Newsletter

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Link road, rail, sea!

Council Of Intermodal Shipping Consultants

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PORTS AND TERMINALS

MEDITERRANEAN DREAMS AND SCHEMES - SNATCHING EUROPE FROM NORTHERN PORTS

As consumer demand rises in Europe, the flow of goods from Asia to the EU may well shift in important ways - from air to rail and sea - or more strikingly from northern range ports to those in southern Europe.

Much is already happening though barely perceptible, glacial movement that will likely become massive as time goes on if statistical trends prove to be enduring, at which point it is likely to become a true game changer if oil prices rise to previous high levels.

Of course, much depends on the continued movement to better times.

Should current trends endure, an improving global economy would involve greater use of Suez to reach West Africa and the east coast of North America.

This trend would also accelerate the use of southern European ports as a widening gateway to the continent.

One can see today how the transport terrain has changed in recent years to produce an astonishing, but still largely unappreciated transformation in the way cargo is moved worldwide.

One could start with the young, but maturing, rail service from China to Europe - lately reaching London - which admittedly accounts for little volume today, but for high-end consumer electronics is fast enough westbound for the fashionable tech market and much cheaper than air.

It is proving useful to move European machinery eastbound albeit to a lesser degree.

Then there is China's Belt and Road 2013 campaign, which while still patchy, stands to be a vital multi-deal maker, building bridges literally and figuratively, patching up road and rail links, thus forging what may yet become breath-taking connectivity in Asia and Africa.

Belt and Road stands to literally pave the way to new markets and through global trends of rising urbanistion, raising incomes in poorer countries.

This is expected - certainly by China - to facilitate intra-African and intra-Asian trade as well as inter-continental trade on the grounds that the more trade there is, the more trade there will be, spawning new breeds of consumers in poorer countries moving up the value chain.

A third element which has not caught on as much as it will do, is the use of southern European ports.

Ambitious port managers in Piraeus, Koper, Trieste, Venice, La Spezia, Genoa, Marseilles, Barcelona and Valencia, harbour dreams of becoming major gateways to Europe.

They seek nothing less than to supplant today's dominant, but counter-intuitive view that it is natural that Asian goods to be delivered to northern range ports from Le Havre to Hamburg, rather than the more obvious stretch between Greece and Spain.

This is not a new idea.

Barcelona has been promoting it for 20 years.

Why go around the Iberian Peninsula to land cargo in Europe when you can drop it off at southern European ports, and head right back to Asia?

Back then what looked like a good idea on the map, was made next to impossible because of differing rail gauges between the EU and Spain.

While that has been fixed, it had to be admitted that road and rail connections were much better covering more densely populated consumer rich northern hinterland, as well as providing easier access to the UK, Russia, Scandinavia and the Baltic states.

But much has changed since, and much more change is in the offing.

First, southern Europe is no longer the rustic backwater it once was.

What was once viewed as a drawback, a sparsely populated region, is now seen as an asset that eases congestion and promises better cargo flow.

Second, there is now considerable volume of transshipment containers bound for the east coast of North America and West Africa - and back again - which goes a long way to creating a critical mass to justify trade from an array of southern ports into Europe.

Even little Koper in Slovenia boasts of a thriving trans-Med reefer trade from Egypt to augment its share in the new inflow for Asian cargo.

Today these ports harbour justifiable dreams and schemes as main gateways to southern, central and even northern Europe to include Milan, Venice, Genoa, Vienna and Budapest.

And who knows, even Paris, Munich, Antwerp, Rotterdam and Hamburg.

The distance from Venice to Berlin is no more than New York to Cleveland and Marseille to Paris is only a little more than that.

Of course habits die hard and the northern range ports are tops in automation and have first class road and rail links.

So despite some obvious geographic advantages, the northern ports still trump southern rivals, it even with their awkward routing around the Iberian Peninsula.

But if there were to be a big increase in the price of oil all that would change.

That will bring in a whole new set of costs to European shipping that would not bode well for northern range ports - now that low-sulphur fuel rules are in place.

One only need recall the months before the low sulphur fuel rule was imposed January 1, 2015, that would have driven up costs to the breaking point that at least one English Channel North Sea ferry service expected to go out of business, the clean fuel cost 40 per cent more than standard bunker.

But before the rule was fully applied in the Baltic, the North Sea and the English Channel, the bottom fell out of the oil market.

And cost of low sulphur fuel was even slightly less than what standard heavy bunker had been, so screaming protests fell silent and life went on as usual.

But had oil stayed high, it would difficult to imagine the old trade from St Petersburg to Montreal surviving.

The Canadian city's hinterland, by virtue of its two Class I railways, includes New York, Toronto, Chicago and everything in between.

But the ship connection would be saddled with costly low-sulphur fuel use from the eastern end of the Gulf of Finland to the Baltic Sea, then into the North Sea and from one end to the English Channel to the other before being free to use standard bunker again, but only briefly when crossing the Atlantic before it reached 200 miles off Newfoundland and once again in the clutches or regulators, all the way down the St Lawrence River to Montreal, 1,000 miles from the sea.

Sweden's port of Gottenburg intended to game the new rules, figuring that the low-sulphur regulation would make back-haul dead-heading north to Baltic lumber ports uneconomical for ships if they only had forest product cargo to bring back one way.

Once they got the cargo, the ships were free to go anywhere that wanted their lumber.

Gottenburg preferred to have it all, not only for Ikea, which makes its home there, but to export it to the world.

Ships putting into that Atlantic port need only go through 200 miles of Emissions Control area to Gottenburg.

So the scheme was to rail the lumber diagonally across Sweden to the port, providing Ikea, the big local industry, with a sweetheart deal, being first to buy the lumber at a competitive price, its principal raw material.

But when oil prices plummeted, so did the scheme.

If low oil is not the new normal, but an only weird market fluctuation, and the price goes up to all time highs, screamers will return in force.

And Europe's southern waterfront, which is already pitching itself as the European gateway of tomorrow will have something to sell, without having to make the ironic claim that they are protected by Muslim terrorists who keep European regulators at bay.

A better argument in their quiver will be statistics how their container traffic is enjoying double-digit growth (Barcelona up 14 per cent, Marseilles up 26 per cent and Piraeus up 14 per cent) while the northern range growth is slowing, and that seems to be a compensation for shrinkage suffered by others (Le Havre up 0.7 per cent, Antwerp up 4 per cent, Rotterdam, down 0.4 per cent and Hamburg, up 1 per cent). Such statistics hint at the way forward.

Marseilles is not waiting, and is to spend US$424 million on bid to be top Asia-Europe gateway, having announced it plans to boost annual throughput 11 per cent to 86.5 million tonnes by 2018.

At the other end of the Mediterranean, the Cosco-owned Greek port of Piraeus has similar plans to make continental Europe its natural hinterland and it is not hard to imagine that other southern European ports will be ready to join them to win their own market share.

(from: shippinggazette.com, March 29th 2017)

MARITIME TRANSPORT

SHIPPERS HOLD EMERGENCY MEETING OVER SEA FREIGHT CAPACITY CRISIS

European shippers held an emergency meeting last week over the current ocean freight capacity crisis in which delays of up to eight weeks for eastbound cargo from Europe to Asia are costing exporters existing and future sales.

The European Shippers' Council (ESC) said it was asked by representatives of national shippers' councils, as well as by individual export companies, to organize an emergency meeting, adding: "This meeting took place last week and focused on the current situation in the maritime sector: goods to be exported have been waiting for up to eight weeks to be loaded on ships.

The present capacity is insufficient to take all shipments."

ESC said carriers were also providing no guarantee that all of the goods within a shipment would be loaded, noting: "Frequently some goods from a shipment remain in the port.

At the same time spot market freight tariffs are increasing."

The cargo-owner representative body continued: "These developments are forcing many traders to cancel their existing sales contracts and limit further sales.

For ESC, this is a reason to worry about European exports and the negative consequences for the competitiveness of European economy."

ESC questioned whether the present situation was a natural result of the market adjusting to capacity changes in the maritime sector, "or is it an artificially created scenario by certain shipping lines, to increase their profitability"?

It also questioned how long the current problem would last.

But the organisation acknowledged that its emergency meeting was unable to provide instant answers to the problems.

It said the first signals of a market disturbance were already perceived last November with an increase of blank sailings.

And it highlighted that no shipper had been invited to discuss the present market situation, or consulted in any way about the balance between shipments and capacity.

Following the ESC emergency meeting, the ESC board of directors decided to set up a temporary observer group composed of representatives of European exporters to monitor closely the situation.

"They will analyse the changes in capacity, the time of delays, and the fluctuation of rates," the ESC said.

"The data collected will be used to decide on possible next steps.

"ESC will be regularly informing press and competent authorities of intermediate and final results of this exercise.

ESC will meet DG Competition in the early summer to give them an informed view on the present crisis and discuss strategies to prevent this from happening again in future."

Lloyd's Loading List has reported several times since early March that European exporters have been experiencing problems securing eastbound ocean freight capacity, disrupting their supply chains.

European shippers who export goods to Asia have reported a large drop of available slots for containers on almost every shipping line.

ESC has reported that its members have faced issues including breaching of contractual commitments by some liners to difficulties getting boarding slots before May and fluctuating freight rates, including hikes up to 45% to firm up a booking.

This was translating into missed sales, stock failure, and significant extra costs as some exporters are trying to circumvent these obstacles by using other modes.

The shipper body said it had been warning stakeholders for some time that some problems might occur after Chinese New Year because of sailing cancellations.

But it said the magnitude of the turmoil was completely unexpected, given the background of continuing structural overcapacity of the market.

The ESC called for carriers to take their responsibility and give an accurate account of the present situation and of its causes, while making sure that everything goes back to normal.

ESC was also drawing the attention of the regulation authorities to the current market structure, “where three major alliances control close to 90% of the capacity on the major trades”.

ESC stressed that it was not accusing lines of breaching antitrust rules, but indicated that it believes the current competitive market is unhealthy and unsustainable.

“Despite carriers not violating any present regional regulation on competition, the combination of a high concentration of players and a recurrent instability within the alliances induces a much higher risk of making this kind of market disruption frequent and significant,” ESC said.

ESC said shippers’ representatives had already called for “and call once more for the maritime industry to initiate a constructive dialogue with them and other stakeholders.

The objective of such a dialogue would be to create the framework for a sustainable market where the liners’ offers would meet the shippers’ expectations of service quality, continuity and predictability.”

As reported last month in Lloyd’s Loading List, freight forwarders are having to find creative solutions in response to the current eastbound ocean freight capacity shortage between northern Europe and Asia, with the current low draft on the river Elbe compounding the situation by restricting the capacity of vessels operating in and of the port of Hamburg.

Forwarder Panalpina said the main cause of the eastbound shipping capacity shortage had been the number of blank westbound sailings post-Chinese New Year.

And although carriers had been honouring the company’s contracted allocations, forwarders and shippers have been facing backlogs for several weeks for non-contracted capacity.

It said there were currently major capacity constraints on all ocean carriers from Europe to Asia, and outside of contracted capacity, it is extremely difficult to procure space at short notice – a situation expected to continue well into April.

In the meantime, Panalpina was offering alternative routings to shippers via southern European ports as well as rail freight alternatives into China.

As reported several times last month in Lloyd's Loading List, the shortage of eastbound Europe-Asia ocean freight capacity in recent weeks has led to a demand surge and a significant hike in air freight rates on eastbound routes from Europe to the Asia Pacific region, as forwarders and shippers divert urgent shipments from sea freight to air freight transport.

These rate increases are mainly to east Asian markets such as Korea, Japan, and China.

Shipping lines including Maersk and Mediterranean Shipping Company (MSC) have said demand for space for cargo going east of Suez has been extremely strong, and this, in combination with a number of sailings omissions as a result of the Chinese New Year slowdown, had resulted in a high level of requests and bookings.

Maersk also confirmed that in addition to service cuts post-Chinese New Year, there had been an increase in eastbound demand, driven by several factors including domestic policies in China stimulating demand and hence requiring raw materials such as like chemicals, wood, paper and recyclables; a decline in Asian imports from Europe for the last 12-18 months now requiring re-stocking; and strong demand continuing in areas like food and beverages – commodities such as meat, milk powder and alcoholic drinks.

(from: lloydsloadinglist.com, April 5th 2017)

RAIL TRANSPORT

SNCF LOGISTICS TO CREATE 'DIGITAL FREIGHT TRAIN'

SNCF Logistics has forged a partnership with multi-modal container-monitoring specialist Traxens to create what it describes as "the digital freight train".

The French state railway-owned company said the partnership followed a year-long piece of research, common work, and tests to develop services suitable for rail freight based on a "new connected unit solution".

It added: "This digital innovation will be operational in the second half of 2017 and will give rise to a new generation of freight trains, which will help improve the performance and appeal of rail in the goods transport market.

A majority of shippers say they are willing to resort to more rail freight if certain criteria such as real-time data and on-time deliveries are better taken into account - which would be guaranteed with future digital freight trains."

SNCF Logistics' CEO, Alain Picard, said the digital freight train was "a major innovation for placing rail freight at the heart of the transportation offering in the 21st century", adding: "Our partnership with Traxens allows us to invent and implement a solution that will benefit all players in the sector: railway undertakings, railcar leasing companies and shippers."

Traxens, a technology 'start-up' created in Marseille in 2012, is backed by container shipping lines CMA CGM and MSC.

The company has designed the "connected container", which provides key information in real-time such as the location and temperature of containers.

A detailed presentation on the digital freight train will take place at Munich's Transport Logistic trade fair in May.

Last July, MSC joined CMA CGM in backing Traxens.

The agreement sees CMA CGM and MSC invest capital in the French technology firm, with each group also represented on its board of directors.

The two lines also intend to deploy Traxens devices across the fleets of both carriers.

(from: lloydsloadinglist.com, March 31st 2017)

ROAD TRANSPORT

A WEIGHT OFF HAULIERS' MINDS: SHIPPERS MUST DECLARE LOADS ARE ROAD-LEGAL

Next month a new law within the EU will force shippers to declare the weight of their cargo to hauliers transporting goods within Europe.

In what amounts to a partial extension of the verified gross mass (VGM) amendment of the Safety of Life at Sea regulations, which entered global maritime regulation last July, 7 May will see EU 2015/719 directive formally enter law.

Shippers with goods loaded in containers and swapbodies will have to provide hauliers with what was described by Freight Transport Association director of global and European Policy Chris Welsh as a “statement of compliance”: that the weight of the cargo and transport unit added to the weight of the truck and chassis do not exceed legal weight limits on roads.

DP World Southampton’s head of commercial, Aart Hille Ris Lambers, had said that, since the VGM amendment became law, one thing that had been noticed at the port – which weighs every container as it is delivered to a terminal, whether the shippers provide VGM or not – is that in some cases trucks have breached road weight limit laws.

Mr Welsh said: “This new law is designed to address that and will place the onus on shippers to declare the weight of their cargo.

The shipper will have to give the haulier a statement indicating the weight of the container or swapbody, as well as the cargo, in much the same way as they do with the VGM.

The regulation will stop a haulier being put in a position that sees him break legal road limits without knowing it.

This can be serious for hauliers – they can have their operating licences taken away and, although it is not a major problem in the UK, it does happen sometimes.

And there are some unscrupulous firms."

Mr Welsh added that one of the key elements to the directive was that "no one wanted entirely new legislation".

"We have an agreement that using existing documents such as packing notices will be sufficient to the statement, while shippers exporting containers outside the EU will be deemed to have complied with the new directive by virtue of a valid VGM," Mr Welsh explained.

(from: the loadstar.co.uk, April 7th 2017)

INTERMODAL TRANSPORT

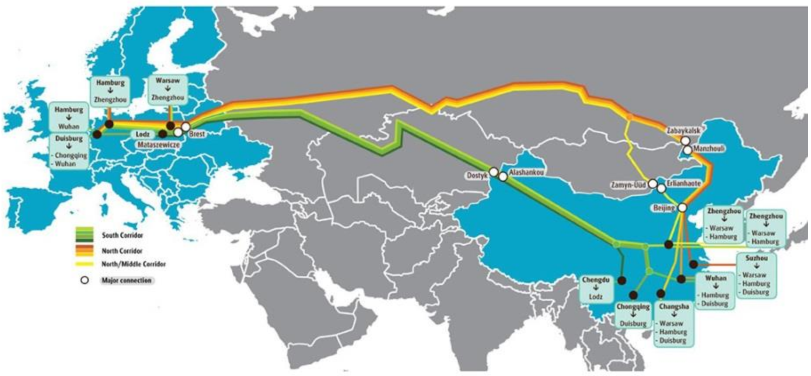
UPS EXPANDS CHINA-EUROPE RAIL OFFER

UPS has announced the addition of more stations to its FCL and LCL multimodal landbridge service between Europe and China.

The additional stations will give customers moving goods on the world’s largest trade lane more options to reduce supply chain costs and better balance cost/time-in-transit requirements, stated UPS in London.

Changsha, Chongqing, Suzhou and Wuhan Stations have been added in China to the existing stations of Zhengzhou and Chengdu, while in Europe stops in Duisburg and Warsaw have been added to the existing stops of Lodz and Hamburg.

“Our China-Europe rail services can save customers up to 65% versus air freight and improve time-in-transit by 40% versus traditional ocean freight service,” said Cindy Miller, president of UPS Global Freight Forwarding.



“By giving our customers more options to balance cost and speed of delivery, UPS is committed to helping businesses in China and Europe succeed and expand.”

The four new Chinese stations were chosen for their close proximity to provincial industrial manufacturing, commercial and cultural centers in interior China.

Duisburg is in the heart of the industrial Ruhr area of Germany and is Europe's biggest inland port, with access to river, rail, road and air transport.

The new Warsaw stop serves the growing Polish economy, says UPS, and is a centre for e-commerce, R&D and industrial manufacturing.

UPS China-Europe Rail service caters for FCL and LCL cargo moved in both directions.

Features include CCTV monitoring during train transport, seal management, alarms, and optional GPS container tracking.

Thermal liners, pallet covers and diesel-powered reefer (heated) containers are available options to protect more sensitive cargo.

In addition, says UPS, its systems are electronically linked to customs authorities, reducing the risk of errors and speeding up the clearance processes, while its FlexGlobal View enables visibility into shipment status and critical milestones as they occur.

(from: worldcargonews.com, March 29th 2017)

TRANSPORT & ENVIRONMENT

WHY AN EMISSIONS TRADING SCHEME IN THE EU CAN POSE A HUGE PROBLEM TO OUR INDUSTRY

Some weeks ago, the European Parliament has voted to include shipping in the Emission Trading Scheme of the European Union (EU) – a decision which has not drawn a lot of attention yet, although it could change the industry more than most of us can imagine at the moment.

The vote does not mean that shipping will have to trade emissions at once from now on, as for example aviation has to do in the EU already for several years.

But if it does have to in a few years' time, it would mean a distortion of competition for liner shipping companies like Hapag-Lloyd to the benefit of Asian liner shipping companies, since the latter have less transport volume in the EU.

Captain Wolfram Guntermann, Director Environmental Management at Ship Management in Hamburg, explains the overall situation – and why Hapag-Lloyd favors a different approach which does not only better serve the industry but will be more sustainable for the environment.

Mr. Guntermann, what has the European Parliament (EP) decided, what are the next steps?

On February 15th 2017, the EP voted to include shipping in the EU Emission Trading Scheme (ETS).

The goal is to mitigate CO2 emissions – the so called greenhouse gas emissions.

The next steps of the process have to be approvals by the EU Commission and the EU Council consisting of the EU Member States.

What is the background of the decision of the EP?

There is a widespread political opinion among EU Bodies that the International Maritime Organization (IMO) is allegedly acting too slowly.

The IMO as the specialized agency of the United Nations is responsible for safe and secure shipping and preventing marine and atmospheric pollution from ships.

As a result of this opinion, the EU MRV legislation (Monitoring, Reporting and Verification of greenhouse gas emissions) was already passed in 2015.

This regional data collection system will commence as from next January for all vessels above 5000 GRT (e.g. all Hapag-Lloyd vessels).

"It is noteworthy that EU MRV does not work on a global basis but affecting voyages within the EU or between EU Ports and the first or last port which is not located in the EU or EEZ", explains Wolfram Guntermann.

In the wake of the EU MRV legislation, a political debate ensued whether shipping should be included in the already existing EU Emission trading system (ETS).

The European Parliament's Environment Committee agreed that emissions from ships should be included in the EU ETS from 2023, if the IMO does not deliver a further global measure to reduce greenhouse gas emissions for international shipping by 2021.

However, these measures were agreed by IMO Member States, including EU Member States, says Captain Guntermann: "This prompted IMO Secretary-General Kitack Lim to write to senior European officials expressing his concern that including shipping in the European Union's Emission Trading Scheme (EU ETS) could undermine efforts to reduce greenhouse gas emissions from shipping on a global basis."

But is the IMO not doing anything…?

No, in contrary.

The 2015 Paris Agreement UNFCCC (United Nations Framework Convention on Climate Change) makes no reference to emissions from international shipping, because it is a global business and emissions from a ship cannot be accounted to a single state.

But IMO's efforts to address reduce greenhouse gas emissions from shipping have meanwhile reached an advanced stage.

"As the Secretary General stressed, IMO's work on the control of these emissions shows that strong action is being taken", says Guntermann: "IMO is continuing towards the goal of a fully global solution for international shipping, achieved through cooperation among all its Member States – again, including EU members."

What's the current status of the worldwide efforts to reduce greenhouse gas emissions in shipping?

Already in 2011, IMO became the first international body to adopt mandatory energy-efficiency measures for an entire industry sector with a suite of technical and operational requirements for new and existing vessels that entered into force in 2013.

In October 2016, IMO adopted a system for collecting data on ships' fuel-oil consumption which will be mandatory and will apply globally.

The global data collection will commence for all vessels above 5000 GRT as from January 2019.

This will be the first in a three-step approach leading to an informed decision on whether any further measures are needed to enhance energy efficiency and address reduce greenhouse gas emissions from international shipping.

It is possible that policy options could be considered at a later stage.

IMO also approved a "roadmap" for developing a comprehensive strategy on reduction of greenhouse gas emissions from ships, which foresees an initial emissions strategy being adopted in 2018.

What is the position of Hapag-Lloyd on the EP decision?

Captain Guntermann: "Hapag-Lloyd is not against reducing greenhouse gas emissions, quite the contrary!

But as our business is globally, we do favor decisions which apply to all competitors in our industry worldwide.

Therefore, we are concurring with the opinions expressed by various ship owners' associations that the EP decision is setting the wrong course line.

A regional system will not be suitable to mitigate global CO_2 emissions as being pursued by the global solution of the IMO.

The unilateral move by the EU is considered as counterproductive to the international efforts made."

But what is our problem, what could be the impact of the EU Emission Trading Scheme (ETS)?

An ETS could be regarded as a quite unpredictable market measure: "It should be borne in mind that it will concern a vessel's voyage between the last non EU and first EU port", explains Guntermann.

"This could prompt operators to avoid calling European ports, or, at least call non-European ports after a long distances trip.

Following the Brexit, this could include UK ports and non EU ports in the Mediterranean."

Avoiding European ports will for sure have a negative impact on the port business.

Plus: The future price for CO2 emissions is difficult to predict.

"While we are talking about a current range of about five Euro per ton of CO2, there are political opinions expressed about increasing this price to 30 or even 50 Euro a ton.

Burning one ton of HFO (Heavy Fuel Oil) emits 3.114 tons CO2.

How does Hapag-Lloyd express concerns and work on remedial action?

Guntermann: "We do concur with the statement by IMO Secretary General Lim that unilateral or regional action that conflicts with or undermines actions that have been carefully considered and deliberated by the global community at IMO threatens world-wide confidence in the consistent, uniform system of regulation developed by IMO.

Regional or unilateral action will harm the goals of the wider international community to mitigate global greenhouse gas emissions from ships and be at odds with the overarching objectives of the Paris Agreement.

We will continue our close support of leading Shipping Associations as the World Shipping Council (WSC), the Baltic and International Maritime Council (BIMCO), the European Community Shipowners' Associations (ECSA) and the German shipowners' association VDR (Verband Deutscher Reeder).

This active involvement ranges as far as being member of the WSC Delegation at IMO and membership in various ECSA committees, the European Sustainable Shipping Forum, and with VDR."

(from: hellenicshippingnews.com, April 5th 2017)

LOGISTICS

FREIGHT FIRMS FEARFUL OF A BREXIT CLIFF EDGE

Cargo owners and their logistics partners remain concerned about a whole series of issues related to Brexit, including delays at ports, increased complexity and costs, and difficulties in recruiting good staff.

But among the biggest concerns is the potential of a 'cliff edge' if no new trade agreement is reached between the UK and the EU – or even if it is.

Representatives told the Freight Transport Association (FTA)'s 'Keep Britain Trading' conference in London that reaching an agreement on a new trading relationship was of critical importance, along with frictionless processes that would allow shipments to move between the UK and the EU as simply as possible.

British Ports Association (BPA) chief executive Richard Ballantyne said the number one concern of his organisation's UK port members was in the area of facilitation, for example relating to border checks.

"That is magnified in the ro-ro sector," he observed.

"Ports are natural bottlenecks, so as soon as we start checking (cargo and vehicles as they arrive or depart), that could cause a lot of problems at the ports.

And there would be costs.

The government has within its control to employ a light-touch system at the border."

He said tariffs were less of a concern for ports, "as long as they are collected away from the port".

But he was concerned about possible complications in Ireland.

"On the Irish sea, the common travel area excludes immigration checks, and there is the potential for new checks where they have not been any," he observed.

In the absence of free movement of goods, the thing that will be essential will be simplified customs – “and not treating each other like a third country”, said Richard Currie, director of public affairs at UPS.

The second issue is maintaining connectivity, and the third priority is to maintain the ECMT permit system for HGVs that are registered going into ECMT countries, he added.

Kevin Lucas, supply chain operations director for Neovia Logistics, whose clients include Jaguar Land Rover, commented: “I think the biggest thing is the uncertainty in terms of the workforce.”

He acknowledged that immigration was a key thing in the UK’s referendum, but the logistics sector remains highly reliant on non-UK EU citizens, particularly in warehouses and road freight drivers.

“And so we need clarity and certainty.

There is already a shortage, and there could be an exodus.

With less than 5% unemployment, where are we going to get people to fill these gaps?” he asked.

Zoe Heason, regional category lead buyer, Logistics & Automotive, for BOC Gases, commented: “As a priority, the logistics industry must be able to continue doing what it does best.

We must be able to trade internationally and we must be able to move our talent around.

We must not have delays at borders.

For example, our gas has a limited shelf life, much like apples.

And medical samples may only have a life of a few hours.

We are also concerned about driver shortages and ADR handlers.

We want to avoid Irish land borders, and therefore we are very keen that the common travel area is maintained.

And we are concerned that if there is a cliff edge, we need service providers to come to us and say this is a service that we can deliver.”

Terry Murphy, director for national distribution operations at retailer John Lewis, said he had similar concerns.

"The key objectives are to avoid disruptions to the movement of goods and of people," he said.

One key thing that was required was clarity and surety, in order "to get a feel for what is going to happen.

But then also a grace period if things need to change."

He continued: "Because the UK is the leading economy for online sales and fulfilment, we sell a lot to France and Germany, and Canada et cetera.

There, the customer has placed the order and it has to get there fast.

And with online fashion, we also have a percentage of returns."

He summarised: "Therefore, there is a people implication, a cost implication, and a customer implication."

Neovia's Lucas commented: "Whether we agree with the decision, we have to evolve to make sure we are agile enough to deal with it.

We have to look at how to make things more responsive.

How do we bring in autonomous vehicles?

This gives us the opportunity to bring some of these things in to free people up."

He said that assuming the UK will have a different tariff framework in the future to that of the EU customs union, rules of origin will be become increasingly important – and the standard operating procedures required to keep track of all the origins of every component within products.

"In the US, we have had to do EDI customs entry," he noted.

"It was difficult, but we are in a much more agile state to do that now.

That has given us the platform, and we need to replicate that.

If we have that set up, we will naturally be market leaders.

Therefore, innovation does give us opportunities."

Lead-in time

Currie from UPS agrees that companies have to be positive.

"But we have to have a lead-in time after we have agreed the FTA, because if there are customs systems to be built, buildings will have to be retrofitted to become customs compliant, for example.

Coming off a cliff edge will potentially stop the trade with the EU.

It is not just the people in this room (that will have to adapt), or our counterparts in France and Germany.

It will be in customs (authorities) - not just our customs, but also those in France and Germany and other EU member states."

James Hookham, deputy CEO at the FTA, noted that there were some government representatives in the room we were able to take note of these observations about the requirements for changes within customs organisations, adding: "But just because we are going back 20 years in reintroducing customs (requirements between the UK and the EU), let's not go back to the way that we did things in 1992.

And there are probably lots of things that can be engineered outs of the current system so that could be improved."

Currie noted: "There is also an opportunity for us to work with the authorities to make sure that the system that we have is better."

But a representative from the European Shippers' Council (ESC) commented: "We have this kind of discussion in continental Europe, and these often refer to VAT.

If we don't have harmonisation, this can lead to a lot of hassle at the border – and also the entry summary declarations.

If we don't find a solution, this can be a problem."

Currie commented: "If there was some kind of deferred-payment system, especially for low-value shipments, that would be very good."

BPA chief executive Richard Ballantyne highlighted the challenge of knowing what is in the road freight vehicles on ferries.

"How do we know what is on the ferry? At the moment, they just don't have that information."

Higher inventory and costs

Neovia's Lucas added: "Because if we don't have that ro-ro flow at the port, that requires us to hold more stock, because we can't reduce service levels, and that adds cost."

Murphy emphasised the importance of knowing exactly where stock and freight movements are, in order to minimise these additional inventory needs and costs.

And there is also a space element, Ballantyne noted, adding: "Dover does not have much space.

This could be an opportunity for other ports that do you have space, but there will be a cost to that."

Cliff edge

Addressing concerns about a possible cliff edge, David Jones MP, Minister of State at the Department for Exiting the European Union, in a keynote speech at the conference, was clear that there would be an "implementation period" to allow adjustments to the new regime.

But he was less clear about the possibility of a "transitional arrangement" – an extended period of time, after the UK's initial two-year exit negotiations, in which to negotiate an EU-UK trade deal.

Jim Rollo, deputy director of the UK Trade Policy Observatory at the University of Sussex and former chief economist of the Foreign Office, along with other commentators, have argued that the likelihood of a meaningful trade deal being negotiated within the initial two-year window was low, believing that a transition period would be necessary to avoid a situation where UK-EU trade is forced to revert to WTO rules – at least until a free trade agreement can be negotiated.

But Rollo said that the current political climate in the UK meant that this transitional negotiation period was looking less unlikely.

With Theresa May's government apparently being led towards a so-called 'hard Brexit' by Eurosceptic members of her own party and government, policed by a predominantly right-wing tabloid media in the UK attacking anything except a hard Brexit, logistics observers fear that the most likely scenario now is that the UK will leave the EU without a free trade agreement and be forced to revert to WTO rules, including tariffs and non-tariff barriers.

Although there will be a implementation period to soften the cliff edge, that is perhaps the scenario that the freight transport and logistics industry and its customers, import and export companies, should prepare for – while still lobbying hard for a transition period to allow further negotiation towards achieving a more stable and favourable long-term agreement between the UK and the EU.

(from: lloydsloadinglist.com, March 30th 2017)

LAW & REGULATION

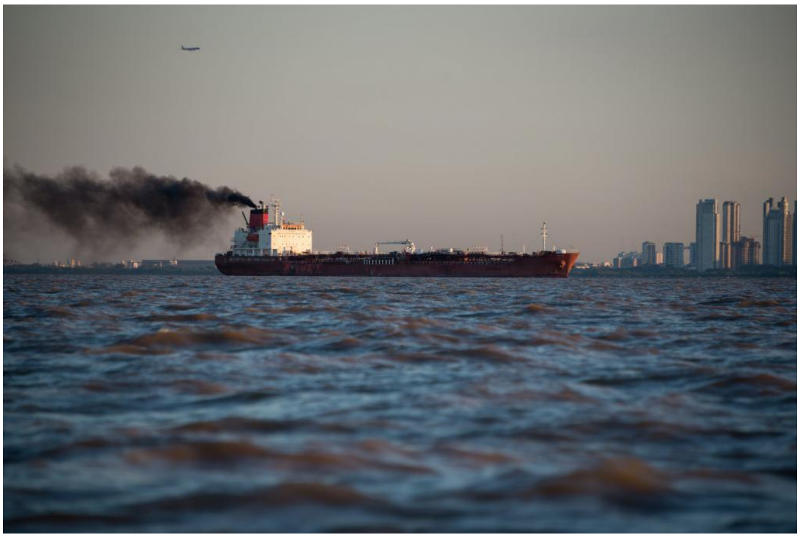
EU THREATENS TO BRING SHIPPING WITHIN ITS EMISSIONS TRADING SCHEME UNLESS THE IMO SETS A TARGET FOR REDUCTION OF GREENHOUSE GAS EMISSIONS

Last week the top EU climate official, Jos Delbeke, issued a challenge to the International Maritime Organization (the IMO) to adopt an ambitious target for reduction of emissions as part of the IMO's planned 2018 strategy on reduction of greenhouse gas emissions from ships.

Existing IMO strategy

The IMO has already introduced a raft of legislation in this area so far this decade.

In 2011 the IMO adopted mandatory CO2 emission standards for new-build ships by way of an amendment to MARPOL Annex VI.



Those measures came into force in 2013 and included the Energy Efficiency Design Index (the EEDI), which requires a minimum energy efficiency level per tonne of vessel per mile for new-build ships.

The programme involves a tightening of efficiency standards for new-build ships every 5 years, up to at least 2025.

The IMO also introduced an obligation for ships to carry energy efficiency management plans on board.

More recently, in October 2016, the IMO adopted a process to introduce a global data collection system for fuel consumption information from ships.

This process will involve an amendment to MARPOL Annex VI requiring ships over 5,000 GT to record and report their fuel consumption via their flag state on an annual basis.

The details of the data collection process have not yet been released, but it is due to come into force in March 2018 with the first compliance year for data collection commencing on 1 January 2019.

However, it is clear from last week's pronouncement by the EU's climate official, and from earlier calls by the EU Parliament for the shipping sector to be included in the EU's existing emissions trading scheme from 2023 absent an adequate and equivalent IMO scheme, that the EU does not consider the existing IMO measures to be ambitious enough.

Existing EU strategy

The EU introduced its own program for monitoring, reporting and verification (shortened to MRV) of CO2 emissions from ships in 2015.

The MRV Regulation (EU 2015/757) will require all vessels over 5,000 GT to provide details of CO2 emissions, fuel consumption, distance travelled and time at sea when they call at ports in EU Member States, Iceland and Norway, beginning in 2018.

This will come into force earlier than the IMO global data collection system and will involve more regular compliance than the annual return anticipated under the IMO reporting system.

The EU Regulation will undoubtedly place additional burdens on owners and managers.

The way forward

The EU made it clear last week that it expects the IMO to introduce an ambitious target for emission reduction, alongside other measures in its upcoming 2018 strategy.

However, there appear to be doubts in EU circles that the IMO will rise to the challenge, and EU climate official Jos Delbeke appeared to issue a veiled threat to include shipping in the existing EU emissions trading scheme by 2023 if action is not taken independently by the IMO.

Indeed, it is unclear how the EU anticipates the IMO could enforce an ambitious emissions reduction target other than via an emissions trading scheme.

Submissions for the June 2017 IMO meeting on greenhouse gas emissions are due to be tabled shortly and it remains to be seen whether any additional measures in the IMO's 2018 strategy will rise to the EU's challenge.

(from: hellenicshippingnews.com, March 27th 2017)

PROGRESS & TECHNOLOGY

CONTAINER SHIPPING 'MUST REINVENT ITSELF' FOR THE DIGITAL AGE – DAMCO LOOKS AHEAD

Maersk's 3PL subsidiary Damco has established a wholly-owned digital freight forwarder so it can compete with the rapid growth in the sector and act as a conduit for new business for the group.

Speaking to The Loadstar at the Multimodal exhibition in Birmingham, Twill Logistics chief executive Troels Stovring said the container shipping industry needed to "reinvent itself" after decades of inertia and offer shippers value-added products.

"The ships are the same, the rates are much the same and, with the alliance reshuffle, shippers will be looking for improved customer service and visibility in the supply chain to differentiate the carrier and forwarder," he said.

Twill – the name had a number of roots towards its inception, but 'it will' seems to have been the strongest – has been successfully trialled with 10 selected Damco customers on the Asia-UK tradelane.

It will enable customers of Damco whose shipments are with a number of carriers (including Maersk) to "book, manage and monitor shipments" via smart phones or other devices.

According to Mr Stovring, the four key features of Twill are: instant quotation; integrated document handling; milestone transparency; and proactive exception management.

Jo Southwell, a Scotland-based logistics manager at men's accessory company Randa Accessories, said his 100-year-old global group had been "pleased to be involved" in Twill's development.

She said: "Already the online platform is giving us improved visibility of our shipments, meaning we can see where our goods are in the supply chain at any given time."

Ms Southwell said that hitherto, Randa had “relied on a lot of manual processes including emails back and forth with our team in China” to obtain the status of its container shipments.

Mr Stovring likened early Twill trials to “pouring water into a bucket to find the leaks”, but said having fixed all the bugs in the system Twill would now be rolled out to new customers on the Asia-Europe route from 10 April.

The heavy IT aspect to the start-up is the reason why the 30 staff at Twill – based in The Hague separately to Damco – comprise around two-thirds with tech backgrounds and one-third from the logistics sector.

The UK was chosen over other North European countries to be the first market to be rolled out, due to its lower utilisation of barge and rail, but Mr Stovring said he expected Rotterdam to be included by the end of the year, once the software is upgraded to cover the intermodal hinterland leg.

Mr Stovring added that the software would also cover relays by feeder vessels to final destination ports such as Dublin and Belfast.

He stressed that the overriding endeavour was to “keep the booking process of freight as simple as possible” and claimed that this could be achieved in 30 seconds via the Twill site.

“Shipping has got to move with the times,” he said, and referred to an internal survey that suggested that, by 2020, 47% of people booking container space will be millennials – those born in the 1980s – schooled to expect to be able to reserve and book most services and products via their smart phones.

Referring to other emerging digital-first forwarders, such as Flexport and iContainers, Mr Stovring acknowledged these companies had “great products”, but said the potential market was “enormous and largely untapped”, and that Twill was a key part of Maersk’s strategy for a digital future.

(from: theloadstar.co.uk, April 6th 2017)

STUDIES & RESEARCH

GLOBAL SHIPPING FLEET BRACES FOR CHAOS OF $60 BILLION FUEL SHOCK

Now there's a headline from Bloomberg, via gCaptain, that should make you sit up and take notice.

A few years ago the European Union introduced its sulphur emission control area (SECA) which dramatically reduced the amount of sulphur content in ships' fuel.

The IMO has adopted similar rules for global shipping – in 2020 all vessels will have to burn fuel with a maximum sulphur content of 0.5%, compared with today's proportion of 3.5%, although they can continue to use the higher-content fuel if using so-called "scrubbers" that clean the exhaust fumes.

But the cost of scrubbers is currently prohibitive while at the same time the amount of refined fuel that fulfils the less-than-0.5% sulphur rule is unlikely to be enough to meet the requirements of the global fleet.

All in all, its gonna costs a lotta dollars!

* * *

Little more than 2 1/2 years from now, the global fleet of merchant ships will have to reduce drastically how much sulfur their engines belch into the atmosphere.

While that will do good things — like diminishing the threat of acid rain and helping asthma sufferers — there's a $60 billion sting in the tail.

That's how much more seaborne vessels may be forced to spend each year on higher-quality fuel to comply with new emission rules that start in 2020, consultant Wood Mackenzie Ltd. estimates.

For an industry that hauls everything from oil to steel to coal, higher operating costs will compound the financial strain on cash-strapped ship owners, whose vessels earn an average of 70 percent less than they did just before the 2008-09 recession.

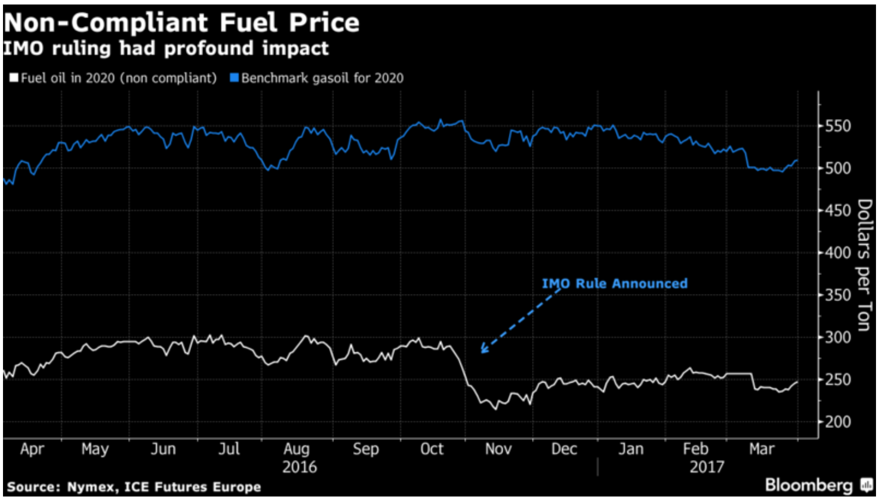
The consequences may reach beyond the 90,000-ship merchant fleet, which handles about 90 percent of global trade.

Possible confusion over which carriers comply with the new rules could lead to some vessels being barred from making deliveries, which would disrupt shipments, according to BIMCO, a group representing ship owners and operators in about 130 countries.

Oil refiners still don’t have enough capacity to supply all the fuel that would be needed, and few vessels have embarked on costly retrofits.

“There will be an absolute chaos,” said Lars Robert Pedersen, the deputy secretary general of Denmark-based BIMCO.

“We are talking about 2.5 million to 4 million barrels a day of fuel oil to basically shift into a different product.”



Merchant ships around the world are required to cut the amount of sulfur emitted under rules approved in October by the International Maritime Organization, a UN agency that sets industry standards for safety, security and the environment.

As well as contributing to acid rain, sulfur, combined with oxygen, can form fine sulfate particles that can be inhaled by humans and may cause asthma and bronchitis, according to the U.S. Environmental Protection Agency.

There are two main ways to comply: vessel engines are fitted with scrubbers that would eliminate the pollutant, or oil refiners will have to make lower-emission fuels.

The limit on sulfur content will drop to 0.5 percent from 3.5 percent.

Not enough

So far, neither the refining industry nor shipping is doing anywhere near enough for owners to achieve compliance in 2020, according Iain Mowat, a senior analyst at Wood Mackenzie.

“Ship owners are reluctant to install scrubbers to continue using the same oil because of uncertainties and lack of funding,” Mowat said.

“And most refineries won’t invest to convert heavy fuel because that will cost more than $1 billion and take about five years to complete.”

Just 2.2 percent of the fleet will have scrubbers installed by 2020 that would allow them to continue using current fuels, estimates the International Energy Agency in Paris, an adviser to 29 nations.

“The compliant technical options are still very immature, and it is hard for us to see them as a real compliance option for our fleet,” said Aslak Ross, head of marine standards at Maersk Line, the world’s biggest container shipping company.

For Maersk alone, the additional fuel cost will amount to billions of dollars annually, he said.

$4 million per engine

Most ships will switch to using a mix of lower-sulfur fuel oil or more-expensive middle distillates, according to Jan Christensen, head of global bunker operations at Bomin Bunker Holding, a Hamburg, Germany-based fuels supplier.

The scrubbing technology could cost as much as $4 million per engine, depending on its size, said Nick Confuorto, president and chief operating officer at scrubber supplier CR Ocean Engineering.

Retrofitting engines might be worth doing, possibly paying off in two years, because the price of compliant fuel probably will be three times higher than what ships currently burn, he said.

While the world’s largest owners are already reserving spaces for refits, smaller operators are taking a more wait-and-see approach, said Neil Carmichael, chief executive officer at Pacific Green Technologies.

Wood Mackenzie estimates about 70 percent compliance globally by 2020 and full compliance by 2025 after a transition period.

Tough markets

Merchant ships earned an average of about $9,800 a day this year, according to data from Clarkson Research Services Ltd., part of the world’s biggest shipbroker.

Ten years ago, they were earning about $34,000.

In the industry's three main markets — container shipping, dry-bulk cargo transportation, and oil tankers — there's been evidence of overcapacity and depressed rates over the past several years.

Those tough markets are making it harder for owners to secure investment and finance they need to comply, which means the IMO and its member states will probably permit some kind of transition period when the 2020 rules begin, Simon Bennett, policy director and external relations at the International Chamber of Shipping, said in a phone interview.

"If there were no flexibility on Jan. 1 and owners couldn't get fuel, then that would have an impact on world trade," Bennett said.

Either way, "this will have a profound impact on the economics of shipping."

(from: theloadstar.com/bloomberg.com/gcaptain.com, April 6th 2017)

ON THE CALENDAR

- 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.