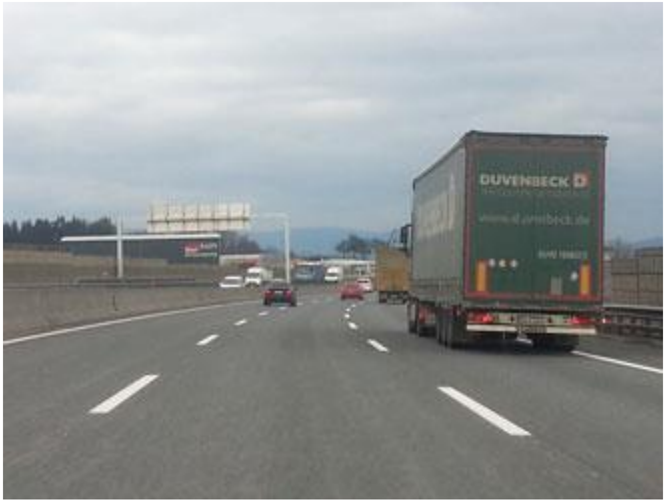
EAST-WEST TENSIONS REIGNITE AS POLAND FIGHTS LABOUR RULES FOR TRUCKERS

Poland is putting up a fight over an upcoming EU proposal that will affect working conditions for truck drivers who travel between countries with different social welfare laws and minimum wages.

Top officials from Poland's infrastructure ministry were in Brussels yesterday (1 March) campaigning to stop the planned legislation before Violeta Bulc, the EU transport chief, announces the changes in May.

"We should think about the improvement of working conditions within legal means that already exist," Justyna Skrzydło, Poland's deputy minister for infrastructure, said at a conference organised by the Polish permanent representation in Brussels.

Under current EU cabotage rules, drivers can spend up to seven days in another member state and still be subject to national laws in their home country.



But a group of western EU countries have argued that has led to bad working conditions and wages for truck drivers as well as distorted competition from low-paying haulage companies based in the EU's eastern member states.

Polish truck drivers deliver more freight in other EU countries than drivers from any other member state, according to 2014 data.

Most Polish truck drivers abroad work in Germany, France and the UK.

Poland and other Eastern European countries don't want any new restrictions that could make it harder for workers to spend time in another EU country.

They're up against a united front.

One month ago, eight western EU countries – France, Germany, Italy, Denmark, Austria, Luxembourg, Belgium and Sweden – signed a pact at a Paris meeting to push for EU rules against underpaid jobs for truck drivers.

Norway's transport minister also signed the declaration.

Skrzydło declined to say whether Poland would organise a declaration similar to the Paris pact with other countries that oppose stricter rules on truck drivers' working conditions when they travel abroad.

"We do not perceive our actions as any kind of response to the French initiative," she said.

Western member states demand action on low-cost truck drivers

Nine western European countries have called for the introduction of fairer social rules to govern road transport before the sector is opened up to greater liberalisation.

This is meant as a warning to Brussels, which is preparing a new set of rules for May, EURACTIV France reports.

The proposal to change how truck drivers work abroad is haunted by an east-west division similar to one that nearly sunk the posting of workers directive last spring.

Eleven countries used 'yellow cards', their national parliaments' rejections, to try to veto the legislation, which regulates workers who are temporarily sent from one member state to another.

But the countries that signalled their disapproval – Denmark, Bulgaria, Hungary, Croatia, the Czech Republic, Poland, Estonia, Romania, Lithuania, Latvia and Slovakia – fell short of a majority opposing the Commission's proposal.

Negotiations over the bill have since then been fraught and slow.

Similar battle lines are being drawn ahead of Bulc's proposal on temporary work conditions abroad for truck drivers.

Ministers are already at each others' throats.

Skrzydło told reporters the German and French-led calls to clamp down on low-wage workers from eastern EU member states are a scheme to grab votes ahead of elections in the two countries.

“We can actually note some speeded up actions taken by some member states and it’s obvious, you cannot actually treat that irrespectively of the political calendar conducted with the elections in these states,” she said.

The French presidential elections will be held this April and May.

Germany’s Bundestag elections are scheduled for September.

The European Commission opened lawsuits against France and Germany last summer after they forced foreign haulage companies to pay truck drivers the local minimum wage while they temporarily drove through the countries.

France introduced a new minimum wage of €9.76 per hour that went into effect last July.

Germany introduced a minimum wage of €8.50 in 2015.

The French and German transport ministers insisted last month that they will hold their ground against the Commission’s lawsuit.

Poland’s monthly minimum wage was raised in January to 2,000 zlotys, approximately €467.

The minimum wage for self-employed workers is 12 zlotys per hour, or €2.80.

Bulc’s proposal should make it harder for any country to use its minimum wage law as a barrier to keep out truck drivers from lower-wage countries, said Jan Nemec from the International Road Transport Union. “The Commission is the only force standing between this happening and keeping the single market together,” he said.

Poland and other countries that opposed the posting of workers legislation have argued that conditions for truck drivers should not be regulated by the bill.

France wants truck drivers to be covered under the posting of workers rules. The Commission agrees.

The executive believes the posting of workers bill “does apply to road transport,” Matthew Baldwin, deputy head of the Commission’s transport policy directorate DG Move, said yesterday. “We don’t think that it is somehow excluded from the application of the posting of workers directive,” he said.

Bulc said at a European Parliament hearing last month that she and EU Employment Commissioner Marianne Thyssen will clarify in May how the posting of workers legislation will apply specifically to truck drivers.

(from: euractiv.com, March 2nd 2017)

INTERMODAL TRANSPORT

NEW INTERMODAL FROM ANTWERP PORT TO RHINE-RUHR-MAIN

The rail operator H&S Container Line is introducing an additional round trip between Andernach in Germany and the two container terminals in the Deurganck dock in the port of Antwerp.

H&S already operates on this route, but is raising the frequency to twice per week thanks to financial support from Antwerp Port Authority.

The support offered to H&S Container Line is the result of a Call for Proposals (CfP) launched in October last year by the Port Authority to attract projects for improving the rail connectivity between Antwerp on the one hand and the Rhine-Ruhr and Rhine-Main regions on the other.

In addition to H&S Container Line several other operators also submitted projects, but not all of them met the conditions for financial support.

However, this does not mean that these projects are not being put into practice: B Logistics introduced a new rail service to Ludwigshaven at the beginning of this year, while DB Cargo for its part has begun operating to Wanne Eickel and Mannheim.

The Rhine-Ruhr and Rhine-Main regions are among the most heavily industrialised in Germany, and thus also the largest generators of cargo.

Antwerp is the nearest port to both of them, and so it is the natural gateway to their hinterland.

In 2015 a total of 64 million tonnes of freight was carried between Antwerp and Germany.

Although the majority of the freight from the Rhine region found its way to Antwerp by water, a great deal of it still goes by road.

The Port Authority therefore issued a CfP to encourage intermodal operators to introduce a new rail shuttle or to upgrade an existing rail service.

The projects selected by the Port Authority could count on limited financial support during a certain period of time.

"A significant proportion of the cargo between Antwerp and the German hinterland will also have to be carried by rail in the future.

As a Port Authority we want to support all projects that contribute to this essential modal shift," explained a spokesperson.

H&S Container Line began with a new, direct, open rail connection to Andernach in December 2016.

The intermodal train does one round trip per week between Andernach and quays 1700 and 1742 in the Deurganck dock.

To raise the frequency to two round trips per week H&S submitted a project with a request for financial support.

"The subsidy from the Port Authority will enable us to offer a sustainable rail product both for customers in Antwerp and for those based in the Rhine region, to supplement the already well-developed barge services," explains Heiko Brückner, CEO of H&S Container Line.

Andernach lies right in the middle of the region covered by the CfP, and so the Port Authority was interested in this project right from the start.

The traction is being provided by DB Cargo, in testimony to this German operator's belief in the further development of Antwerp as a rail port.

DB Cargo aims to boost the share of rail transport in the modal split, which means that new rail products will have to be developed. "For this reason we seek more intensive collaboration with the port of Antwerp," said a spokesperson for DB Cargo.

This is the second time that the Port Authority has organised a Call for Proposals to improve the rail service for a particular region. At the end of 2015 it issued a CfP to develop rail connections between the port of Antwerp and Central and Eastern Europe.

As a result of this CfP three projects were chosen in March last year, with new rail services to Poland, the Czech Republic and Austria respectively.

"Although our financial support has to be limited in order to comply with the rules for state subsidies, it still provides useful help for rail operators to introduce additional services, since the rail market is very capital-intensive," concluded the Port Authority spokesperson.

(from: marinelink.com, March 13th 2017)

INLAND RIVER TRANSPORT

RHINE FAIRWAY IMPROVEMENTS

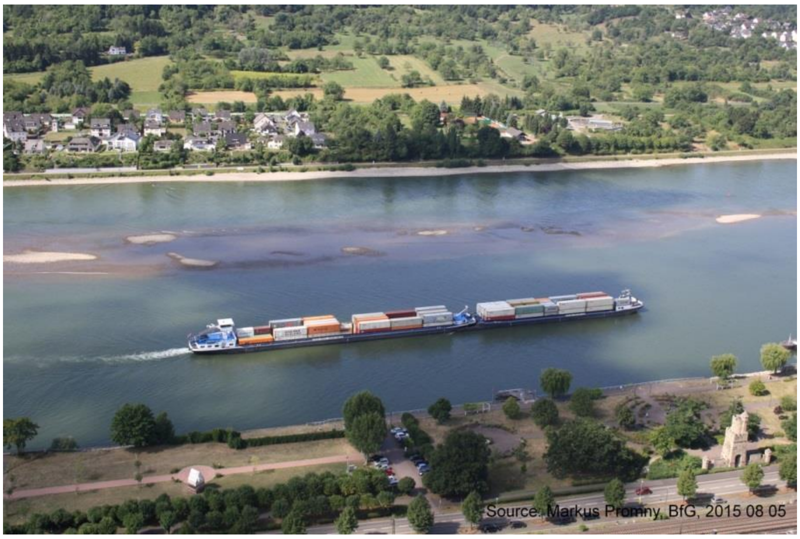
The Lower Rhine in Germany is to be deepened between Duisburg and Stürzelberg by up to 30cms to improve navigation during low tides.

There is also a key development regarding the Port of Cologne.

The deepening will be especially advantageous for the port of Neuss and Ulrich Gross, Director of Neuss Düsseldorfer Hafen GmbH & Co KG, was among the first to welcome the news.

Berlin is contributing €200M to the project, which includes deepening the fairway between Duisburg and Neuss to 2.80m below GIW (equivalent water level) and between Neuss and Stürzelberg to 2.70m below GIW.

Low water levels always affect shipping on the Rhine, particularly from early November until the melt water in Spring and vessels can sometimes sail only part-loaded, forcing more cargo onto the roads.



Between Duisburg and Krefeld the draft is already 2.80m below GIW and between Krefeld and Cologne it is 2.50m below GIW, but it is unclear if deepening will be carried out this far south, although Gross hopes it will happen within the next five years.

The Middle Rhine Chamber of Commerce and Industry also sees the need for improvements.

The Middle Rhine is the stretch between Bonn and Singen-am-Rhein and includes Koblenz.

The Managing Director of the Association of German inland shipping Jens Schwanen pointed out that 83% of German inland shipping is on the Rhine.

Once the designated Lower Rhine measures are completed, vessels can sail fully laden even during low water, but he adds that the project will take time as the shipping administration office lacks experienced personnel.

“At least 600 engineers are still needed for the work,” he said.

The Port of Cologne

HGK Hafen und Güterverkehr Köln AG - has sold the Deutz area of the port to the city's development company "Moderne Stadt."

An area of 35-ha will be converted from cargo handling and logistics activities into residential/civil amenity areas, with the work due to start in 2021.

The agreement covers the land area in the port of Deutz and the associated water surfaces of the port basin towards the drawbridge.

“It was not easy for us to give all this up, but large investments would have been required to modernise and expand the port of Deutz and the end result would have been more road freight and increase conflicts with the city” explained Horst Leonhardt, Chairman of HGK.

The S & P agreement guarantees HGK and RheinCargo GmbH & Co KG unlimited use of the port area until 31st December 2020, but RheinCargo will then have to accommodate its customers elsewhere, as the company's Managing Driector Jan Sönke Eckel, acknowledged.

RheinCargo is making plans for a smooth and orderly departure.

(from: worldcargonews.com, March 12th 2017)

LAW & REGULATION

IS THE SHIPPING INDUSTRY OVERREACTING ABOUT REGULATION TIMING?

Since last fall, many stakeholders in shipping have been running a barrage of "doomsday" scenarios about implementation of the BWTC, followed by outrage over 2020 SOx.

Now it is about EU's decision to preemptively "threaten" the IMO for 2023.

In the two later cases, the outrage and stress are often misguided or shortsighted, whether purposely or not.

In the BWT case, the timing is bad due to the prevailing state of the freight market in most sectors, but this we will analyze a bit later.

Plenty of industry players speculate that refineries and bunker supplies will not be ready on time by 2020 and a sudden global change on 1/1/2020 will be too much of a shock.

Those that say so are ignoring the fact that even if the date were set for 2050, refineries would still only bother doing anything until right before.

Similarly, most shipowners would only even start to look into their options until the last minute, no matter what date was used.

In BWT owners had some excuse that the USCG had not approved any systems, but this will not be the case for Scrubbers and LNG, which are already being used in ECAs and technical unknowns are being sorted over time.

With regards to the "shock" factor of an overnight emissions cap, it seems everyone has forgotten the very important point of the leniency afforded to owners back in 2005, when the first SECA was put in place in Northern Europe.

Bunker suppliers were not ready, and owners were not sure what to expect, even more so than will be the case in 2020.

Similarly, the worrying ahead of the 1/1/2015 change turned out just as unfounded.

For the first few months of 2005, as long as an operator could prove they tried to source the proper fuel grades, within reasonable cost and time, authorities would offer exemptions and allow the vessels to enter the designated areas.

Obviously owners abusing this leniency raised red flags that were quickly addressed.

Overall the bunker suppliers were given the time to catch up to demand without penalizing owners.

Undoubtedly, this same leniency will be witnessed come 2020.

Not unlike the deferrals owners have received for BWT due to the USCG's lag.

New regulations are often not perfect, but those charged with executing them understand this too and show the proper leniency until things smoothen out over time.

As for those who are worried it will not be a level playing field, a global sulfur regulation will be much easier to control than ECA's.

If you don't have a scrubber or other acceptable alternatives, then if you have high sulfur fuel in your tanks, you or your suppliers are at fault.

Some will try to go around this, but this happens with every regulation.

That doesn't justify everyone else dropping to the level of these exceptions.

Some owners look for excuses to push blame on others.

One valid excuse is the lack of funding, as a result of the bad market.

But funding is available for retrofits from various sources, like Ursus offering financing based on the savings, or from export credit agencies, each minimizing cash outlay.

Moreover, those owners who cannot afford a BWT are only going to help the market recover by accelerated scrapping.

Well, as long as not too many new outside funds decide to jump into the extremely distressed market, buying up oldies and reducing scrapping momentum.

The latest unreasonable outrage is against the EU's vote on February 15th.

It is hard for me to comprehend the reactions to this.

The IMO has continuously dragged its feet on GHG emissions regulations, and only finally acted following the pressures after Paris.

At MEPC 70, it felt like the IMO reluctantly kicked the can down the road to 2023, as if by then they will have collected the perfect data to create the perfect measures for the future.

Even for data collection, if it wasn't for EU's MRV push, the whole concept of gathering and analyzing emissions data would never have been on the table at MEPC.

It is the same case now.

The EU is evidently fed up, and is using its power to gently nudge the IMO to action.

The EU does not want to enact these regulations they know would disadvantage European trade.

They just want the IMO to do what it should have already done on its own, and I am certain that this will now not be postponed further.

If the IMO does not act quickly, others will follow the EU and we will unfortunately be faced with regional rules, moving us to the same disaster seen with the BWMC.

This opinion is also shared by the International Chamber of Shipping's chairman, Esben Poulsson.

Environmental regulations in shipping tend to be very reactionary, often only after outside pressure or after catastrophic events.

When this happens, regulations rarely have a chance to be thought out sufficiently.

If shipping wants laws that are more favorable for its stakeholders, we must learn to be preemptive.

Look at the double hull concept, which was not the ideal design.

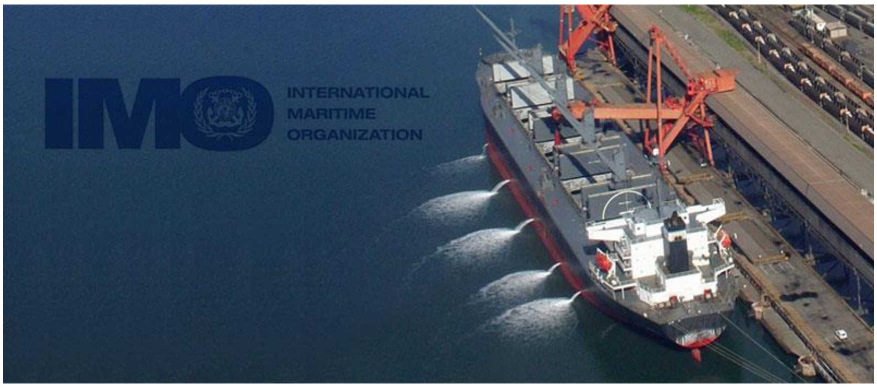
The Colombi Egg design was far better environmentally, but given the urgent need for action from public outrage the IMO implemented whatever gave the best “sense” of security.

In the end, even Double Hulls proved better than further inaction.

You cannot perfect a regulation a priori without practical data.

Like they say in the Tech community “release fast and iterate often”.

An early but better than perfect change is still better than delayed action, as long as regulators are aware that they will have to reiterate over time.



Providing the shortcomings are not in terms of insufficiently considering safety concerns, then the outcry is unfounded and the benefits significantly outweigh the risks or costs.

Maybe if the IMO had taken action on its own accord and implemented emissions regulations beyond just newbuildings and EEDI, then maybe all the Shipping Banks would not have clung onto their aging, idle, and inefficient fleets for so long (i.e. “stranded assets”), hoping for a recovery only to land in even deeper waters.

Instead, due to the sunk cost fallacy, these banks as well as many owners, held onto these ships and artificially kept secondhand prices up, making newbuild prices seem comparably like much more attractive investments for the new funds itching to enter the market.

We all know the results.

Even the shipbuilders that looked to be winning from this are now only alive by way of subsidies.

From each of these recent major regulations, it’s obvious that shipping’s stakeholders and the IMO often need this nudge to get something rolling.

Whether that is bringing the sulfur date early, or not postponing BWT implementation further, or the EU pushing the IMO, external pressure seems to be the usual way for this industry.

That is why Cruise ships are the most efficient, given their greater exposure to the public.

Things will inevitably be bumpy at first, but as has always been the case throughout shipping's modern history, we will find a way to make it work effectively for everyone despite any regulations shortcomings.

(from: hellenicshippingnews.com, March 6th 2017)

PROGRESS & TECHNOLOGY

MAERSK PARTNERS IBM TO DIGITALISE THE SUPPLY CHAIN PROCESS

Maersk is joining hands with IBM to use block chain technology to digitalise paperwork related to the global supply chain process to improve efficiency and optimise costs.

The so-called block chain solution will allow Maersk and IBM to manage and monitor the documentation of containers shipped across the globe from one end of the supply chain to the other and share this data with trading partners.

Maersk expects the solution to help save the container shipping sector billions of dollars when it is adopted at scale.

In detail, the solution will reduce incidents of fraud and error, cut the amount of time products spend in transit and shipping and enhance inventory management.

The solution will allow each player in the supply chain to track the location of the container in transit and view customs documents, bills of lading and other information in real time.

Security features will ensure that no individual will be able to alter, destroy or make additions to the records without the consent of the others in the supply chain network.

Both parties have collaborated with product shippers, government and customs officials and other logistics firms to test the solution.

The container shipping giant noted that in 2014, a cargo of refrigerated goods being transported to Europe from East Africa could pass through around 30 persons and organisations, including over 200 separate interactions and communications before reaching the intended destination.

Costs related to trade documentation processing and administration are estimated to be roughly one fifth of actual physical transportation costs.

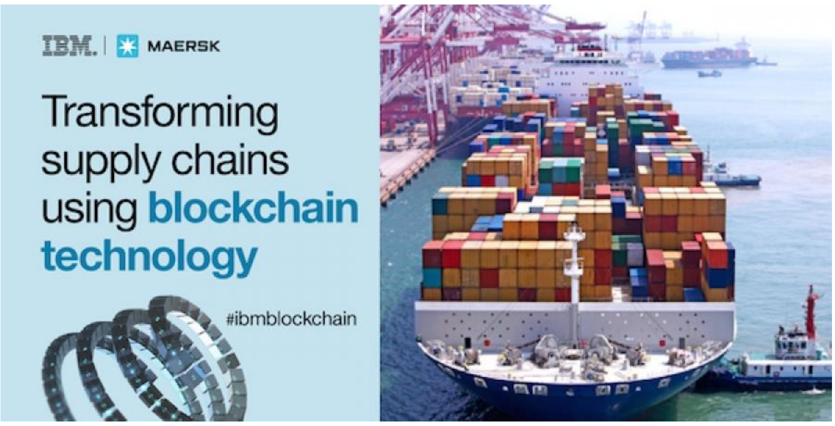
"For shippers, the planned solution can help reduce trade documentation and processing costs and help eliminate delays associated with errors in the physical movement of paperwork.

It will also provide visibility of the container as it advances through the supply chain," said IBM.

Both parties jointly developed the solution based on the Linux Foundation's open source Hyperledger Fabric and will be available to a number of parties in the ocean shipping industry later in 2017.

The solution will be hosted on IBM Cloud and IBM's high security business network, and can be delivered via IBM Bluemix.

"The projects we are doing with IBM aim at exploring a disruptive technology such as block chain to solve real customer problems and create new innovative business models for the entire industry," said Maersk chief digital officer Ibrahim Gokcen.



"We expect the solutions we are working on will not only reduce the cost of goods for consumers, but also make global trade more accessible to a much larger number of players from both emerging and developed countries."

During the TPM2017 conference in Long Beach last week, Maersk Line chief commercial officer Vincent Clerc said the shipping line was exploring the possibility of building an end-to-end global trade network where each and every interaction can be digitalised, based in part on block chain technology, the system of using a shared transaction database.

In March last year, US-based broadband and telecommunications company Verizon's Risk Team cybersecurity unit discovered that criminals had uploaded a malicious web shell to compromise a global shipping conglomerate's server and content management system, allowing them to access passwords to download bills of lading for shipments and target crates that had high-value content inside, as well as identifying the ships scheduled to transport these cargoes.

The conglomerate subsequently saw its vessels attacked by pirates who seemed to know which containers held high-value items.

(from: lloydsloadinglist.com, March 7th 2017)

STUDIES & RESEARCH

MAINTAINING AND BOOSTING THE COMPETITIVE POSITION OF THE EUROPEAN SHIPPING INDUSTRY REQUIRE A SHIFT IN POLICY PRIORITY SAYS DELOITTE STUDY

The shipping industry in the EU is a highly mature industry and an economic giant in the European economy directly accounting for over 620,000 jobs.

On the global level of shipping, the EU is still a large player compared to most regions in the world with 36.5 percent of owned gross world tonnage and 46.2 percent of operated world tonnage.

An overall competitive regime for fiscal and social measures as well as quality registers and a strong skills base support the current status of the EU as a location for shipping activities.

Current growth rates in the overall market share suggest that the EU remains competitive, but at the same time that there are clear signs that the competitiveness of EU shipping is under significant pressure.

The EU is experiencing cases of relocation of activities as well as de-flagging, despite its ambition of the opposite, and its growth rates in terms of ownership and the tonnage operated are significantly lower than those of its competitors in for instance Asia.

In this study commissioned by the European Community Shipowners' Associations, Monitor Deloitte has identified a number of important policy gaps in the overall EU shipping policy framework on the basis of a benchmark study of five specific international shipping centres (Singapore, Hong Kong, Dubai, Shanghai and Vancouver).

Through the comparison of the successful policies across eight competitiveness factors in those centres with EU policies, the policy gaps have been identified.

The study concludes that there is an overall solid – and highly important – EU policy framework facilitated by the Community Guidelines on State aid to maritime transport (SAGs) that has enabled a competitive position of EU shipping centres vis-à-vis competing non-EU shipping centres.

But it is also concluded that there are EU policies making the EU less attractive to shipowners and to shipping activities and hence constituting policy gaps.

Three gaps have been emphasised in this summary and form the basis for the key recommendations while further gaps have been described in the full report.

Important policy gaps exist in an otherwise strong policy framework

Firstly, in terms of taxation and fiscal incentives the current regime provides for a relatively competitive European shipping sector at its core.

However, the EU framework is less competitive with regard to several elements, including the EU eligibility criteria relating to the flag requirement and the current ring-fencing of maritime activities applicable to tonnage tax put in place by the European Commission.

Effective taxation at both corporate and shareholder level is a sine qua non condition to maintain a sizeable market share in international shipping.

A second significant gap has been identified concerning the regulatory framework specifically relating to the application and legal status of the SAGs for competitiveness.

Monitor **Deloitte.**

It is a perceived weakness seen from the shipowners' point of view that the EU's – and often also the member states' – interpretation of the SAGs is based on legal grounds, but lacks flexibility, whereas administrations in international centres are often much more pragmatic and business-friendly.

This problem is reinforced by the fact that the SAGs are easily amendable by the European Commission and that there are no explicit periods of applicability.

In a sector where most business decisions are long-term, these factors give rise to uncertainty due to a perceived risk of interpretive policy change.

A third gap on flag attractiveness and the legal framework for vessel exploitation emanates from the regional legislation for international shipping that is introduced by the EU and entails different standards for EU flags and shipowners, causing additional administrative and technical requirements.

Moreover, some EU registers still stipulate specific nationality requirements and crewing restrictions that also lead to increased administrative and economic burdens.

Competitors, like Singapore, have strategies to ensure that national regulations do not go beyond the international standards and are, at the same time, considered a quality flag option.

The consequence of the EU policy is that the competitiveness of EU flags is harmed as this leads to differences in operational costs and not quality.

EU shipping policy must evolve and change to better support

EU shipping at a global level Monitor Deloitte's recommendations come at two levels: the overall perspective of shipping as a global industry and specific policies.

Further recommendations are put forward in the report.

1. *Formulate a comprehensive and globally oriented shipping and maritime policy in the EU*

EU policies on short sea shipping must be complemented by a policy with a view to improve the EU's competitiveness as a location for international shipping at a global level.

While both short sea and global shipping are important markets, the largest share of EU shipping is international and crosstrading, carrying cargoes between third countries.

Furthermore, the policy should be comprehensive by cutting across policy fields like transport, taxation, environment, etc, and thereby cover the key competitiveness factors.

2. Improve legal clarity around the application of the SAGs

The EU should increase the clarity around the applicability of the SAGs by clarifying the principles and objectives applied.

While the SAGs should remain soft regulation, there is an apparent need for continued flexibility in the member state application of the guidelines – a one-size-fits-all model that drives out the particularities of individual member state shipping sectors would be very harmful to the competitiveness of EU shipping.

Also, to the extent possible, the EU should aim at setting medium/long-term horizons for the applicability of the SAGs to induce increased legal certainty.

Finally, the EU should not question previous decisions that were duly notified and approved.

3. Assess and ease the flag link eligibility criteria for entering the tonnage tax regime

Too rigid an insistence on the flag link eligibility criteria may be counterproductive as this could lead to increased operating costs or lack of market access.

The EU should consider easing, or as a minimum not further restricting, the current flag link requirements set up in the SAGs as other important shipping centres do not have such requirements, which allows for more flexibility.

Instead, the EU should maintain and focus on its requirements concerning strategic and commercial management activities.

4. Deviating from or going beyond IMO/ILO conventions in EU and member state regulation should be prevented

In order for the EU to offer competitive conditions for its flag states and shipping companies, deviating from or going beyond IMO/ILO conventions should be prevented.

Furthermore, current regulation should be reviewed in order to reduce unnecessary detailed and burdensome regulation.

From a competitiveness perspective, it is important that the EU does not impose stricter regional regulations on top of global agreements.

Implementation of regulations outside standards introduced by IMO/ILO will increase the operating costs relative to flag states, such as Singapore, pursuing regular implementation of IMO/ILO conventions, and should be avoided.

(from: hellenicshippingnews.com, March 1st 2017)

REEFER

EUROPE-CHINA SILK ROUTE REEFER VOLUMES ON THE UP, BUT FOR HOW LONG?

A number of new reefer services have launched on Asia-Europe rail routes, but uncertainty over the future of Chinese rail subsidies threatens growth.

Growing eastbound volumes could prove instrumental to the long-term sustainability of Asia-Europe rail freight.

The railways are heavily subsidised by China, but there is no guarantee they will continue indefinitely, despite the strong emphasis by the government on its One Belt, One Road policy.

Indeed, one China-based source told The Coolstar the subsidies could end as soon as 2019.

She added: "It's a big problem as it could double the price.

The uncertainty may cause some shippers to think twice about rail and go by ocean or by air.

One option to keep the price down will be to implement double-blocktrains, like the US system."

However, Henrik Christensen, chairman of Silk Route Rail, argued any sudden termination of the subsidies was unlikely, despite his personal opinion that they are unnecessary.

"There have been rumours about subsidies for years and I do not believe anyone knows when they will be removed.

But in my view, they should be removed as soon as possible, as rail is sustainable without subsidies.

It's not meant for cheap plastic toys but as a replacement for airfreight."

Silk Route Rail bills itself as the first independent and private transcontinental rail operator.

Mr Christensen said the current uncertainty over subsidies was putting off potential investors.

"It is the very reason that we have not been able to raise funding to acquire reefer containers for the route, as no investor is willing to invest until they know what will happen to the subsidies."

And despite the reefer services currently on offer, Mr Christensen argues that a cheaper solution is needed.

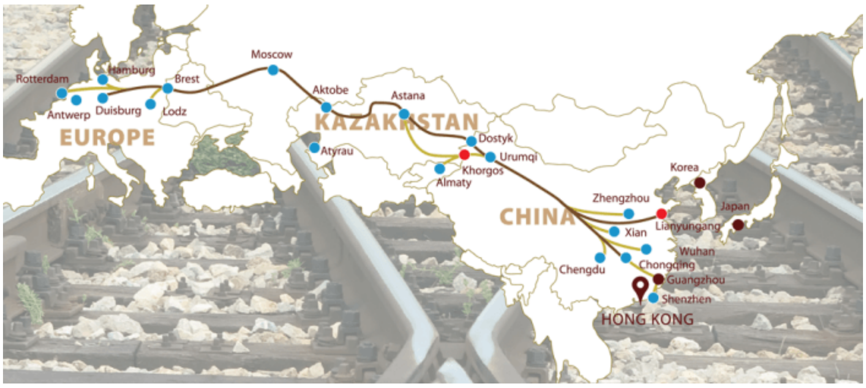
"The key missing factor is the solution for the reefer cargo, food and pharmaceuticals, and a year-round service for all goods.

"At the moment there is only the grossly overpriced diesel-electric container.

There are far smarter and better solutions, such as the automatic wheel gauge wagons, electric cabled railway wagons with gensets, kinetic energy power on wagons, even lithium ion batteries to power the normal electric reefer containers.

However, decisions by railways, and there are a lot of them between China and Europe, takes many years.

Then you have the politics in each country which makes the geopolitical problem a huge obstacle as well."



Meanwhile, since 2012, when Hewlett-Packard (HP) pioneered the use of reefer blocktrains for China-manufactured laptops and notebooks destined for Europe with the help of Unit45 diesel-electric reefer containers, other hi-tech consumer manufacturers have caught on, as well as shippers of other high-value cargo such as automotive spares.

There are now 18 separate rail services operating between China and Europe, marking a faster pace of growth for the mode than many expected.

With the influx of reefer units on westbound trains into Europe – HP alone is said to be shipping 5,000-6,000 teu a year – new opportunities have opened up for European perishable exports on the backhaul leg for increasingly affluent Chinese consumers.

For example, railway operator Far East Land Bridge recently completed the first rail shipment of Swiss dairy products to China, which included raclette and fondue cheeses, milk chocolate and prepared milk.

And in February, Kuehne + Nagel launched its KN Eurasia Express service, which includes less-than-container load (LCL) temperature-controlled shipments from Europe to Asia.

KTZ Express, the logistics subsidiary of Kazakhstan's national rail company, operated 400 eastbound trains in 2016, roughly half of its westbound volume.

"This is a good balance nowadays, because we can provide a good price for our clients after the wagons are turned around.

Our goal is to further develop the eastbound reefer market," said KTZ Express director Daulet Kakim.

Cargo shipped back to China included milk powder, wine and beer from France and Italy, and plastics from Germany.

Overall, KTZ Express operated 1,200 trains, or 98,400 teu in 2016 and is aiming for 2,000 trains this year.

(from: theloadstar.co.uk, March 9th 2017)

ON THE CALENDAR

- 22/03/2017 – 23/03/2017 Antananarivo 11th Indian Ocean Ports and Shipping 2017
- 19/04/2017 – 20/04/2017 Cape Town 17th Intermodal Africa 2017
- 18/05/2017 – 19/0520/17 Georgia 6th Black Sea Ports & Shipping 2017
- 06/0720/17 – 07/07/2017 Yangon 15th ASEAN Ports and Shipping 2017
- 28/09/2017 – 29/09/2017 Tallinn Baltic Sea Ports & Shipping 2017
- 26/10/2017 – 27/10/2017 Barcelona 5th MED Ports 2017
- 29/11/2017 – 30/11/2017 Abidjan 18th Intermodal Africa 2017

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