Centro Internazionale Studi Containers

Newsletter

November 30th 2018

Link road, rail, sea!

C.I.S.Co. - Via Garibaldi, 4 – 16124, Genova Tel. 010 2518852 - www.ciscoconsultant.it

YEAR XXXVI
Issue of November 30th 2018

November 30th 2018

The content of the C.I.S.Co. Newsletter is also published in the newspaper "Informare" accessible on the Internet site http://www.informare.it

C.I.S.C.O. NEWS

C.I.S.CO .: A RETURN TO THE FUTURE

At the end of the discussion process started with the Board of Directors on 21st May last and following the subsequent meetings with the Founding Members, on the occasion of the C.I.S.Co. Assembly of November 27th last, the process of reorienting the Association's activities was finalized.

The main points of this reorientation are the following:

- switching of the mandatory membership due for Founding Members to a minimum of 10,000 euros per year;
- introduction of the category of Supporting Members with a triple due against that reserved for Ordinary Members;
- strengthening of governance with the reintroduction of the Executive Committee;
- commission to C.I.S.Co. to carry out technical functions of International Research Centre on Containers with national significance and promotional functions of the Port Authority System of reference;
- involvement of C.I.S.Co. in national and European sector projects;
- recognition of the Association with obtaining legal personality;
- extension of the social base to entrepreneurial subjects;
- transformation path in Social Enterprise.

The proposed amendments substantially refer to the Articles of Association to the version originally stipulated in 1967.

For this reason, the return to the original designation of research centre (Centro Internazionale Studi Containers) has also been approved.

A real return to the future.

PORTS AND TERMINALS

HAMBURG PORT 9M 2018: RAIL TRAFFIC SHARE UP TO 45%

The Port of Hamburg has announced its 9 months 2018 results.

The port achieved a total throughput of 100.8 mln tons, which is 3.4% below the 2017 level, due to lower volumes of bulk cargo and containers, although conventional general cargo slightly increased.

Hamburg handled 6.6 mln TEU in January-September 2018, -2.4% as compared to the same period of 2017.

This decrease happened mainly due to a drop in the empty boxes' volume: 830,000 TEU, which represents a 10.1% downturn.

The throughput of loaded containers (5.8 mln TEU) was just 1.2% below the previous year's level.

Ingo Egloff, Joint CEO of Port of Hamburg Marketing, explains: "The throughput trend for loaded and empty containers in the first three quarters shows that the Port of Hamburg is handling less transhipment cargo, and here in particular, fewer empty containers.

In a tough competitive field, the proportion of loaded containers remains stable, and we estimate that next year already, with the inauguration of four container liner services to the US East Coast, it should markedly improve."

The Port of Hamburg highlights a strong growth of rail traffic: a total of 1.8 mln TEU were transported by rail between the port and inland intermodal terminals, marking a significant growth of 4.3% y-o-y and causing the rail traffic share to increase from 42.5 to 44.9%.

The direct rail services between China and Hamburg, not involving any sea leg, also grew in 2018.

Around 235 container train services are now offered weekly between Hamburg and 27 destinations in China.

"Hamburg as Germany's top China centre functions as the New Silk Road's point of arrival and departure.

In addition to more than 110 liner services with worldwide seaports, the Hamburg logistics region offers optimal conditions for rail, truck and inland waterway distributor transport, and for clearing air freight," said Axel Mattern, Joint CEO of Port of Hamburg Marketing.

In total, the port handled 4.1 mln TEU in landside seaport-hinterland traffic.

The container segment's share in Hamburg's hinterland traffic rose to 62.1%.

The general cargo throughput was 68.6 mln tons (-2.3% y-o-y) and bulk cargo, which makes up one-third of total throughput, resulted in 32.2 mln tons, -5.6% y-o-y due to market factors that caused downturns in both suction and liquid cargoes.

The upward trend in conventional general cargo, which was already seen in the last quarter of 2017, was now maintained in the first three quarters of 2018: +6.6%, up to 1.2 mln tons.

Here, heavy cargo imports increased by 32.2% (218,000 tons), those of metals tripled, up to 115,000 tons and those of vehicles rose by 55% to 34,000 tons.

(from: port.today, November 20th 2018)

MARITIME TRANSPORT

OPPORTUNITIES AND RISKS FOR THE PANAMA CANAL

Delivering the key note address at the TOC Americas conference in Panama this week, Jorge Quijanao, Administrator and CEO at the Panama Canal Authority (ACP) highlighted the risks and opportunities facing the authority as it looks to capitalise on the massive investment in the Panama Canal expansion.

The new set of locks opened in 2016, and nearly thee years later Quijanao said the market segments the Canal serves "have behaved differently than expected".

The container business has grown strongly, accounting for 159 million PC/UMS tons of the 442.1 million Panama Canal tons (PC/UMS) that passed through the canal in its 2018 fiscal year.

Of that volume 112.6 million PC/UMS tons transited the expanded canal, which is in line with the ACP's expectations.

Bulk carrier traffic, however, was down 6% in 2018 mostly due to a decline in soya bean volume from the US, and Quijanao is not expecting US exports to stage a come back in the short term.

With 62.8% of total cargo transiting the Canal having its origin or destination in the United States the ACP is watching the tariff situation closely.

On the container side, the threat of tariffs has actually boosted imports from China into the US.

Exports, however, are a different story.

US exports of agricultural products, scrap and recyclable materials to China have fallen significantly.

As a result more containers are being sent back to China empty.

Quijanao said the ACP has noted an increase in vessels taking the long route around Cape Horn to China, though this is not cost effective when oil gets above US$70 per barrel, he added.

One of the goals of the Canal expansion was to "recapture" some of the container business that was lost to the Suez Canal, and Quijanao said the expansion has seen "some, but not all of what is going through the Suez come back".

The Suez Canal, however, is discounting heavily to compete with Panama, with initial reductions of 35% increasing to 55%,and now 65%.

"They are almost giving it away", said Quijanao, adding that the ACP is not overly concerned as the Suez cannot replicate Panama's position as a distribution point for the Americas.

The biggest surprise since the canal expansion opened is the growth in LNG traffic, which surged 81% in 2018 to 11.5 mt.

Gas "has become a major business", said Quijanao, and the ACP has needed to adapt to how it operates.

Gas is frequently sold on the spot market, and the final customer is not known at loading.

The ACP is now actively reaching out when it sees a vessel at a loading point in the US that does not have a Canal booking and offering the operator a slot.

Growing tonnage through the Canal is important, but the ACP and the Panama Maritime Authority are also pressing hard to expand the country's ports and develop a role for Panama in added value logistics, for both container cargo and vehicles.

Some 1200 hectares of land on the Pacific side of the Canal have been set aside for a Logistics Park, which the ACP wants to include a vehicle transhipment facility, and now LNG storage.

The ACP also believes it will need more box terminal capacity on the Pacific side of the Canal and has "repackaged" the Corozal terminal proposal.

The concession has been scaled back from a three to a two berth terminal initially, which the ACP hopes will prove more attractive.

The initial plan to develop a 5M TEU capacity terminal at Corozal was put on in 2017, after the four leading global terminal operators that prequalified for the original 20-year BOT concession failed to submit final bids by the deadline.

Quijanao said the ACP has reached out to parties that were interested in the previous tender, as well as new players.

(from: worldcargonews.com, November 14th 2018)

RAIL TRANSPORT

EU PARLIAMENT VOTES FOR LARGER TRANSPORT BUDGET

Two committees of the EU Parliament have voted in favour of an increased budget for transport in the financing period 2021-2027.

The amount comes to 37.8 billion Euros, including the amounts transferred from the Cohesion Fund and from the Defense budget.

This is an increase of 7.2 billion Euros compared to the initial proposal.

The European Parliament had called for a significantly larger budget for transport infrastructure through the Connecting Europe Facility (CEF) programme.

This is a European financing tool for railway projects such as the TEN-T corridors and the roll-out of the European security system ERTMS.

In addition, it pled for more resources through other funds that could be utilised for the transport sector.

ERTMS a priority

The EU Committees on Industry, Research and Energy (ITRE) and Transport and Tourism (TRAN) jointly voted in support of the increased budget, which "is a reflection of the European Parliament's commitment to invest in greening and modernising transport", noted the Community of European Railway and Infrastructure Companies (CER).

"Today's vote also introduces ERTMS as a horizontal priority and highlights it as an eligible action for co-funding.

CER regrets, however, that our suggestion for a dedicated budget on telematics applications and automation, including the deployment of ERTMS on board and on track, was not supported", the company wrote.

Needed funds

"CER welcomes today's vote on the Connecting Europe Facility proposal, in particular the increase of the budget.

However, CER still believes that more can be done to support rail.

In particular, further funding is necessary to support digital transformation of rail operations, including ERTMS on board and on track.

For the latter, the rail sector estimates that at least 15 billion Euros is required from the future EU budget for the period 2021-2027", said CER Executive Director Libor Lochman.

The CEF funds are crucial for the rail sector, with large projects in the pipeline such the Fehmarnbelt Fixed Link (7.1 billion Euros needed), Rail Baltica (5.8 billion Euros needed), the Brenner Base Tunnel (8.7 billion Euros needed) and the high-speed rail link Dresden – Praha (4.5 billion Euros needed).

Increase

For the CEF programme, the Parliament required a budget of 17.7 billion Euros, rather than the 11.3 billion Euros.

Apart from this, the institution pled for more resources for the Cohesion Fund (CF) and the Regional Development Fund (ERDF), additional budget for Horizon 2020 (120 thousand Euros) and a new envelope of 300 million Euros for sustainable tourism, as well as the backing granted to the DiscoverEU project.

The 37.8 billion Euros budget is a sum of the CEF fund, the Cohesion fund and the Defense budget and is presented in current prices, reflecting 33.6 billion in constant prices.

The increase of 7.2 billion Euros equals 6.4 billion Euros in constant prices.

(from: railfreight.com, November 26th 2018)

ROAD TRANSPORT

THE EUROPEAN PARLIAMENT ACCELERATES THE TRANSITION TO CLEANER TRUCKS

MEPs have told EU governments that the bloc's first ever truck CO2 standards need to be more ambitious than those proposed by the European Commission.

The full European Parliament voted for a 20% reduction in truck CO2 emissions in 2025, and at least 35% in 2030.

Transport & Environment (T&E) said the increased ambition in emissions reduction targets, together with a zero-emission truck sales target that can be enforced, are very positive steps which, once matched by Council, will cut climate emissions, make air in cities cleaner and slash fuel bills for businesses.

However, the mandated reductions will not do enough in the truck sector to meet the goals of the Paris agreement.

The MEPs' higher ambition for the 2025 target will deliver an additional €14,000 in fuel savings per new truck in its first five years compared to the Commission's proposed 15% reduction.[1]

Truckmakers would also have to meet a target for zero-emission trucks of 5% of sales in 2025.

Crucially, those manufacturers falling short of the target would need to achieve higher fuel efficiency on the diesel trucks they sell, the MEPs said, while those exceeding it would have less stringent CO2 reduction targets.

Stef Cornelis, cleaner trucks officer at T&E, said: "MEPs have played a key part in moving towards the EU's climate and transport policy goals.

[1] European Commission impact assessment, table 15.
With a 20% emissions reduction, the owner of a new truck saves € 37,589 in the first five years, but approx € 14,000 less (€23,438) if the emissions reduction is 15%.

The next question is whether member states will also back the emissions and fuel savings sought by more than 40 major hauliers and businesses, including Carrefour, DB Schenker and IKEA.

The 5% sales target for zero and low-emission trucks is essential to ensure we develop the market in Europe and start moving beyond diesel."

The strong business support is also evident from companies such as Nestlé.

Welcoming the vote, Bart Vandewaetere, head of corporate communications and government relations for Nestlé zone Europe, Middle East and North Africa, said: "Having more fuel-efficient trucks will help us to further accelerate our reduction in CO2 emissions across transport and distribution."

Jochen Thewes, the CEO of logistics giant DB Schenker, has also called for 2025 targets of 20% and a stronger regulatory push for zero emission trucks.[2]

The MEPs also voted for the EU to adopt an annual testing scheme and on-road tests of vehicles while they are in use.

These will check the fuel efficiency data provided by truckmakers – to ensure they don't cheat in testing procedures.

Stef Cornelis concluded: "Now it's up to national governments.

MEPs have sent a really strong signal for ambitious targets but also that they are achievable.

Discussions will need to move quickly but the momentum is definitely there for a win-win outcome during this legislature and for a deal to be struck that goes further than the European Commission proposal."

MEPs voted by 373 to 285 in support of the Parliament's proposal and gave a direct mandate to rapporteur Bas Eickhout to enter direct negotiations (trilogues) with member states, which are due to adopt their position shortly.

Trucks are not yet subject to fuel efficiency standards – even though they account for 22% of vehicle emissions while making up less than 5% of the vehicles on the road. Meanwhile, European hauliers spend, on average, €32,000 a year per truck on fuel.

While the US, Japan, China and Canada have CO2 limits in place, the fuel efficiency of trucks in Europe improved little in the past 20 years while all EU truckmakers engaged in a price fixing cartel.

(from: transportenvironment.org, November 14th 2018)

[2] Article in *Tagesspiegel*, 12 November 2018.

INLAND RIVER TRANSPORT

BUTTERFLY EFFECT: LOW EU RIVER STIRS FUEL MARKET 10,000 KM AWAY IN SINGAPORE

Low water levels on the Rhine river have caused a fuel supply deficit in parts of Europe's industrial heartlands that is sucking up cargoes from more than 10,000 km away in Singapore.

Following a long, scorching summer, water levels on the Rhine – a key commodity shipping lane connecting industrial centres in Switzerland, Germany, France and the Netherlands to major seaports – fell to record lows, limiting the transport of coal, steel, grains and fuel.

That has created a shortage of heating oil heading into the European winter, pushing up the market and triggering a search for supplies from as far away as Southeast Asia, where there is ample fuel and gasoil prices are low.

Northwest European prices for gasoil hit a record $35-per-tonne premium over Singapore values LGOAEFSMc1 for November fuel deliveries, and December premiums are still above $20 a tonne.

That means gasoil could be pulled into Europe from Southeast Asia via arbitrage trades through the end of the year.

"The wide arb means it's possible to shift gasoil to the West (Europe) at a profit," said Sukrit Vijayakar, director of Indian energy consultancy Trifecta, adding that the situation stemmed from the low Rhine water levels and Asian refineries coming out of turnarounds.

The arbitrage to Europe from Asia is usually workable when the price spread is at least $15-$18 a tonne.

Many Asian refineries have just come out of maintenance, or turnarounds, increasing the region's availability of fuels like gasoil.

Gasoil inventories held in the Amsterdam-Rotterdam-Antwerp (ARA) refining and storage hub STK-GO-ARA fell for the fourth straight week to 2.4 million tonnes, the lowest volume since mid-July this year, according to data from Dutch consultancy PJK International.

By refilling ARA stocks with gasoil, including from Asia, traders said they hope to be able to ship gasoil up the river as soon as water levels recover.

Market distortions

Some meteorologists expect low water levels to last until January, however, which may mean a continuation of the blockage and ongoing market distortions.

As a result, European traders may start exporting gasoil out of the region to offset arbitrage volumes into ARA from Asia.

"It is one thing to ship the distillates from Singapore to Europe.

But it will not reach the end-customer as long as ship traffic is constrained due to low water levels of the Rhine and other rivers," said Carsten Fritsch, a commodity analyst at Germany's Commerzbank.

"German retail gasoline and heating oil prices are very high as a result … No visible improvement is in sight here in the near future, according to German weather forecasts," he said.

Europe typically starts to stockpile gasoil, which is used for heating in the region, ahead of the cold winter months. Asian refiners, though, must act fast to serve the European demand window, as American and also Russian suppliers are also eying the opportunity.

"Comparing Asian refiners with their U.S. counterparts, the latter stand a better chance to go to Europe as freight rates are cheaper and the voyage time is very much shorter," one trader in Singapore said, declining to be named as she was not allowed to talk in public about commercial operations.

Despite America's advantage over Asia to supply Europe, ship tracking data in Refinitiv Eikon shows one tanker, the Diva, carrying gasoil from Southeast Asia to Europe.

The 37,000 tonne tanker is currently in the Mediterranean and expected to arrive at Antwerp on Nov. 16.

"If this arb window stays open, I'd expect more such routes to be fixed next week," said a Singapore-based tanker charterer, also declining to be named.

(from: hellenicshippingnews.com, November 13th 2018)

LOGISTICS

E-COMMERCE LOGISTICS: HOW TO MAKE MONEY FROM FREE SHIPPING

China's Singles Day smashed records again for online shopping (Thanksgiving weekend is as yet uncounted).

Alibaba set a new high, selling over $30.8bn worth of goods in 24 hours.

Rival JD reported a 27% surge in revenue for the day.

Together the two Chinese online behemoths raked in a staggering $54bn.

The e-commerce juggernaut rolls on, seemingly unstoppable, amid lofty growth predictions.

According to Fitch Solutions, e-commerce sales in the Asia-Pacific region will rise 14.2% in 2019 to reach $1.2 trillion, while the US, the second-largest market, will see $456.9bn in online sales.

While these volumes keep logistics firms busy, questions of profitability loom over the sector.

After FedEx tabled gains in volume, revenues and net profit for the quarter ended August 31 – where e-commerce had been a major driver – industry analysts raised concerns about the increase in costs, up 11.6% in the integrator's express unit.

Fuel prices have since reversed their upward momentum, but other costs are likely to rise further.

One factor is the continuing emphasis on omni-channel service in the retail sector.

Not only do merchants feel compelled to offer multiple delivery options, they also know that omni-channel customers tend to spend more, according to omni-channel technology provider Veridian.

This is leading to increasingly complex supply chains and a push for real-time technology and faster speed in the warehouse.

Moreover, consumer expectations are rising.

They have come to expect fast delivery at low cost and value the convenience of the overall shopping experience.

Increasingly they want better visibility of their shipments.

A recent survey of 1,508 online shoppers, published by Convey, a provider of a cloud-based delivery experience platform used by a number of large shippers, found that expectations regarding punctuality and convenience had gone up.

Consumers expect fast, free shipping with full control over the experience, the survey concluded.

Convey found that 45.1% of respondents expect to be given a delivery time window of two hours or less.

At the same time, they demand flexibility on the logistics provider side.

As many as 70% expect to be able to make changes to the routing, up from 41% a year ago.

This chimes with recent reports from Pitney-Bowes and Triangle on US and UK consumers, respectively, which found that many consumers were dissatisfied with the level of service they received.

For online merchants this is ominous.

According to Convey, 83.5% of shoppers are unlikely to shop again with a brand after a bad experience, and consumers hold the merchants accountable for issues with delivery; they do not want to deal with the delivery firm involved.

Alex Allen, a UK-based e-commerce and logistics consultant, notes that logistics costs largely come out of the margins of e-tailers, as consumers tend to buy from sites that offer free delivery.

Nevertheless, the cost pressure on logistics firms is tight and not letting up.

"The likes of Amazon and Alibaba have huge negotiating powers in this space and tend to squeeze their suppliers continuously for lower pricing to carry large volumes," said Mr Allen.

"The industry is very competitive and last-mile delivery providers sometimes sell their soul to create and service these volumes to create their own economies of scale."

In the growing cross-border e-commerce arena, consolidations are critical to rein in costs, added Lucas Kuehner, global head of air freight at Panalpina.

"Only freight consolidation can make international e-commerce shipments affordable in the first place.

Otherwise, transport costs, especially for air freight, would be too high and often in no relation to the price of the purchased product," he noted.

The reliance on consolidations brings a number of challenges, Mr Kuehner pointed out.

Third-party screening for compliance and security becomes difficult since the original shipper details are not transparent at the time of shipment booking; counterfeit and other illegal items can lead to delays and customs penalties; and undeclared dangerous goods pose serious risks, which require additional measures.

"For e-commerce air freight you have to know exactly what you're doing and deliver with speed and consistency.

That includes staying on top of customs as well as dangerous goods and security regulations, because nothing can go wrong," said Mr Kuehner.

"E-commerce will remain quite a competitive field for both logistics and transport operators.

For the airlines, e-commerce is quite a low density cargo and to attain the right revenue per cubic metre and yield ratios will be quite challenging, because of the competitive rate offering in this space," said Mr Allen.

Investment in the right tools will be important, as well as a sensible pricing strategy, he added.

"Technology is a key enabler as well as the main equaliser in efforts to reduce high operating costs in this space.

Pricing for profit will be the only way forward for sustainability in the end," he said.

(from: theloadstar.co.uk, November 26th 2018)

PROGRESS & TECHNOLOGY

THE EVOLUTION OF MARITIME BLOCKCHAIN

The market for blockchain-based solutions, especially with regard to container shipping and the global supply chain, has become highly competitive.

This PTI Insight will explore the range of options available to businesses operating within the maritime sector, and how industry leaders are staking their own claim in the quest for an optimal platform to transfer documentation, data, and ultimately reconfigure trading practices themselves.

An overview

While Maersk and IBM's TradeLens platform has garnered the most headlines in recent months, promising to deliver more efficient and secure global trade, major companies are not the only players dictating the progress of the technological development.

Start-up organisations, such as CargoX, are providing neutral solutions for businesses of any size, allowing shippers, freight-forwarders and logistics companies to benefit from the more reliable and trustworthy trade networks facilitated by blockchain.

Leading ports and terminals, which play a pivotal role in the global supply chain, are also joining the wave of new companies integrating blockchain into their business operations.

This includes the Port of Veracruz in Mexico, which is inaugurating a blockchain project to improve the safety and security of freight transportation.

It is not the only centre of trade taking this step.

The major players

It is not surprising that the most prominent members of the shipping community want to shape the future of the industry.

The aforementioned Maersk and IBM clearly harbour an intention to lead the way on blockchain.

Not only has Maersk secured the cooperation of 94 'early adopters', but 234 marine gateways around the world have also agreed to use the platform, which will offer real-time access to shipping data and shipping documents, including IoT and sensor data.

Although this solution has received massive support, other leading carriers, terminal operators and supply chain specialists have shown they are prepared to challenge the status quo.

In November 2018, news of a nine-party consortium to develop blockchain, including COSCO, CMA CGM, DP World and PSA International, emerged from Shanghai.

While this assembly of companies has not yet formulated a product to contend with the TradeLens service, such a powerful union of influential maritime leaders could represent the first serious challenge to Maersk and IBM's potential blockchain dominance.

A start-up challenger

Despite the sheer scale of Maersk and IBM's TradeLens initiative, and the possible implications of a multi-party blockchain consortium, there are companies independent of those major players attempting to secure their position in the blockchain marketplace.

One of those businesses is CargoX, a Slovenia-based company specializing in the 'Smart Bill of Lading'.

In November 2018, it officially launched the Smart B/L platform, which is described as "the first open and neutral blockchain platform in the shipping industry for real-world commercial use".

CargoX has emphasized the difference between its platform and TradeLens, which "relies on a private blockchain infrastructure" that is "much more prone to manipulation".

As for a nine-party blockchain consortium, CargoX has suggested that "decision-making processes" could "run much slower than expected".

So what are the benefits of an alternative platform like Smart B/L?

According to CargoX, which highlights how "the real-time market is becoming more and more dynamic", its own blockchain service is "simple to use" and can be adapted to "virtually any workflow or process".

The company, a prominent member of the Blockchain in Transport Alliance (BiTA), has also offered a vision of the future: "In five to ten years, most maritime shipping documentation will be provided through blockchain technology, just like people switched from sending paper letters to sending email for important, business-critical messaging".

Ports and blockchain

As the future of logistics and trade curves towards the digital, including the rising prominence of blockchain platforms, ports and terminals are aiming to adapt to this new landscape.

For many of these vital supply chain nodes, Maersk and IBM's TradeLens has proven the most attractive proposition, with Valenciaport, the Port of Montreal and multiple APM Terminals locations recently connecting to the solution.

According to Valenciaport, "the developers of TradeLens have indicated that the information contained in this system grows at the rate of one million daily data shipments", underlining the vast distribution capabilities of the service.

On the other hand, some ports are taking it upon themselves to develop viable blockchain solutions.

Working alongside Samsung SDS and ABN AMRO, the Port of Rotterdam is trying to leverage blockchain technology to boost transparency and efficiency.

A pilot project, set to commence in January 2019, involves the multi-modal transport of a container from a factory in Asia to the Netherlands, testing the three companies' cooperative network and forming the basis for "an open, independent and global platform that operates from the perspective of shippers".

Emphasising the importance of collaboration, Sanghun Lee of Samsung SDS revealed that "for the first time in the rather short history of this technology, we can have different blockchains operating together".

Future developments

As Nadia Hewett of the World Economic Forum suggested at PTI's recent Smart Ports and Supply Chain Technologies Conference (SPSCT) 2018, "blockchain within the supply chain is a solution still managed by IT teams".

So why must the rest of the industry become more aware of this technology?

Oliver Haines, Vice President of BiTA Europe, has revealed that "widespread adoption will not be driven by one or two platforms alone no matter how big the companies involved are, particularly with the industry being so fragmented".

Instead, as Haines asserts, the industry must collaborate to "drive forward standards and best practices which will, in turn, maximise benefits."

BiTA, the largest commercial blockchain alliance in the world, has also expressed its delight that "major international shipping companies" are deciding to leverage blockchain technology as an essential part of their logistics operations, although the speed of progress remains uncertain.

Whether a uniform solution develops sooner or later, Haines predicts that "the market will go through significant changes", bringing about "more transparency, trust and efficiency than ever before."

(from: porttechnology.org, November 22nd 2018)

STUDIES & RESEARCH

SHIPPERS 'NEED NOT FEAR CONTAINER SHIPPING ALLIANCES'

Shippers should not fear container shipping alliances, according to container shipping analyst Drewry, which believes operational coordination among box lines has aided competition during a period of market concentration – a process likely to accelerate without the consortia block exemption that is coming under review in Europe.

In this week's Container Insight Weekly report, 'Container alliances under fire as consortia block exemption up for review in Europe', Drewry notes that "cooperation is rife" in the container shipping world, adding: "Despite working in an industry that has often displayed a dark tendency for ruthless undercutting, carriers appear to brush aside any ill-feeling that might be caused by predatory commercial behaviour and generally play well together operationally."

Drewry notes that there are currently very few standalone container services in the key trades, with vessel-sharing agreements (VSAs) and slot charter deals the standard.

VSAs are purely operational co-operative structures that promote efficiency and cost reduction, and do not discuss or agree upon rates or other commercial issues, it points out.

They can range in scale from a single service agreement between two carriers to much deeper strategic connections among multiple lines, as seen with the big three alliances – 2M, Ocean Alliance, and THE Alliance – that cover the East-West routes.

"Importantly, VSAs can allow carriers, particularly medium-sized and emerging lines to offer a competitive service at a lower total investment requirement by operating its ships in tandem with other similarly situated carriers – carriers that in some cases individually may be unable to operate in that trade due to small market shares or limited vessel capacity or financial resources," Drewry says.

VSAs also provide carriers with a way to enhance the range of ports that they cover through the exchange of space between shipping lines that offer a different selection of port calls on a given trade route.

"This has the effect of expanding the range of competitive options open to shippers to and from specific port pairs," Drewry adds.

"Put simply, VSAs minimise operating costs and maximise the number of competing marketing entities, offering a 'win-win' solution to both carriers and shippers.

However, a new 100-plus page report 'The Impact of Alliances in Container Shipping' by the International Transport Forum (ITF), an OECD think-tank, published earlier this month, challenges that view and argues that in their current form alliances are actually detrimental to competition, Drewry highlights.

"The first generations of alliances allowed smaller carriers to achieve economies of scale, based on complementarity between them, and as such increased shipping options," the ITF said.

"The current three alliances are not serving the smaller carriers but each brings together two to three very large carriers that would be able to offer most of their services outside an alliance."

The ITF report was published in the middle of a European Commission consultation and review of consortia agreement in European trades, Drewry points out.

At present, Regulation 906/2009 offers carriers a block exemption to form joint services so long as they don't exceed a market share of 30%, although that figure can be legally exceeded under certain conditions, the analyst explained.

The exemption has been in place for over two decades, although it has undergone some refinement over the years, most notably in 2008 when the liner conferences that had the power to set freight rates were abolished, Drewry noted.

It gets reviewed every five years and will expire in April 2020 unless renewed.

Acknowledging the changing landscape of the container market following recent mergers and acquisitions (M&A), the EC wants stakeholders to give feedback on whether the block exemption is still relevant and that a fair share of the benefits from these efficiencies – economies of scale and better ship utilization – are being passed on to users.

"Ultimately, the EC wants to assess if the current block exemption arrangement is still fit for purpose or if shipping can be brought in line with a general policy to harmonise competition rules," Drewry says, pointing out that the deadline for submissions to the EC is 20 December.

"According to the ITF, today's alliances have got too big and powerful and place a barrier to entry on East-West trades for independent carriers," Drewry notes.

"They also fear that alliances could be the breeding ground for collusion between carriers, as they provided members with 'in-depth insights on the cost structures of their competitors'.

Unsurprisingly, the ITF wants to see the block exemption expire in April 2020 and while it doesn't expect that would bring about the end of alliances, it believes it would enable greater scrutiny and deter any anti-competitive conduct."

Drewry says that even if the block exemption is not renewed, container consortia agreements would not automatically become unlawful: it would only mean that they will be examined under the general rules on competition, the same as cooperation agreements are examined in most other sectors.

Arguing on behalf of the container industry, the World Shipping Council (WSC) wants to see the present arrangement continued, arguing that without the guidance afforded by the legal framework of the block exemption, compliance costs will increase and legal certainty would be reduced, restricting VSAs and thus denying shippers the benefits.

WSC adds that removing the block exemption would put Europe at odds with other jurisdictions around the world, placing carriers focused on European trades at a competitive disadvantage, Drewry notes.

Recent consolidation, it said, has not undermined the consortia block exemption as the market is still fragmented and even the biggest carriers could not replicate their current level of service individually, adding that bigger ships make it more relevant than ever.

"Clearly, there is a big divergence of opinion between the two sides," Drewry highlights.

"On one hand the alliances have gotten too large and the member lines could just as well operate independently.

On the other, the market is still fragmented and no carrier could offer the same level service by going it alone.

One side says that VSAs open up the market and increase shipper choice, the other says the opposite is true.

So who is right?" the analyst asks.

"Drewry can see some validity in both points of view, but perhaps they are looking at things from the wrong end of the telescope.

It's true that the market is shrinking and service KPIs such as schedule reliability often leave a lot to be desired, but it's hard to see how that is the fault of consortia.

The formation of the current alliance structure was a defensive move to lower costs at a time of serious financial distress that brought about the demise of Hanjin Shipping.

Without such agreements in place, it is our view that market concentration would accelerate at even faster pace than it is as it would place even higher barriers of entry into European trades."

Drewry says the industry's direction of travel was decided long before the current alliances were established.

Once carriers embarked on the search for scale economies – itself motivated by poor returns – by investing in the new generation of mega-ships, there was always going to be a shift in the balance of power between carriers that could and couldn't follow that path.

"Alliances have at least kept entry into the ULCV (Ultra Large Container Vessel) club open to more lines than otherwise would have been the case, negating the need to purchase all of the ships required to operate a weekly service," Drewry argues.

On the claim that lines could operate the services sans alliances, Drewry notes: "In theory, that's possible, but to maintain similar port coverage they would need to extend rotations by introducing more ships – making it harder to 'right size' ships on a string and sustain utilisation, or alternatively have a more regionalised focus calling at specific cluster ports and develop greater feeder connections.

Either way that would extend transit times and reduce the direct service product.

"The reality is that the Asia-North Europe trade will in the not too distant future be entirely populated with ULCVs, so without access to alliances any

lacking carriers would be at such a cost disadvantage they would likely be dissuaded from entry," Drewry added.

"Looking at the current active fleet and orderbook we see that very few carriers will have enough ULCVs in the short-to medium term to run their own loops.

Given it requires 10-12 ships per service, even Maersk and MSC with the biggest piles of ULCVs could each entertain running maybe three weekly Asia-North Europe services on their own, down from the six offerings they have now.

What would Hapag-Lloyd and ONE do with the six ULCVs they have?"

Drewry argues that the economic efficiency of alliances may decrease as carriers become larger and fewer, being better able to fill the largest ships on their own.

"Instead of three or four alliances or VSAs involving 15 carriers per trade, we can envisage a future with say only four independent mega-carriers per trade and no alliances," it notes.

"On the flip side, if containerships grow larger than the current maximum, the need for alliances will become more imperative."

It concludes: "Shippers should not fear alliances, which have aided competition during a period of market concentration.

That process is ongoing, but will likely accelerate without consortia block exemption."

(from: lloydsloadinglist.com, November 19th 2018)

INFORMATION TECHNOLOGY

CONTAINER LINES COLLABORATE ON DIGITALIZATION, STANDARDIZATION

A.P. Moller-Maersk, CMA CGM, Hapag-Lloyd, MSC and Ocean Network Express, are planning to form an association with the purpose of paving the way for digitalization, standardization and interoperability in the container shipping industry.

IT executives from the five container carriers are currently discussing the creation of common information technology standards "which shall be openly available and free of charge for all stakeholders of the wider container shipping industry", a joint statement said.

The association is scheduled to be operational from early-2019, subject to any applicable regulatory requirements and all ocean carriers will be invited to join once it is established.

"It's in the customers' and all stakeholders' best interest, if container shipping companies operate with a common set of information technology standards", commented André Simha, CIO of MSC and spokesperson of the nascent association.

"We are striving for less red tape and better transparency.

The timing is right, as emerging technologies create new customer friendly opportunities.

Together, we gain traction in delivering technological breakthroughs and services to our customers compared to working in our own closed silos".

Whilst the shipping industry already has multiple organizations and associations, the five lines have identified a need for a neutral and non-profit body for ocean carriers that is driven by delivering benefits for the industry and its stakeholders, the statement noted.

"That is why we will also welcome new members with open arms to join the association", Simha underlined.

The association has no intention of developing or operating any digital platform, but aims to ensure interoperability through standardization.

Similarly, the association will not discuss any commercial or operational matters, the statement added.

A.P. Moller-Maersk's chief technology & information officer, Adam Banks, said of the announcement: "Digital is key for A.P. Moller-Maersk in delivering on our strategy to become an integrated container logistics company that offers simple, end-to-end services with seamless customer experience.

A joint set of technical standards will ensure interoperability and enable all parties to concentrate on value adding differentiation as we move the container shipping industry towards further digitalisation.

Ultimately this will benefit all parties in our customers' supply chains".

Earlier this week, US-based software firm INTTRA launched a non-commercial initiative to develop standards and data sharing protocols to help improve the free flow of information between carriers, ports, freight forwarders and BCOs (beneficial cargo owners).

(from: lloydsloadinglist.com, November 16th 2018)

ON THE CALENDAR

- 28/01/2019 – 31/01/2019 Kuwait City 16th Trans Middle East 2019
- 19/02/2019 – 21/02/2019 Manila 10th Philippine Ports and Shipping 2019
- 19/03/2019 – 21/03/2019 Mombasa 21st Intermodal Africa 2019
- 14/05/2019 – 16/05/2019 Aktau 1st Caspian Ports and Shipping 2019
- 25/06/2019 – 27/06/2019 Casablanca 7th Mediterranean Ports and Shipping 2019
- 09/07/2019 – 11/07/2019 Constanta 8th Black Sea Ports and Shipping 2019
- 10/09/2019 – 12/09/2019 Phnom Penh 17th ASEAN Ports and Shipping 2019
- 22/10/2019 – 24/10/2019 Polonia 3rd Baltic Ports and Shipping 2019
- 26/11/2019 – 28/11/2019 Douala 22nd Intermodal Africa 2019

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