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Kenya: Court case could delay construction of second container terminal at Mombasa

31/01/2016

Construction of a second container terminal at the port of Mombasa could be delayed further after an international port management firm moved to court on Thursday to challenge its disqualification from the lucrative Sh30 billion tender.

The International Container Terminal Services Incorporated (ICTSI), sued the Public Private Partnerships Petition Committee and the Kenya Ports Authority for disqualifying them for a second time in the re-evaluation of the contract that has attracted bids from top global conglomerates.

Through lawyer George Muchiri, ICTSI faulted PPPC for rewriting its own evaluation criteria before settling on rejecting their bid through a ruling issued last December. Another company, COSCO Pacific limited with Paramount Bank Consortium had moved to court on January 14 over the same claims.

And ICTSI wants its case to be heard together with that one since both cases raise similar issues. It was an error of the law to determine a mandatory requirement in an ongoing tendering process.

The Second Container Terminal Port of Mombasa tender was advertised on December 12, 2014 and there were 19 bids but only 12 were shortlisted. ICTSI alleged that the tender document was amended on April 9, 2015 and that they submitted their technical and financial proposal on July 26, 2015.

However, through a July 16, 2015 notification, they were disqualified because they did not provide sufficient information on their organizational structure and that their productive performance indicators did not meet the threshold set out in the tender document.

[allAfrica]

Bay of Biscay: Time is running out for Modern Express

31/01/2016

The stricken Ro-Ro vessel Modern Express is drifting on its side off the French Atlantic coast and will run aground in southwest France if a renewed attempt to tow it to port fails on Monday, a French maritime official said.

The 164-metre-long vessel, which was transporting 3,600 tons of wood along with construction machinery from Gabon to France, has been drifting towards the coast since its crew was evacuated by helicopter last week.
The vessel lost power on Tuesday last week, and officials believe its cargo may have shifted in heavy seas, causing it to list heavily (about 50 degrees) to one side. According to some reports, the vessel is stable in that orientation and there is no immediate danger of the vessel capsizing or sinking.

The distressed ship is about 100 kilometers from the resort town of Arcachon and would hit the French shore sometime between Monday evening and Tuesday evening unless a last salvage effort on Monday is successful, Emmanuel de Oliviera, the head of France's Atlantic coast authority, told reporters on Sunday afternoon. "As of today the sea is stronger than us," he said. "There is still a favorable window tomorrow to try and connect a tugboat."

Smit Salvage towing vessels tried to connect a towing line to the troubled ship last week, but all the attempts have so far failed due to the bad weather. If attempts fail again on Monday, the ship was expected to hit the coast somewhere in the Landes administrative department, south of Arcachon. A member of the salvage team was injured last week in earlier attempts, and high winds and rough seas ruled out towing operations on Sunday.

There was still no sign of fuel leaking from the crippled ship but the authorities would escort the vessel to limit any environmental pollution if it ran aground, de Oliviera said. The extreme incline of the ship as well as the difficult sea conditions had so far prevented teams from boarding but calmer weather conditions were forecast for Monday.

[Maritime Executive]

**European Parliament: Shipping must be covered by ETS or climate fund**

30/01/2016

*The Paris climate agreement’s target of limiting global warming well below 2°C will be impossible without measures to curb shipping’s greenhouse gas emissions, Members of the European Parliament (MEP) told industry representatives last week. Including shipping CO2 in the EU’s emissions trading system (ETS) or having the sector contribute to a climate compensation fund were the options on the table, they said.*

MEPs from four political groups – the conservatives (EPP), the socialists (S&D), the liberals (ALDE) and the left-wing GUE – said the revision of the EU ETS, currently underway, needs to include shipping emissions in the EU 2030 climate target and contribute to meeting the
Paris limits. Shipping is the only sector of the European economy not covered by the EU’s existing emissions reduction target.

‘The IMO promised numerous times to regulate shipping emissions – and nothing happened,’ liberal MEP José Inácio Faria (pictured) said at the policy discussion in the European Parliament. ‘We wish you, the IMO, were with EU on cutting shipping emissions, but you are at the bow and we are at the stern of this ship.’

Shipowners oppose action at EU level, though Patrick Verhoeven of the European Community Shipowners’ Associations (ECSA) told MEPs the industry would be willing to contribute to a global climate compensation fund. John Andreopoulos of the Union of Greek Shipowners (UGS) also warned against EU action but said industry could consider contributing to a global compensation fund.

But having shipping contribute to an EU compensation fund would allow money to be re-invested in the shipping sector through research funding for cleaner technology, T&E’s clean shipping director, Bill Hemmings, told MEPs. ‘It will be up to the shipping companies to decide whether they want to be subject to the EU ETS rules or to contribute to an EU compensation fund,’ he added.

‘What is not negotiable after Paris is that shipping needs to contribute to the global emissions reduction,’ Bill Hemmings continued. ‘Without this it will be impossible to achieve the ambitious Paris long-term target. The EU needs to include shipping in its 2030 reduction commitment now and in the ETS from 2021. Otherwise, if the IMO continues to fail, all that will be left is for MEPs to come back to the issue in 10 years’ time to discuss 2040 targets.’ A draft of the Parliament environment committee’s proposed reforms is expected by May. A committee vote could take place in September and a plenary decision either at the end of this year or the beginning of 2017.

Emissions from shipping pose a great challenge for EU climate policy. The Commission has called for actions that cover all sectors and sources of emissions, including international shipping. But currently maritime emissions are not included at all in the EU’s 2020 climate commitment.

The IMO, the UN body tasked with tackling emissions from the sector, has failed for decades to agree measures to reduce emissions in their sectors. On the contrary, emissions from international maritime transport have grown by 70% since 1990. If treated as a country, CO2 emissions from international shipping rank between those of Germany and Japan. A recent European Parliament study found that shipping will be responsible for 17% of the total emissions in 2050 if left unregulated.

[Transport & Environment]
European shipowners endorse EU guidelines on places of refuge for ships in distress at sea

29/01/2016

Ironically in the week a Spanish court revisited the saga of the 2002 Prestige sinking, European shipowners endorsed yesterday the adoption of EU operational guidelines on places of refuge for ships in distress at sea, which were produced by the Cooperation Group on Places of Refuge, bringing together member states, the European Commission and industry.

Work on these guidelines started following the MSC Flaminia incident (pictured) when a fire broke out onboard a German-flagged vessel, which was subsequently left adrift on the high seas for weeks until Germany agreed to allow the stricken ship to enter its territorial waters.

The incident demonstrated that, despite the provisions laid down in Directive 2009/17/EC amending Directive 2002/59/EC establishing a Community Vessel Traffic Monitoring and Information System (VTMIS), there was no uniform application of this directive. The incident also evidenced the need to enhance cooperation between member states when confronted with a ship in need of assistance.

The adopted operational guidelines aim at providing practical guidance for the different parties involved in the process of dealing with a ship in need of assistance so as to support a more
uniform application of the provisions of the VTMIS Directive. They also aim at enhancing cooperation amongst all parties involved. They do not, however, replace any legal obligations laid down in applicable legislation and they do not supersede, but rather complement the guidelines developed at the IMO.

Commenting on the adoption of the guidelines, Christophe Tytgat, ECSA legal affairs senior director, said: “We fully support the work done so far and commend the Correspondence Group for this very useful document, which aims at improving cooperation between all actors when ships find themselves in need of quick access to a coastal state’s territorial waters to take refuge. Recent examples of ships in need of assistance have already evidenced the added value of the operational guidelines for all parties involved in an incident and/or request for a place of refuge.”

Earlier this week a Spanish judge sentenced the captain of the Prestige tanker, arguably the most famous incident of ship in need of a place of a refuge, to two years in jail.

First commercial order for Flettner rotor tech
29/01/2016

Flettner rotor technology innovators, Norsepower have installed a second rotor sail on Bore’s 9,700 DWT Ro-Ro carrier MS Estraden following the trial of a single rotor sail on that same vessel in early 2015. This order is a significant milestone for wind assisted propulsion as it represents the first commercial order for a flettner rotor in the shipping industry.

The Norsepower Rotor Sail Solution is a modernised version of the Flettner rotor - a spinning cylinder that uses the Magnus effect to harness wind power to propel a ship. When the wind conditions are favourable, Norsepower Rotor Sails allow the main engines to be throttled back, saving fuel and reducing emissions while providing the power needed to maintain speed and voyage time. Rotor sails can be used with new vessels or can be retrofitted on existing ships without off-hire costs.

Although the weather conditions were largely calm over the three-month trial of the initial rotor sail installed on the MS Estraden, data analysis from vessel performance monitoring and verification software, ClassNK-NAPA GREEN, demonstrated that the rotor sail delivered clear and significant savings of 2.5%. Data analysis and verification by NAPA recorded a 6.1%
reduction in fuel consumption. This equates to a reduction of 1,200 tonnes of CO₂ emissions annually. This independently assessed evidence led Bore to order the installation of a second rotor sail.

In addition to the expanded market potential, this evidence has also helped Norsepower increase its enterprise value and secure the future of the business. A syndicate led by Power Fund III, a clean tech venture fund managed by VNT Management, has invested €3 million to support Norsepower’s growth and market expansion.

This reflects the immense importance of the role that stringent measurement, analytics and third-party verification plays in powering the uptake of double-digit fuel saving technologies in the industry. In this case it has helped Norsepower evolve its rotor sail from an innovative system for trial, to a proven and marketable fuel efficiency technology with a clear business case.

In September 2015, Norsepower’s Rotor Sail was much celebrated winner of Fathom Maritime Intelligence’s Energy Efficiency Solution Award, during the Ship Efficiency Awards 2015 following it selection by a panel of industry experts that included, Lars Robert Pedersen, BIMCO; Craig Eason, Lloyd’s List; Oskar Levander, Rolls Royce; Tristan Smith, UCL and Roger Strevens, Wallenius Wilhelmsen.

[Fathom cTech]

**Fuel switching: The ship operator’s perspective**

29/01/2016

*Author: Hapag Lloyd*

*In more and more regions of the world, ships have to change to low-sulphur fuel before being allowed to sail into Emission Control Areas. But how does one make this switch with a gigantic ship? The procedure is more complicated than you might expect.*

Viscosities, temperatures, consumption – these are terms that fill any chief engineer with joy. And it’s just as well for these figures are crucial when it comes to the so-called fuel changeover that is required when ships enter or leave Emission Control Areas (ECA), for example, in North America and North Europe. “The regulations in force there since January 1, 2015 state that the maximum sulphur content in fuel is 0.1 percent. Beyond the ECA, the limit is 3.5 percent,” says Chief Engineer Karsten Bartlau in the ship’s office of the “Kuala Lumpur Express.”

More and more of the world’s maritime areas are introducing stringent caps on the sulphur content in fuels. This is why the container ships of Hapag-Lloyd are increasingly using low sulphur Marine Diesel Oil, MDO for short. This is not only considerably more expensive but also involves a complex procedure: before the vessel enters an Emission Control Area, the
fuel system has to be switched - completely. But what precisely does that entail? An on-board technology report.

Four times per tour is how often the “Kuala Lumpur Express” needs to switch fuels. The 8,750-TEU vessel operates on the AX1 service between Northern Europe and the US East Coast – and thus between the ECAs in North America and those in the North and the Baltic Sea. When entering the -English Channel, for example, the regulations state that once ships pass “5 West,” the longitude of five degrees west of Greenwich, only fuel with a sulphur content of less than 0.1 percent is allowed to pass through their fuel-injection nozzles. Failing that, there is the risk of a six to seven-digit figure penalty on both sides of the Atlantic, delays to the schedule, not to mention the ship could be prohibited from entering ports. In the United States, a ship’s officers can even be arrested if violations can be proven.

As a result, preparations for the fuel switch are very thorough. The process starts around 24 hours before the ship reaches the ECA border with a message from the nautical -officers. “The nautical officers tell us when we will be reaching the border. And from that point in time we calculate backwards,” explains Chief Bartlau. Together with the third engineer, he immediately starts making preparations. To begin with, they slowly reduce the temperature in the HFO service tank to 120 degrees Celsius and raise the temperature in the MDO service tank to 45 degrees Celsius. This ensures that the temperature difference between the two fuels is only around 75 degrees. This provides a significant advantage. “The difference in temperature between fuel that has just been used and new fuel is one of the most important determinants,” says Bartlau. The change of temperature gradient in the main engine should never be more than two degrees Celsius per minute at the most, as sudden changes can lead to leakage and in the worst case to a piston seizing.

The chief also uses a fuel changeover calculator to gauge the exact duration for the conversion – the software was specifically customized to each individual ship in the fleet. In the example shown, the switch-over period for the “Kuala Lumpur Express” lasted exactly three hours and 41 minutes. As this is a relatively new vessel, the changeover on this ship is very fast. On other ships that are older, the entire process can take anything up to 72 hours.

“We pass this data on the nautical officers. They need to know that as of 61.1 nautical miles to the west of “5 West” – with the addition of a safety zone of 10 to 15 minutes – we need to be traveling at a speed of 16.6 knots to ensure that we definitely use up the sulphurous fuel within the calculated time.” To give the Chief and the third engineer enough time to prepare for the changeover, they need to be notified five hours before they reach the zone.

Around 4:20 hours before reaching the edge of the zone, the engineers begin with the changeover. The supply of hot steam – the heating for the HFO pipes and aggregates – is cut off. They also open the MDO valve a little and shut the HFO valve by the same margin. This process is repeated several times over the next 40 minutes as the 3:41 hours calculated for the fuel changeover apply to fully opened MDO and fully closed HFO valves.
As soon as the valve is open, MDO flows through the supply pump and the automatic filter, the circulation pump and the indicator filter. It mixes with the HFO flowing back that has not been burnt and gradually replaces it. At the same time, the temperature of the fuel drops. “We successively actuate each of the spare supply and circulation pumps as well as all chambers in both filters. Only then can we be sure that all residual HFO has been burnt,” says Bartlau.

Nothing could be worse than a changeover process that was executed in good time after which a port state control officer just happened to take a test sample from a pump that was not in operation. “The cards would definitely be stacked against us if we were forced to say: please don’t take a sample from here!” Over the past few months, Bartlau has already witnessed one such inspection when a sample was taken and analysed. The result of the test was negative: the sulphur content was within the limit.

Wolfram Guntermann, Director Environmental Fleet, says: “We support regular and rigorous inspections in all Emission Control Areas. That is the only way we will really see a positive impact on the environment.” Shipping companies who consistently abide by the laws and regulations fear that there is far less willingness to take action if there are no inspections. After all, there is a lot of money at stake – low sulphur MDO costs almost exactly twice as much as HFO. That is why Hapag-Lloyd has joined the Trident Alliance. This initiative is a coalition of shipping owners who are working towards bringing about a robust and transparent enforcement of maritime sulphur regulations. Guntermann says: “At the same time it is also about creating a level playing field and ensuring fair competition.”

When entering Emission Control Areas, the challenge lies in completing the fuel changeover just a few minutes before crossing the border. If the chief engineer begins the changeover process prematurely, then he is literally burning money. Just one hour too long is tantamount to a four-digit dollar amount. When leaving the zone, the primary goal is to avoid damaging the engine’s components through the changeover from cold MDO to hot HFO. That is why the “two degrees per minute” rule also applies in this case. Chief Bartlau says: “On our first few trips the changeover was quite an exciting process. No one knew how the main engine and the aggregates would respond. But now with our vast know-how, we’ve established a very conscientious routine here on board.”

[Fathom News]

Japan: Big three shipping lines slash full year forecasts

29/01/2016

The full scale of the dire shipping markets has been shown in today’s results from Japan’s big three shipping lines – Mitsui OSK Lines (MOL), Kawasaki Kisen Kaisha (K Line) and Nippon Yusen Kaisha (NYK) – with significant changes to full year forecasts being announced.
MOL said it would carry out structural reform of its dry bulk and container divisions as it warned of severe losses – to the tune of $1.45bn – for the current financial year which ends in April. The revised figure comes despite MOL managing a $110m profit in the first nine months.

On dry bulk, MOL commented: “In the dry bulker business, the market is deteriorating to a new record low due to the imbalance of fleet supply and demand, along with stagnant cargo trade resulting from the slowdown in China’s economy since last fall.”

MOL will cut the number of capesizes trading on the spot market and withdraw excess tonnage in the panamax and handy sectors. On its container business, MOL said: “[C]argo volume, mainly for Europe and emerging countries, hovered at low levels while a succession of newbuilding vessels came into service, keeping freight rates at historic lows.” It intends to cut its exposure on north-south trades and slash its fleet, especially mid-sized ships.

K Line has also been forced to revise its full year forecast to $58m from an earlier estimate of $99.5m. Like MOL, K Line cited the poor dry bulk and container markets for the changed forecast. “A large number of newbuildings’ delivery, while cargo movements’ growth remained low, expanded the imbalance between supply and demand in shipping capacity in containership business; and in addition, a decrease of demand following Chinese economic deceleration in dry bulk business brought sluggish market,” K Line explained in a release.

Finally, NYK also slashed its full year forecast by nearly 50% while announcing its third quarter results today. NYK recorded a $277.5m extraordinary loss in the third quarter as it cut the book value of its fleet, especially its dry bulk vessels. NYK’s full year profit forecast now stands at $207m, down from an earlier projection of $384m. On dry bulk, NYK said it was trying to cut its spot exposure as well as using slow steaming as much as possible.

“NYK Line revised its forecast of consolidated financial results because conditions in the maritime shipping market have been more sluggish than originally foreseen, and the performance of its container shipping and dry bulk transport businesses is expected to be lower than previously forecast,” the company said.

Crude oil tankers cutting speeds as world swims in oil

29/01/2016

The world’s biggest oil companies are asking tanker operators to slow down delivery of crude amid an ever-expanding supply glut on land, Europe’s largest owner of supertankers said.

Tankers hauling 2 million-barrel cargoes are delivering them at speeds of about 13 knots, compared with a maximum of 15, Paddy Rodgers, chief executive officer of Antwerp, Belgium-based Euronav NV, said in an interview in London on Thursday. The slower speeds might
result in a voyage that would normally take 40 days instead lasting 48. Shore-based supplies are getting so big that it’s probable the need for storage at sea may soon grow, he said.

The market is contending with a glut of oil that’s not going away because OPEC is insisting it didn’t create the excess and won’t tackle it alone. Countries within the Organisation for Economic Cooperation and Development have a near-record of almost 3 billion barrels of oil stockpiled, the International Energy Agency estimates.

“I’ve not seen a supply-side market like it in terms of the production of oil,” said Rodgers, a lawyer who joined Euronav two decades ago and is based in London, after an earlier interview with Bloomberg Television. His company’s VLCCs earned $55,000 a day last year, double what they made in 2014, thanks in part to fuel prices that plunged along with crude, he said. Euronav’s shares rose 3.5 percent to 10.74 euros in Brussels. They’ve dropped 15 percent this year, giving the company a market capitalization of 1.71 billion euros ($1.86 billion).

The primary reason for slower speeds is because the supply of oil is so great that logistics are being strained at the sites where the cargoes are being delivered, Rodgers said. In China, average waiting times are about a week when normally there would be no delay, he said. Vessels are having to wait in the Middle East as well, which is also an abnormality, he said.
The current need for slower speeds is the opposite of what would normally happen at times when rates are low and fuel costs high. In that scenario, a shipping company would be the one seeking to cut speeds when their vessels are returning to loading ports to collect cargoes. Instead, Euronav ships return back to load ports as fast as possible.

While demand will gain faster than some forecasters anticipate this year because of low oil prices, the increase may not be enough to prevent oil being stored at sea, he said. Euronav would charge approximately 75 cents per barrel each month for storing, according to the CEO. Brent crude for April costs about 80 cents more than for March, data from ICE Futures Europe show. Traders incur additional expenses over and above freight.

The incentive for storing at sea is getting bigger. The gap between March and June futures — currently about $2.50 — would only need to widen about 20 cents more to cover the cost of keeping barrels at sea, according to analysts including Jonathan Staubo at Fearnley Securities, a brokerage in Oslo. Glencore Plc is said to be storing at least 4 million barrels in ships off Singapore and Malaysia, according to people familiar with the matter.

Given how far oil prices have plunged, there’s not much downside, Rodgers said in the interview with Bloomberg Television. The slump may mean that the International Energy Agency’s forecasts for demand growth are too low, he said in the interview.

Middle East shipments to the U.S. also appear to be increasing since the nation lifted a ban on exports this year, Rodgers said. The measure made the price of West Texas Intermediate increase on a relative basis compared with international grades, creating a greater incentive to purchase barrels from Persian Gulf producers, he said.

[Bloomberg]

**Indonesia: Scrapped Cilimaya port project may see new tender soon**

29/01/2016

*Indonesia’s Transportation Ministry’s director general for sea transportation, Bobby Mamahit, said the Ministry might announce a date soon for the tender of the controversial new deep-sea port project to replace the scrapped Cilamaya port project in West Java, local media reported.*

“Based on our schedule, the tender should be held in January or February, but we’ll wait for him [Transportation Minister Ignasius Jonan],” he was quoted as saying. The government had previously signaled that it would consider accepting bids from private investors, running the risk of souring relations with Japan, who had originally been set to develop the project.

The port project was set to have a capacity of 3.75m teu and help alleviate congestion at Indonesia’s main port of Tanjung Priok in North Jakarta but the Cilamaya project was scrapped
due to the project’s impact on the expansion of state oil and gas firm Pertamina’s nearby offshore operations.

[Seatrade Maritime News]

**Iran’s floating storage tankers slowly set sail**

29/01/2016

*Iran is slowly winding down stocks of oil stored on tankers close to its shores and the process is likely to take longer than Tehran had wanted, despite the lifting of international sanctions this month.*

The pace of sales taken from floating storage highlights the difficulties Iran is facing amid a global oil glut and other challenges such as the certification of its fleet. Iran parked over 40 million barrels of crude and condensate, a very light grade of crude, on 20 to 25 ships after Western sanctions were imposed over its nuclear program. The sanctions stopped most countries from buying Iranian oil in recent years.

Most of the ships storing oil are run by Iranian tanker operator NITC. Reuters tanker tracking data on Thursday showed NITC vessel Sinopa – capable of carrying a maximum of 1 million barrels of oil – left Iranian waters for the Chinese port of Dalian. The larger Serena, able to carry up to 2 million barrels of oil, left for South Korea around Jan. 15. A tanker tracking source confirmed the Sinopa had left and was likely to be carrying condensate, adding that it was unclear if Serena was carrying crude. “Sinopa was anchored near (the Iranian port of) Assaluyeh for over a month,” the source said. “Serena was stationary for over a year.”
Yet sales of Iran’s stocks may be hampered because many of its tankers need refurbishments after being unable to obtain international safety and environmental certification standards — vital for obtaining port access and insurance. Foreign providers pulled out in 2012 when tougher shipping sanctions were imposed on Iran.

“The NITC fleet … has largely been idle since 2011 as a result of sanctions,” Wells Fargo senior analyst Michael Webber said. “There are significant maintenance/vetting questions surrounding the vessels, and we’d expect their return to service to be somewhat gradual.”

Iran’s oil exports have fallen to just over 1 million bpd, from a peak of more than 3 million bpd in 2011 before the imposition of sanctions. Major oil firms and trade houses are gradually resuming trading with Iran but efforts remain very cautious and often face huge legal obstacles, so progress is slow. Leading shipping players say Iran’s efforts to start exporting oil to Europe are being held up as foreign tanker owners are still struggling to secure insurance for cargoes from ship insurers, called P&I clubs.

“Until the uncertainties around items such as P&I insurance are resolved, NITC will try to use their own tonnage to move their additional crude to markets,” said U.S. headquartered brokerage Poten & Partners. “It does not help that the world is awash in crude.”

[Reuters]

**North P&I Club warns of digital dangers**

29/01/2016

*North P&I Club has warned that despite the enormous benefits of digital technology on and around ships, there may also be downsides.*
In addition to its recent warning on cyber threats, the club highlighted some less obvious risks from the digital age in the latest issue of its loss prevention newsletter 'Signals'. These included video calls, emails, mobile devices and even 3D printing.

Loss prevention director, Tony Baker, said: "While many ships now offer technology, such as satellite video calling to keep crews in touch with loved ones back home, care should be taken to ensure this does not make matters worse. For some seafarers, having easy access to friends, family and their ongoing domestic problems could lead to increased anxiety compared to the traditional clean break of departure."

Baker also said that digital technology may also be compounding the isolation problems at sea by reducing social interaction on board. "Rather than chat, play games or even watch videos with other crew members, it is now all too easy to for seafarers to retreat to their cabins with their mobile devices.

"It is in the general interests of the ship operator, vessel and crew to ensure a decent level of social interaction on board. Occasionally getting out the dart board, playing cards or board games will forge relationships and help the crew to be happy. A happy crew works more effectively, more efficiently and is more likely to be able to help individuals deal with any issues of isolation or anxiety," he said.

Another article in 'Signals' warns about to the growing problem of email fraud, resulting in fraudulent misdirection of payments due under charterparties and other shipping contracts. “Good, common-sense IT security is the key defence to protecting the financial interests of everybody involved in shipping transactions,” said the article.

"The digital age has brought extraordinary benefits to the shipping industry and to crews, particularly in terms of improved safety, efficiency and communications. However, it is important for shipowners and seafarers not to let digital technology completely replace vital shipboard activities such as social interaction, team building and a hands-on, common-sense approach to safety and security," North said.

Canada: Number of bidders for Roberts Terminal 2 project reduced from ten to five

29/01/2016

Port Metro Vancouver has narrowed down to five the field of bidders for developing its Roberts Bank Terminal 2 project.

That cuts the field from an original field of 10 candidates. The eventual bid winners will also be the concession holder for the new terminal at Canada’s major Pacific port. The five still
standing are Abu Dhabi Terminals; Grup TCB / Mitsubishi Corp consortium; Ports America; PSA International; and Terminal Link / CMHI consortium.

This project is for a three-berth container terminal at Roberts Bank in Delta, British Columbia. It will provide 2.4m teus of container capacity. It will need to pass federal and provincial environmental reviews before it can proceed.

[Splash 24/7]

**Panama: Perishables shippers expect an enlarged canal to offer fresh transhipment options**

29/01/2016

*After nine years of construction, 130 million tons of excavated spoil and 4.4m cu metres of concrete, the Panama Canal’s third set of locks will be inaugurated in June – barring any further delays.*

The mammoth US$5bn project expects to see the average capacity of containerships transiting the canal nearly triple, from 5,000 teu to 14,000 teu, ushering in a new post-panamax era for container shipping. Industry debate on how the expansion will affect container supply chains largely centres on whether US east coast (USEC) ports can capture significant cargo volumes from their west coast counterparts.
After June, shipping lines will have the option to re-route mega-ships with Asia-US/EC bound cargo via the Panama Canal. Multiple variables are at play, including the handling capabilities of US/EC ports; the canal’s new toll structure; and competition with the Suez Canal.

Meanwhile, less attention has been paid to any potential impacts on regional reefer trades, and whether perishables shippers can expect the expansion to affect their transportation options.

“Long term, it’s likely that more carriers will use the Panama Canal region as a transhipment hub,” said Gary York, director of global sourcing at Robinson Fresh, the fresh produce brand of global 3PL CH Robinson. He added: “Instead of sending a ship from Chile to multiple ports on the US east coast, these feeder vessels will discharge in Panama to larger post-panamax vessels that will then be able to carry containers from multiple origins, including Latin America.

“The same is true for Asia or European destinations, with containers from the Latin America region arriving in the Panama region on smaller vessels and transhipping to the much larger ships destined for Europe or Asia.”

Research conducted last year by CH Robinson and Boston Consulting Group on the trade impacts of the canal expansion found that up to 10% of container traffic to the US from East Asia could shift from west to east coast ports by 2020, adding that increased use of transhipment in the Caribbean could magnify this trend.

Caribbean ports will be hopeful of an upturn in transhipment cargo. Panama, in particular, is positioning itself as a regional transhipment and value-added logistics hub.

According to Drewry, Panama transhipment activity could jump by double digits following the canal expansion, with annual growth of 5% a year thereafter. At the canal’s Pacific end, a new 5m teu container terminal will be built at Corozal to capitalise on the expected increase in transhipment traffic.

It remains to be seen whether the economies of scale gained from deploying larger vessels, and the resulting increase in transhipment will translate to lower reefer rates for perishable shippers. And while Panama could be a big beneficiary by operating as a regional hub for cold chain logistics services, some shippers will undoubtedly be concerned by longer transit times and the added handling risks associated with transhipment.

From the perspective of US shippers, Mr York pointed out that there could be long-term effects as the market reacts to the additional supply chain options. “First, shippers and importers from the middle and eastern regions of the US will have expanded shipping options versus solely utilising the west coast ports. However, many of the effects from the Panama Canal expansion will be felt in the years to come, as supply chains react to the changes taking place in the market.”
“If supply of ocean container services is increased by the expansion on the east and Gulf coasts, this could potentially translate to reduced prices. In addition, the investment and routing decisions of rail and truck carriers, and the location of distribution centres, are likely to change, based on trade-offs that shippers make between the cost and speed of transportation,” he said.

[The Loadstar]

**U.S.: Container shipping’s very BIG future**

29/01/2016

*To clarify, the future of the ocean liner industry isn’t here per se, at least not yet, but we may have gotten a glimpse of it at the end of 2015.*

French ocean carrier CMA CGM recently deployed the largest ship ever to call a U.S. port for test stops at the California ports of Los Angeles and Oakland. Although by no means the world’s biggest containership currently in use today, the CMA CGM Benjamin Franklin is, for lack of a better word, enormous. At 1,306-feet long, the ship dwarfs the famously "unsinkable" RMS Titanic (882-feet long) and makes the Antonov 225 Mriya (275-feet long), which is generally accepted as the largest aircraft ever built, look like a tinker toy by comparison. Turned upright on its end, the vessel is longer than the Empire State Building is tall.

In terms of cargo capacity, the Benjamin Franklin can carry as many as 18,000 standard shipping containers, also referred to as twenty-foot equivalent units or TEUs. To put that in perspective, the average vessel size for services in the transpacific trade is currently around 6,700 TEUs, while services with direct connections between Asia, North Europe and the Mediterranean operate with vessels that average more than 11,000 TEUs in capacity, according to data from BlueWater Reporting’s Capacity Report.

Average vessel size is much larger in the Asia-Europe trade lane despite the transpacific being the largest trade by volume, because U.S. port infrastructure hasn’t kept pace with the demands of these ever-increasingly large containerships. As a result, carriers are able to deploy far fewer loops overall in the Asia-Europe trade — only 37 direct liner services compared to 57 between Asia and North America.

Although CMA CGM said the test calls at Los Angeles and Oakland were a resounding success, the company was quick to point out it has no immediate plans to deploy such large ships to the U.S. West Coast on any kind of regular basis. That decision “will be reviewed based on the outcome of the trials and the readiness of terminals,” a CMA CGM spokeswoman told American Shipper.

The Port of Los Angeles reported smooth, seamless operations, while a total of 11,200 containers of all sizes were unloaded from and loaded onto the Benjamin Franklin at APM Terminal’s Pier 400 facility. But many analysts are skeptical that even Los Angeles/Long Beach,
the largest port complex in the United States, would be able to handle regular calls from these behemoth vessels.

To start, the vessel was nowhere near full capacity, meaning that the test call didn’t actually require all of the loading and discharging of containers that would come with a more heavily-laden ship. Further, handling a vessel of that size once poses considerably fewer challenges than doing so on a daily basis as other vessel berths and terminal and drayage operations could be scheduled and planned around this special one-time arrival.

And, as this column has discussed previously, the economics of these so-called “mega-vessels” — those with capacities of more than 10,000 TEUs — are highly favorable for carriers, but don’t do much for shippers, who may end up subsidizing some of the cost associated with bringing U.S. ports and intermodal connectivity up to speed to handle them.

On the U.S. East Coast, for example, ports are experiencing a similar situation in preparing for the completion of the expanded Panama Canal, which will allow ships as large as 13,000 TEUs to transit this important Central American gateway.

Miami, Norfolk and Baltimore are the only Atlantic U.S. ports that are “big-ship ready,” while others like New York/New Jersey, Savannah, Charleston and Jacksonville still have work to do before mega-vessels are able to call there. All that being said, no carriers have announced plans to regularly send such vessels to any East Coast ports due to challenges that remain with landside infrastructure, drayage and intermodal connectivity, not to mention a fundamental lack of sufficient demand to fill them.

The future, and more specifically “a future that resides in ultra-large vessels,” as CMA CGM America President Marc Bourdon put it at a press conference welcoming the Benjamin Franklin to the Port of Los Angeles, is coming. The only real questions then are how soon will it get here, and whether port and inland infrastructure will be ready for it.

The Port of Oakland, for one, says it would certainly like to see the gigantic containership return to its terminals in the near future. “So long, ‘Big Ben,’” the port said in a statement following the vessel’s departure, “hurry back.”

[American Shipper]

**U.S.: Terminal rationalization**

29/01/2016

*Should big ports combine terminals to better handle big ships and the concentrated box volumes they throw off?*
Most large U.S. container ports are chopped into multiple terminals and operate as separate units, but the traditional layouts may not be well suited for the new dynamics in maritime shipping.

The liner industry’s rapid transition to much larger vessels has strained ports and inland infrastructure. Today’s leviathans of the sea can dump up to three times as much cargo at one time than previous generation vessels, which takes much longer to unload and can cause congestion without adequate cranes, longshoremen, storage areas, chassis, rail capacity and efficient truck gates. New carrier alliances are compounding the situation, as companies share vessels and then steer them to different terminals each week depending on the arrangement of the underlying vessel operator.

Fifty-six percent of the containerships on order worldwide are 14,000 TEUs or larger. Over the holidays the ports of Los Angeles and Oakland welcomed the largest vessel to ever enter a U.S. port—CMA CGM’s 18,000-TEU Benjamin Franklin.

Major gateways such as Los Angeles, Long Beach, New York/New Jersey, Norfolk, and Oakland have been plagued for three years with severe backlogs due to inefficient processes and terminals configured decades ago for much smaller vessels. The systemic challenges were magnified a year ago by a labor dispute that slowed productivity at West Coast ports and forced many retailers and manufacturers to divert shipments, resulting in a surge of cargo at East and Gulf coast ports. Cargo is flowing more smoothly in recent months due to extensive industry collaboration to reform operations, such as right-sizing chassis fleets, adding cargo-handling equipment, creating free-flow systems for truckers (as opposed to picking up an assigned box), and quickly flushing containers to off-dock depots where sortation to final destinations are made.

“The big ships and the mega-alliances together have accelerated this issue,” Peter Ford, chief strategy officer for Ports America, said. “Most of the ports in the U.S. are too fragmented. We think consolidation is absolutely something that port authorities should encourage port operators to take on.”
Ports America is the largest terminal operator and stevedore in the United States. In a typical year, it handles more than 13.4 million TEUs, 2.5 million vehicles, 10.1 million tons of general cargo and 1.7 million cruise ship passengers.

“A terminal without enough berth for at least two ultra-large vessels, plus a smaller ship, doesn’t do anyone any good today — it’s not big enough. The larger ships are 400 meters, so you need at least 1,200 feet of berth to be able to cater efficiently to the new vessel schedules,” Ford said.

One port that has remained mostly fluid despite a record cargo influx is Georgia’s Port of Savannah. Some look to it as a potential model for how ports should be configured to handle big ships.

Savannah set an annual record in 2015 for container throughput with 3.48 million TEUs — with only 11 months in the books so far (full-year figures were reported after press time). In 2014, Savannah experienced a 10.2 percent growth in container volume to 3.34 million TEUs. On a fiscal year basis through the end of June, TEU volume was up 17 percent at Savannah and double-digit growth was common in several months.

The port is handling volumes it didn’t anticipate until 2018. Although some diverted cargo has returned to the West Coast following the dockworker’s contract settlement, shippers say they are pleased with the reliability, performance, predictability and proximity to consumer markets provided by Savannah, and intend to continue re-routing a portion of their Northeast Asia shipments via the Panama Canal.

An advantage that sets Savannah apart from other ports is that all container operations are concentrated on one enormous facility — the Garden City Terminal. At 1,200 acres, it is North America’s busiest single terminal for container trade. Officials say it allows for maximum efficiency and flexibility because all manpower, technology and equipment are co-located in one area, along with nine contiguous berths spanning 9,693 feet. The setup means truck drivers don’t have to go hunting among different facilities for chassis and boxes, which helps to keep average turn-times under an hour for double moves.

“Any day, I’d rather have a single 14,000-TEU vessel than three 4,000-TEU ships,” Georgia Ports Authority Executive Director Curtis Foltz said at a private briefing on port productivity in December 2014. A few months later he said Savannah was prepared for the unexpected influx in volume because the state of Georgia had the foresight to invest heavily in infrastructure and create one big terminal with the scale to achieve better efficiency than several, disconnected smaller terminals.

Carriers give little warning when they introduce big ships into service, so it helps to be ahead of the curve with the necessary cranes, wharf upgrades, rail capacity, roads and cargo-handling equipment, he said. The GPA operates under a 10-year planning cycle that is updated
every two years. Officials study economic trends and project future box volumes, identify needed projects to accommodate that growth, and develop a financing plan.

“Our board directed us to invest in capacity that exceeded our projected demand by 20 percent at any point in time,” Foltz said. The GPA board has approved $142 million worth of improvements for the current fiscal year, including an empty container yard with space for 15,000 TEUs, a new truck gate with eight additional interchange lanes, four ship-to-shore cranes and 30 rubber-tired gantry cranes.

Capital expenditures and consolidation of container storage areas to create more space over the next decade will increase annual throughput from 4.5 million TEUs to 6.5 million TEUs. By 2024, Savannah is expected to feature about 30 ship-to-shore cranes, up from 22 today, and 169 rubber-tired gantry cranes.

Savannah’s Achilles’ heel is water depth, but a multi-year project is now underway to dredge the Savannah River to 47 feet. The new mega-alliances among carriers have added to the need for the additional scale because equipment (i.e. chassis and containers) frequently have to be shunted between terminals to match up with where vessels dock, experts agree.

In Los Angeles and Long Beach, for example, “you have multiple terminals and very few of them can handle the entire alliance volume, let alone the large-ship combination,” Ford said. Pier 400, operated by APM Terminals, is the largest of seven container terminals at the Port of Los Angeles with nearly 400 acres and five berths. Last spring, the company worked three 13,000-TEU vessels during an eight-day period, including two days in which all three were alongside, accounting for 34,465 container moves, which remains a North American record, according to the company.

At the Intermodal Association of North America’s annual conference in Fort Lauderdale, Fla., last September, Port of Los Angeles Executive Director Gene Seroka acknowledged the industry would be better served with fewer terminal operators controlling a wider swath of property.

Together with the Port of Long Beach, there are 13 terminals in the San Pedro Bay port complex, represented by 11 different companies. Getting some of them to voluntarily exit the market is likely to be controversial. Seroka said simplifying operations is part of the overall discussion that must be had to make the ports attractive to beneficial cargo owners.

“Some of the thought leaders in this industry are already sitting down with us on this topic. Others will be laggards and some will be very difficult to bring into this conversation. But, I think for the betterment of the industry and our service delivery capabilities, it has to take place, whether it be tomorrow or in the future,” Seroka said.

Meanwhile, the twin Southern California ports are focused on maximizing land-use opportunities by knocking down fences within terminals, repurposing underutilized land and providing larger backlands to stack containers.
One of the biggest projects is the $330 million expansion of the TraPac terminal, which when completed in 2017 will encompass 220 acres. It will include some of the most automated container-handling equipment in the world and on-dock rail for the first time.

And the Middle Harbor redevelopment project in Long Beach, expected to be completed by 2019, involves combining two existing terminals into one, along with technological and rail upgrades.

At the Port of Los Angeles, terminals and ocean carriers increasingly coordinate where to dock a vessel based on ship size and berth availability. Big ships are directed to bigger terminals and smaller ships to smaller terminals, when possible, Michael DiBernardo, the deputy executive director, said. When CMA CGM, for example, brought the 18,000-TEU Benjamin Franklin to Los Angeles on a trial run it went to APMT’s Pier 400 rather than West Basin Container Terminal—the carrier’s normal stop.

“We have long-term contracts with our marine terminals. Certainly our plan is to honor those contracts,” Noel Hacegaba, chief commercial officer for the Port of Long Beach, said in an interview. “Our focus right now is on improving operational efficiencies within the construct that exists today.” The port authority is also conducting a study to help determine the best use for existing land.

PortMiami is contemplating whether to knock down the fence separating two of its three terminals to allow more roomfor storage and cargo-handling equipment to run back and forth between container stacks and vessels, Port Director Juan Kuryla told American Shipper. “By not having a fence, and maybe developing another row of containers, you can accommodate more throughput in that same square footage,” he said.

The new footprint could be shared by the existing terminal operators with flex space in the middle that would be available to the company that had more vessels and box volume at a particular time, he suggested.

Port officials are also considering combining two existing truck gates into a larger, unified one that they say would allow cargo to be processed faster. “The investments required to provide the scale and infrastructure can easily be funded by higher rates from the lines who will gain the full impact of the economies of scale these larger, better equipped terminals will provide,” Ford said.

There are ways for port authorities to consolidate even if terminal leases overlap, he added. One option is to wait for a lease to expire and then offer a single concession to a neighboring leaseholder to take on the expanded footprint. Some stakeholders might be encouraged to divest, as many ocean carriers have done in recent years with their terminal assets, in favor of a new investor willing to manage combined terminals.

In the summer of 2013, the Port of Oakland, under legal pressure from long-term tenant SSA Marine, created a “mega terminal” by combining three terminals into one. Under the
agreement, SSA, the incumbent at Oakland International Container Terminal, renewed its lease and picked up the lease of the Global Gateway Central terminal after APL exited the terminal business. Additionally, SSA was assigned the lease to berths 55-56, previously operated by Total Terminals International, through 2016, with an option to extend to 2022. The moves created a 350-acre terminal, which the port authority said was better suited to meeting the needs of ocean carriers.

At the time, the port authority faced the expiration of all four terminal leases along its middle and inner harbors in 2016 and 2017. Further, those leases all had very short renewal notification periods, leaving the port vulnerable in the event one of the operators decided not to renew its lease.

Maher Terminals in New Jersey, which has been up for sale for 18 months, also presents a consolidation opportunity given that it sits between Port Newark Container Terminal (operated by Ports America) and the APM Terminals’ facility.

“If you look at the landlord ports, there’s clearly an argument to be made that you probably don’t need 13 different terminal operators in L.A.-Long Beach. You may not even need four in New York/New Jersey,” James Newsome, chief executive officer of the South Carolina Ports Authority, said Jan. 11 at the Transportation Research Board convention in Washington, D.C. “You can’t work an 18,000-TEU ship on a 100-acre terminal.”

The port authority operates four terminals at the Port of Charleston and can steer ships to the facility best suited to handling them—a luxury that ports with multiple operators do not have, he said.

The Port of Virginia, also an operating port, reopened the idle Portsmouth Terminal in 2014 to provide extra capacity for container operations in the midst of a congestion crisis. The port authority was unsuccessful finding non-container tenants for the facility when container business was slower, and port officials now look fortuitously on their bad luck. Portsmouth has older equipment and shallower draft at the wharf, but is now a critical relief valve for Norfolk International and Virginia International Gateway terminals, handling about 100,000 TEUs. Port managers now direct to Portsmouth smaller services that deploy ships of 5,000 TEUs or less so the other terminals can concentrate on the neo-Panamax vessels, according to Thomas Capozzi, chief sales officer for the Port of Virginia.

Reade Kidde, director of international logistics for Home Depot, echoed the sentiment during another TRB panel. “I think we should have that conversation. Is it a tough conversation? Absolutely. But we should have the conversation” about mega-terminals, he said.

[American Shipper]
Australia: Port operator Qube made $6.3 billion offer for port-and-railroad operator Asciano

29/01/2016

The Australian port operator Qube said Thursday that it had formalized an offer to buy Asciano, another Australian port and railroad operator, for about $6.3 billion.

Qube, as part of a consortium that includes the New York-based Global Infrastructure Partners, the Canada Pension Plan Investment Board and CIC Capital of China, offered 6.97 Australian dollars, or about $4.90, in cash, plus one Qube share for each Asciano share. That amounts to about 9 billion Australian dollars.

The consortium made a nonbinding proposal in November, after Asciano agreed in August to be acquired by Brookfield Infrastructure Partners, a Toronto-based investment firm, for $6.6 billion. Asciano said then that its board unanimously recommended Brookfield’s bid, although it was not clear whether regulators would approve that deal. The board said on Thursday that it was considering the latest bid from Qube, but it added that it continued to unanimously favor Brookfield’s offer.

Under the terms of the latest bid, Qube would buy all of Asciano’s Patrick container terminals business and half of the ports operations business. Patrick operates container terminals in the four largest container ports in Australia, and shareholders would have to vote on whether to divide the business after completion of the deal. The consortium would own the rest of Asciano.

“We know Asciano’s Ports businesses better than any other potential owner,” Maurice James, Qube’s managing director, said in a news release. “The ports are a core element for Qube to provide customers seamless coverage through Australia’s international trade supply chain.” Qube said it expected the deal to provide between 30 million dollars and 50 million dollars in savings over the next two to three years.

Asked about the involvement of CIC Capital, a subsidiary of China’s sovereign wealth fund, Mr. James said in a conference call: “All three are long-term infrastructure investors and we’re very encouraged by their involvement and commitment to that project. It should be noted that they won’t have any involvement in the port business. They will remain on the rail side.”

In December, Australia defended its decision to lease part of a port to a Chinese company. In 2015, there were 1,328 deals in Australia worth about $118 billion, according to data from Dealogic. About $27 billion of that went into deals involving transport and logistics.

Shares in Asciano closed 4 percent higher after the news, while Qube stocks initially dropped but ended the day up 3.81 percent.

[International New York Times]
Could a levy on air and shipping fuel reduce emissions?
29/01/2016

Author: Tristan Smith, Lecturer in energy and transport, University College London

Global agreements to aim for “well below” 2°C warming are nice enough, but now it’s time to develop some detailed policies to help us get there. Ships and planes are significant sources of greenhouse gases, and their emissions are projected to rise. Currently, both sectors exist outside national level frameworks and are not explicitly referred to in the international Paris deal. So what changes can we expect?

A recent IMF paper on the global economic implications of the Paris agreement suggested that international shipping and aviation fuels should have a levy applied to them to create both revenue and encourage reduced emissions. The IMF proposes US$30 per tonne of CO2 emitted.

A scheme already exists in Europe, where every flight from one EU country to another is included in the Emissions Trading Scheme and CO2 emissions must be accounted for and “paid for” using permits – in essence applying a price to the flight’s emissions.

The primary difference between the IMF’s proposed levy and a global ETS is over how the carbon price is set. In a levy, the price is chosen by policymakers and reviewed periodically, in an ETS a carbon market and an emissions target (or cap) is used to set the price.

Where would the money go?

The IMF suggests putting a little over half of the revenue aside for developing countries as compensation for trade losses. The remainder (around US$25 billion) would contribute to the US$100 billion Green Climate Fund, which helps poorer nations cope with the effects of global warming.

This is unpopular with many in shipping and aviation who understandably question why their sectors should provide such a large share. After all, they still only represent a combined 4% of global greenhouse gas emissions, so why contribute to 25% of the fund?

The money could be used in other ways, of course, such as to purchase offsets from other industries or to fund investment in research and development on cleaner ships and planes. But it’s not clear whether offsetting would genuinely help reduce emissions, whereas the latter would be hard to administer and ensure that all countries benefited equally.

Consumers might not even notice

What would a carbon tax mean for the price of international air travel or the cost of the food, fuel and goods that arrive by sea?
Burning a tonne of either ship or jet fuel creates about three tonnes of CO2, so the IMF’s proposed levy would create a surcharge of about US$90 per tonne of fuel consumed. Fuel costs around US$300 per tonne at today’s low oil prices, so a levy would increase a company’s fuel costs by about 10-30%.

But fuel is just one component of a ship or plane’s total costs and therefore the prices that customers pay for flights and goods. In practice, markets that determine overall prices can and do vary by more than the probable effects of a levy (at least at the level IMF propose). Oil prices have fallen dramatically in recent years, for instance, but that hasn’t produced substantially cheaper transatlantic flights or consumer goods from China.

Keep the focus on reducing emissions

The focus on levies and revenues like that proposed by the IMF risks missing the point. Keeping warming at well below 2°C needs absolute emission reductions – fast.

Unfortunately, current evidence is that US$30 a tonne for CO2 would not deliver the absolute emission reductions required over coming decades. This is partly because demand for shipping and aviation doesn’t closely match price fluctuations – there are often few alternatives, and both industries are key to keeping the modern world up and running.

So if higher costs passed on to consumers still don’t reduce demand then we must reduce the emissions per ship. However eco-friendly vessels won’t pop up overnight. Making progress requires new technologies, either those that improve the efficiency of existing ships’ hulls and propulsion machinery, or those that create entirely new ships powered by renewable or alternative fuels.

Developing these technologies will take some time. But to create these technologies there also needs to be a clear signal that this is the direction shipping is going. Otherwise investors won’t have confidence in the R&D, infrastructure and start-ups necessary to help shipping transition.

None of this rules out carbon pricing – this in itself can be part of a “clear signal”. But the extent emissions are actually reduced really needs to be considered, as without this we just end up moving money around the world while remaining on a course for climate catastrophe.

The global agencies responsible for regulating shipping and aviation both meet later this year, with greenhouse gases and climate-change issues high on the agenda. These meetings will be crucial because transforming both into low-carbon industries will only become harder the later we start.

[The Conversation]
Hong Kong: Government proposes new regulations to make ships "greener"

29/01/2016

The Government has proposed to update the existing regulations by implementing the latest requirements governing air pollution from ships prescribed by the International Convention for the Prevention of Pollution from Ships. The legislative proposals were gazetted today (January 29).

A spokesman for the Transport and Housing Bureau said that the refined Merchant Shipping (Prevention of Air Pollution) Regulation, which would replace the existing one, would step up control on shipboard incineration and emissions of air pollutants. Moreover, it will regulate the energy efficiency of ocean-going vessels of 400 gross tons and above. These ocean-going vessels will have to obtain and carry on board an International Energy Efficiency Certificate, which will be issued after a ship has been surveyed.

Fees and charges for the aforesaid survey and certification services will be added in the Merchant Shipping (Prevention and Control of Pollution) (Fees) Regulation accordingly. The spokesman explained that the charging of fees was based on the cost recovery principle. The impact on the operating costs of ocean-going vessels is minimal.

"Stakeholders in the shipping industry support the legislative proposals. They have been consulted in the preparation of these proposals," he added. The legislative proposals will be tabled before the Legislative Council for negative vetting on February 3.

Methane emissions from LNG-powered ships higher than current marine fuel oils

28/01/2016

Due to regulation on sulphur emissions, liquefied natural gas (LNG) has increased in use as a maritime fuel.

The study Particle- and Gaseous Emissions from an LNG Powered Ship – published in Environmental Science & Technology - measured exhaust gases from a ship with dual-fuel engines running on LNG and marine gas oil (MGO). Although NOX and CO2 emissions were lower for LNG compared to MGO, hydrocarbon and carbon monoxide emissions were higher. The authors say future work should reconsider the climate impact of LNG.

Exhaust gases from ships are a major source of air pollution. According to estimates [1], international shipping emitted 796 million tonnes of CO2 in 2012 — approximately 2.2% of
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Growing awareness of the scale and environmental impacts of these emissions spurred the International Maritime Organization (IMO) to implement stricter regulations on emissions. SOX is regulated by the sulphur content in marine fuel oils or use of alternative compliance methods. The use of alternative fuels, including natural gas (which has been used for years in stationary engines, such as power plants), as propulsion fuel for shipping, use of low-sulphur fuels, and the installation of exhaust gas scrubbers are the main methods for compliance with more stringent air emission requirements. For use in internal combustion engines (as found in vehicles), natural gas can be cooled and liquefied (LNG), massively reducing its volume. LNG mainly consists of methane and significantly reduces emissions of SOX, as well as NOX and CO2.

Development has been slow however and globally there are just 34 ships using LNG (due to numerous factors, including issues with safety and regulations). Before development proceeds further, it is important to assess the emissions from ships running on this type of fuel.

This study is, as far as its authors are aware, the first to measure emissions from a ship running on LNG, aiming to characterise both particle and gaseous emissions. The measurements were made in December 2013 on-board a cruise ferry running on LNG in the Baltic Sea. The ship was equipped with lean-burn dual fuel engines, using MGO as pilot fuel. Emissions were measured under different engine loads and both LNG and MGO were used for propulsion. When using LNG for propulsion a small amount of MGO (1-5% of total energy) was injected to ignite the LNG.

The measurements revealed that emissions of particles (both number and mass), NOX and CO2 were all considerably lower for LNG compared to MGO and other marine fuel oils.
However, emissions of carbon monoxide and total hydrocarbons were higher. Analysis of the exhaust gases showed that around 85% of hydrocarbon emissions from LNG were methane.

Emissions of unburnt methane (known as the ‘methane slip’) were around 7g per kg LNG at higher engine loads, rising to 23–36g at lower loads. This increase could be due to slow combustion at lower temperatures, which allows small quantities of gas to avoid the combustion process. These escaped emissions are significant, as methane has a global warming potential which is 28 times higher than that for CO2 over a 100 year perspective, and 84 times higher over 20 years.

In order to retain the climate benefits of LNG, it is important to address methane emissions. Possible ways of doing this involve carefully timing of the injection of pilot fuel and use of after-treatment systems, such as oxidation catalysts.

Alongside the gases, emissions also contained particles. Although overall particle emissions were lower from LNG than MGO, LNG particle emissions were dominated by very small (ultrafine) and volatile particles, while combustion with MGO resulted in a smaller fraction of these particle types.

Ultrafine particles can penetrate the respiratory system and be transported to other parts of the body via the blood, where they can cause widespread inflammation. Very small particles may also play a role in atmospheric processes, dictating the amount and lifetime of clouds, which can influence climate. Volatile particles can also be toxic, as they may contain polycyclic aromatic hydrocarbons, which have carcinogenic properties. They can also generate primary organic aerosols, which go on to form harmful secondary pollutants, including ozone.

This study clearly shows that emissions of particles and some gases are lower when using LNG as the primary energy source as compared to marine fuel oils. However, it also shows that there are issues with LNG requiring further investigation, most clearly emissions of methane and thus the overall impact on the climate compared to conventional fuels. These issues are being addressed by expert forums, including the IMO, the European Sustainable Shipping Forum and the Society for Gas as a Marine Fuel. Already some options to minimise methane slip have been identified, such as methane emissions mitigation plans, optimisation of transport efficiency of LNG-fuelled ships and adequate design of the LNG supply chain.

Notes:


[Science for Environment Policy]
U.S. ship ending on Indian beach regarded as illegal waste trafficking under the Basel Convention

26/01/2016

The HORIZON TRADER, a 42 year-old U.S. built and operated container ship, was beached earlier this month at the notorious shipbreaking site of Alang, India, despite the last ship owner Matson, Inc. having sold it for recycling in the US.

Horizon Trader being towed out of Brownsville, September 2, 2015 to India. Copyright: Basel Action Network (BAN)

The dead vessel contains hazardous materials, making its final voyage from the U.S. to India illegal waste trafficking under the Basel Convention, which controls the transboundary movements of hazardous wastes. The vessel likely contains polychlorinated biphenyls (PCBs), which also makes the sale an illegal export of PCBs from the US.

According to environmental justice group Basel Action Network (BAN), responsibility not only falls on the former U.S. ship owner, but also on the five countries that failed to uphold their obligations to stop the renegade vessel along its four-month journey. BAN tracked the vessels along the four-month journey through Trinidad and Tobago, Namibia, and Mauritius before arriving in Indian waters on 30 December 2015. While BAN notified authorities in each country prior to the vessels’ arrival, and called on authorities to uphold their legal obligations under the Basel Convention, each country failed to intervene to halt the illegal transport and prevent it from being run aground in Alang. The HORIZON TRADER arrived in Alang, under the name D.V. (“dead vessel”) TRADER and was beached on 8 January 2016.

Some have argued that the Basel Convention does not effectively control the export of hazardous end-of-life ships because it’s difficult to determine when a ship actually becomes waste along its journey. However, in this case, the "dead" ship was defined as waste before it departed the U.S.

[NGO Shipbreaking Platform / BAN]
CMA CGM signs cooperation agreement with Islamic Republic of Iran Shipping Lines (IRISL)

28/01/2016

French firm CMA CGM, the world's third-largest container shipping operator, signed a significant cooperation agreement Thursday with Islamic Republic of Iran Shipping Lines (IRISL).

The move comes as many European companies – maritime and otherwise – seek to expand their business ties to the newly reopened Iranian market in the post-nuclear-sanctions era. The agreement, signed during a goodwill visit to Paris by Iranian President Hassan Rouhani, covers capacity sharing, joint route operations, and cooperation in using port terminals, the French government said.

CMA CGM and Evergreen of Taiwan were the first to restart direct service to Iran last August; MSC restarted port calls in late December, and United Arab Shipping Company resumed business with Iran in January. Maersk, the world's largest container shipping operator, has said that it is still examining service to Iran.

CMA CGM now operates three direct routes to Iran, linking the country to Africa, Asian and India. It also offers indirect services with transhipments via the United Arab Emirates. “The progressive lifting of sanctions should bring strong growth in trade between Iran and the rest of the world. This agreement opens new opportunities for CMA CGM to expand in this region,” the firm said in a statement.

IRISL is Iran's largest containerized cargo carrier, and along with other state-owned maritime firms like the National Iranian Tanker Company (NITC), it has been removed from sanctions lists related to Iran's nuclear program.

In December, the Iranian firm announced plans to order new 18,000 TEU (Triple-E type) container vessels from Chinese yards. The orders could total to 600,000 TEU in all, plus new general cargo ships and bulkers. At present, IRISL has a fleet of 160 vessels. “We are facing a new situation with the West. There are lots of opportunities, especially for IRISL,” IRISL chairman Mohammed Saeidi told media. “We have to develop and increase our facilities and ships.”

CMA CGM agreed in December to acquire Singapore’s Neptune Orient Lines, parent company of American President Lines (APL), part of a recent industry-wide push for consolidation in global shipping.

[Maritime Executive]
China: COSCO to operate CSCL fleet from 1 March
28/01/2016

The containership charter agreement between China COSCO Holdings and China Shipping Container Lines could come into effect within five weeks, according to a notice from the US Federal Maritime Commission (FMC).

In a petition for an exemption from FMC competition regulations filed by COSCO Container Lines Co (COSCON), the box shipping unit of China COSCO said it is to acquire, by time charter, the containerships and other related assets from CSCL on or about 1 March, 2016.

Following the merger of their parent groups, the two companies signed a general agreement last December, in which CSCL will charter out all of its containerships to China Cosco for a five-year fixed term, with bilateral options later for vessels of and above 8,000 teu. Rentals for the ships amount to no more than $3.7bn in the next three years. In addition, CSCL has also agreed to sell its entire service network — 33 box shipping subsidiaries — to China COSCO.

The date disclosed by the FMC is in line with an earlier CSCL memo, which said that the asset swaps would be concluded by early in 2016. In the petition, COSCON requests the FMC's permission to submit a universal notice to the commission and the 700 service contract parties that will be assigned to the company. Moreover, it proposes to send electronic notice to each shipper counterparty, as CSCL’s tariffs will be taken over by Coscon, and then renumbered and republished.

“COSCON also seeks a waiver to avoid amending each contract with the new tariff number, by publishing a notice of the change in the existing China Shipping and COSCON tariffs,” the notice said.

[Lloyd's List]

Container weighing regulation: What if shippers miss deadline?
28/01/2016

It seems increasingly unlikely that all shippers will be ready to meet their new verified gross mass obligation in July. What impact will this have on supply chains?

Drewry has previously alerted exporters and importers of the lack of progress and the many uncertainties left before they are ready to comply with the mandatory regulation of the International Maritime Organisation (IMO) on container weights, which becomes effective in July 2016.

Three months on, we are seeing some progress, but equally it is becoming clear that not all shippers will be ready to comply with the new IMO rule. A poll of 410 customers of booking
portal Intttra in October 2015 found that 66% expected “a moderate or major disruption in the industry”.

On the plus side, major exporters have assessed whether their internal systems (typically ERP) can produce the required added-up weight. INTTRA has worked on an electronic solution. Large companies which export the same products on a regular basis with the same stowage pattern will not have difficulties identifying the weight of the products in the container but still need to find a way to capture the tare weight of the empty container.

However, it is important to realise that there are high risk areas and cases. If your supply chains fall in any or several of these categories, then beware.

Risk areas to watch

In Drewry’s opinion, the highest risks of non-compliance will be for:

- Inbound supply chains from more exotic origin countries, due to the lack of process, IT, infrastructure and weighing machinery.

- Shipments of smaller exporters and exporters shipping various combinations of packaged products with various securing equipment or loose products in containers.

- For companies importing under FCA or FOB terms who rely on smaller Asian or African suppliers to provide accurate container packing weights (the onus of declaring verified weights will be on the importer shown as the shipper on the B/L, not on the suppliers, in these cases).

- Shipments from already congested ports, where any container rolls and delays will make a bad situation worse.

The impact on supply chains of the new regulation in July will include:

- Many importers will build safety stocks during the transition process and there could be a late June surge in shipment volume.

- Supply chain managers are unlikely to switch mode from ocean transport to air across the board but, for emergencies, they will use air more after 1 July. The International Air Transport Association (IATA) notified its member airlines about possible disruptions to the ocean freight sector that could lead to spikes in airfreight volume.

- There will be delays, cargo rolls, operational disruption and extra costs for shippers at origin ports, particularly in Asia and in Africa.

- Following from these, some shipments will arrive late and some ships will sail with empty slots.
• There will be demand for emergency services by forwarders and inland transport operators to have the containers trucked back and forth when there are mismatches between the declared weight and the checked weight, which can become particularly tedious when a cold chain has to be maintained.

The impact on supply chains of the new regulation will depend on the delay in complying and the extent of non-compliance. There is still time to minimise and mitigate the negative impact.

[Drewry]

Containership fleet: Carriers not sitting idly by
28/01/2016

The idle containership fleet is fast approaching 1 million teu. How much bigger will it get?

Drewry’s latest Container Forecaster, published at the end of December, reported that the cellular containership fleet increased by 8.5% in 2015, the biggest annual rise since 2010 and the fourth in a row when fleet growth outpaced that of world port throughput. The 7-percentage point gap between supply and demand growth last year was significantly wider than in any of the previous three years and the worst this century, apart from the industry’s ‘annus horribilis’ of 2009.

The expanding gap between supply and demand growths is one of the most obvious drivers of the recent slump in industry profits so it should be no surprise that carriers are trying to narrow the margin by laying up more and more ships.

The size of the idle containership fleet swelled by 64% from October 2015 to January 2016 to reach 973,000 teu, the largest monthly sum since early 2010. The idle fleet now accounts for 4.9% of the world’s total, which is still some way off the peak of around 11% seen at the end of 2009.

![Idle containership fleet, above and below 8,000 teu](source: Drewry Maritime Research)
For clarification, Drewry classifies a ship as idle when it has been stationary for a minimum of 14 days. So-called missed voyages do not count as these vessels continue to sail without calling at ports so that they can be easily fitted back into the schedule.

So, how much bigger might the idle fleet get?

To give an example of how far things have got out of kilter had carriers miraculously managed to perfectly mirror the rate of demand growth since 2008 – when supply and demand were broadly in a state of equilibrium – the cellular fleet would have been some 1.3 million teu smaller at the end of 2015 than it actually was.

That suggests that carriers need to remove at least another 300,000 teu from active service. That would equate to approximately 7% of the current fleet total although more will need to be removed as new ships are delivered through the year when approximately 1.5 million teu of newbuild capacity are scheduled to hit the seas. Therefore, we expect the idle fleet to continue to grow, especially in the current low-growth demand environment.

[Drewry]

**Cameroon: China approves funding for a second container terminal at Kribi Port**

28/01/2016

*Eximbank of China, the Chinese government’s extension in terms of foreign investments, has approved a prime rate loan to the Cameroonian State, for the funding of the second phase works on the industrial-port complex of Kribi. This phase 2 also includes the construction of a second container terminal.*
The Cameroonian government requested from the Chinese investment bank loan agreements for a total of about Francs CFA 370 billion as part of this project. The Chinese discharge comes at a time when the commissioning of the deep water Kribi port, scheduled for 2nd quarter 2016, is looming closer.

At that date, two terminals built by China Harbour Engineering Corporation (CHEC) with Chinese financing during the first phase of the project will become operational. These include the first container terminal, which will be operated by the Bolloré-CHEC-CMA CGM consortium, and the multipurpose terminal, whose concessionary contract was awarded to the JV between Necotrans and Cameroonian operators' consortium KPMO.

[Business in Cameroon]

**U.S.: Firm seeks authority to export LNG to Caribbean**

28/01/2016

*Privately-held Eagle LNG Partners has applied to the Department of Energy for long-term permission to export liquefied natural gas to Caribbean nations for electricity generation. The company said Wednesday it planned to build an LNG export facility in Jacksonville, Fla., to export LNG on its own behalf and for others.*

The application seeks to export about 1 million tons per year. The proposed LNG facility, which requires approval from the Federal Energy Regulatory Commission (FERC), is significantly smaller than other LNG export projects currently being considered by the agency.

Many Caribbean nations depend on diesel fuel to power their electric grid. Natural gas is cleaner to burn and cheaper than diesel fuel. Eagle LNG plans to utilize LNG carriers for the bulk of shipment volume. Some shipments via ISO container tanks are possible as well, spokesman Dario Alvarez, said in an e-mail.

Last month, Crowley Puerto Rico Services selected Eagle LNG Partners as the LNG supplier for the company’s new LNG-powered Commitment-class ships, which will be delivered in 2017 for use in the U.S.-Puerto Rico trade lane. Eagle LNG plans to build a natural gas liquefaction plant with a capacity of 200,000 gallons per day in Jacksonville. The facility is scheduled to be up and running by early 2017. That facility does not require FERC approval.

Through early January, FERC has approved seven LNG export terminals, six of which are under construction, according to the agency. An explosion in U.S. natural gas production in recent years due to new drilling techniques has increased domestic supply and motivated the oil and gas industry to seek export markets after decades in which the United States was purely an LNG importer.

[American Shipper]
Bay of Biscay: Rescue vessels attend stricken Modern Express as list worsens

28/01/2016

CIDO Shipping, owner of Modern Express, has appointed Smit Salvage to recover the stricken ro-ro vessel as it continues to drift without crew in the Bay of Biscay.

Photo credit: Marine Nationale

Smit employees yesterday visited Préfet Maritime Atlantique, the French authority responsible for safety of life at sea in the region, to discuss rescue plans and co-ordinate with state authorities.

Salvage tug Abeille Bourbon arrived in the area yesterday as instructed by Préfet Maritime Atlantique. The tug’s crew confirmed a heavy and increasing list, which suggested water ingress. Sea conditions prevented the crew from investigating further, and so water ingress is unconfirmed. Abeille Bourbon is monitoring Modern Express and overseeing navigational safety around the ship. French Navy frigate Primauguet was due to arrive in the area this morning.

Modern Express’ crew of 22 was rescued by Spanish authorities on Tuesday in an operation co-ordinated by the UK’s Falmouth Coastguard after a cargo shift left the ship listing by 40 degrees in high seas and gale force winds. The vessel is carrying a cargo of timber and construction machinery, according to Préfet Maritime Atlantique.

[Lloyd's List]
A new algorithm offers the possibility of faster tsunami warnings

28/01/2016

Shaving crucial minutes off the time it takes to send tsunami warnings would give people more time to evacuate.

By the time the warning went out, the waves were already landing. Last September, a fault slipped just west of Illapel, Chile—a magnitude 8.3 earthquake that launched waves ripping across the Pacific. Chile’s coastal communities, just 50 kilometers away, were on the front lines.

Having learned from previous earthquakes, Chilean officials quickly ordered an evacuation. Sixteen minutes after the fault ruptured, some one million Chileans were told to flee. But by then, the waves had already begun to crash onshore—and even with the delay, the warning was incomplete. Officials had underestimated the earthquake’s strength and they couldn’t hazard a guess about the height of the waves bearing down on them. By the time they got it right and added a regional forecast, 15 more minutes had passed. By the end of the day, 13 people had died.

The tsunami warning was fast, but not fast enough. Seismologist Diego Melgar thinks he can do better. In a new paper, Melgar and his colleagues argue that by using a new analytical technique they could have issued a forecast for the Illapel tsunami just two minutes after the ground stopped shaking—a full 12 minutes before the waves hit the shore. Similarly speedy warnings would have been possible for Chile’s 2010 and 2014 quakes and Japan’s 2011 Tōhoku quake, they say, had their system been in place.
Crucially, Melgar’s method doesn’t require any expensive new equipment: it’s simply a new way of analyzing and interpreting existing data. That means the technique could be rolled out quickly, and with little cost. The method uses common onshore GPS sensors, which track slight movements in the surface of the earth. More complex tsunami detection networks, such as the one operated by the US National Oceanographic and Atmospheric Administration (NOAA), rely on seismometers and expensive floating buoys.

“What we’re proposing ... can be done now, today,” Melgar says. “With only a few stations, you can make a very rapid assessment of the earthquake’s size, and those [stations] exist everywhere now.”

By watching GPS sensors jiggle, Melgar’s new algorithm estimates what happened when the fault slipped, then models how the quake warped the seafloor, and simulates the ensuing tsunami. Within a few minutes, it pops out a color-coded map of the predicted at-risk coastal regions. Green means waves may be lapping at your knees, yellow predicts waves under a meter tall, and orange could signal a large tsunami up to three meters. Illapel, Chile and nearby cities would have seen red, indicating a wall of water three or more meters tall could be coming their way.

Melgar’s team thinks showing the public a quick estimate of where waves will likely be dangerous is warranted. In studies of Japan’s Tōhoku tsunami, the biggest factor determining who survived was simply when they started to move.

But the speed-for-accuracy tradeoff in the new method is also a weakness, according to Vasily Titov, head of NOAA’s Center for Tsunami Research. When comparing first-glimpse guesses of the magnitude of historical quakes calculated with the new algorithm against the known magnitude, the new approach’s estimates were only accurate to within 0.3. That leaves a lot of room for misleading predictions, Titov says: “Plus or minus point three is the difference between magnitude 8.4 and magnitude 9,” he says. “It’s a strong tsunami and a catastrophic tsunami.”

While Titov agrees that incorporating GPS data may help forecasts, he stresses that more testing will be needed before the new algorithm can make its way into NOAA’s alert systems. And it will have to prove its mettle not just against historical waves, but in real-time situations, too.

In the meantime, Melgar has reached out to NOAA’s tsunami warning centers. And, his Chilean collaborators are in talks with that nation’s navy, which runs Chile’s alert network and plans to adopt a similar system.

The “audience that we’re trying to reach here are developing countries across the Pacific Rim,” Melgar says, also naming Mexico, Columbia, and Peru. These are countries that face a significant tsunami risk, but may not have the funds to support a more elaborate detection network.
The tsunami warnings Melgar can issue using his new algorithm may not be perfect, but at least they would be sent before you can see the waves with your own eyes.

[Hakai Magazine]

**Portugal: MSC completes acquisition of rail freight operator CP Carga**

28/01/2016

*MSC Rail - a subsidiary of MSC Mediterranean Shipping Company SA “MSC” – completed today the acquisition of CP Carga - Logística e Transportes Feroviários de Mercadorias SA and took control of the management of the rail-based freight operator.*

This marks the beginning of the implementation of its long term strategy to strengthen and expand the business of CP Carga. According to Giuseppe Prudente, Chief Logistics Officer at MSC, “We have now the chance to put our strategic plan in action, to drive the company towards a bright future and develop it into a major player in the Iberian Peninsula in the coming years. The acquisition and the related investments demonstrate MSC’s unwavering commitment to Portugal and the development of its logistics sector”.

Carlos Vasconcelos, Managing Director of MSC Portugal reinforces that “MSC’s investment is part of a long-term development plan that will enhance the infrastructure of the company and turn it into the leading Iberian rail freight operator. We are committed to offering our clients the highest level of service.”

The Portuguese Competition Authority issued their approval for the purchase of CP Carga in December 2015, three months after the initial sale and purchase contract had been signed in Lisbon on the 21st September.

As previously communicated, the deal represents an investment of 53 million euros, of which 51 million euros will be used to recapitalize the company. The signing of the contract between the two entities has followed the public tender for the sale of the CP Carga, which was won by MSC Rail. In this initial closing MSC has acquired 95% of the company – there will be an employee’s sales offer for the remaining 5% - and, among other arrangements, MSC Rail is committed to keep the current “Employees Agreement”.

[American Journal of Transportation]

**Greece: COSCO’s bid for the Port Piraeus defies market realities**

27/01/2016

*It is no surprise to Port Strategy that there was only one bidder for the Port of Piraeus concession and that in the end, after a request to up its bid, the sole bidder, COSCO, was*
awarded the whole port concession. However, the price that COSCO was prepared to pay for it is a surprise.

Frankly speaking, the disposal process for the Port of Piraeus disintegrated into what can only be described as a shambles in its latter stages. It was an inherently stop-start process, the stoppages being punctuated principally by changes of government and policy.

Then there was the change of the original offer. Instead of offering 67% of the port as an outright sale the offer was restructured so that it would be 51% in the first instance and the balance of the shares up to 67% after five years under certain conditions including the implementation of investments totalling €350m.

The acquisition of the 67% equity stake was thus restructured to come with ‘strings’, specifically the investment requirement which was time scheduled rather than demand initiated, never an aspect liked by potential investors such as international terminal operators. Hence, COSCO, which already has a large container operation in the port, the lion’s share of which is transhipment, emerged as the successful bidder – although the word ‘successful’ would not apply by normal commercial standards based on the eventual price paid.

COSCO’s initial bid was €293m for 67% of the equity of the company which is listed on the Athens Stock Exchange. It appears this bid was below the minimum valuation of the port established by independent consultants. As a consequence, a mechanism for a second round of bidding was activated, even though there was just one bidder, and on this occasion COSCO came back with an improved offer of €368.5m for a 67% stake. It is this offer that the Greek Government has accepted.

An offer of €368.5m implies a market cap for the company of €550m. This is a premium of 70% over the stock market price at the time the offer was made. This indicates what can only be called a very high bid. With the net debt of the company at around €30m the implied enterprise value is €580m – pure measure of all the cash flows (discounted by the cost of money – weighted cost of capital) that the company will receive over the lifetime of the concession.

Consider the underlying values: EBITDA (Earnings before Interest, Taxes, Depreciation & Amortisation) is about €25m, so Enterprise Value to EBITDA is about 23 x (€580m divided by €25m). The latter is basically a ridiculous multiple and cannot make financial sense. A normal container port in a low growth area like Europe is typically likely to have an EBITDA multiple in the range 8 to 12. And some might say above 10 is high. A multiple of 23 only makes sense if there is substantial revenue growth potential and this is a very big ask for a port such as Piraeus.

In addition to this, there will be ‘value destruction’ with a large capex commitment of €300m to items that have only limited growth potential. Some of this will be covered by EU grants – for example for the Piraeus Cruise Terminal – but this still leaves an investment requirement of around €150m.
On a similar note, there are large areas of the port, notably in conjunction with the port’s extensive ferry operations, that have traditionally operated on a cost-benefit basis with pricing controls aimed at keeping fares very low. Deduct tax from EBITDA and you get positive cash flow to the port of Piraeus company of €20m per annum (assuming no annual capex). Bottom line, at this level it will take COSCO 27 years to make its investment back. And with minimum replacement and capex this will go to 30 years or so.

The reality is that the only way this will become what is understood to be a ‘good investment’ in normal terms is with a huge amount of growth in revenue or a comprehensive cost cutting exercise. There are some growth opportunities but being realistic not enough to drive down the number of years to just six or seven, the normal level at which investors look to make their money back.

Some might think a big growth in transhipment cargo will be a good sign but this is an inherently high volume, low yield business so not a solution. Cost cutting is essentially about reducing staff numbers. It is a natural step for COSCO but it is not cheap and will take time.

Sovereign state-owned companies like COSCO have in the past paid exceptional prices for port properties, pushing the envelope of what is regarded as normal. This latest acquisition by COSCO, however, takes this activity into a new, and what many would call unrealistic, dimension.

[Port Strategy]

**Kenya: Mombasa second container terminal bidding process versus vested interest?**

27/01/2016

_The completion of the first phase of the second container terminal in Mombasa, a new deepwater facility, is imminent. At the beginning of 2015 there were a lot of statements to the effect that the terminal would be open early for business._

Nothing, however, could be further from the truth with the main obstacle nothing to do with construction or equipment, but the appointment of a terminal operator. The process of appointing an operator started early enough with the original plan foreseeing bid submission on June 26, 2015, review of the technical element of the bids and then opening of the financial component around three weeks later.

Following the review of the technical offers, however, a number of parties were advised they had not technically qualified – APM Terminals, Bollore and ICTSI – and would not go through to the next round. All three of these companies, however, took issue with such a judgement and went to the Petition Tribunal to formally challenge it.
Since then, there has been, and continues to be, a considerable amount of legal to-ing and fro-ing, not least due to certain companies initially being reinstated by the Tribunal and then disqualified again on what appear to be fairly spurious grounds. So, step-by-step, the process of appointing an operator has been halted while legal machinations play out.

Behind this visible chain of events, however, there are suggestions from informed parties that the current conundrum is also due to vested interests at work – parties wishing to steer the process in a specific direction.

The disqualification of bidders on quite spurious technical grounds or due to minor deviations of agreed procedure is seen to be symptomatic of this. The spectre of vested interest also came up in the second half of last year when the National Treasury made last minute changes to the tender documents that had already been issued to bidders.

At the time, bidders cited seven addendums that critically changed the contents of the initial tender documents. They questioned why the new rules came along after the contracting agency, Kenya Ports Authority (KPA), had already conducted the technical evaluation stage of the tender and pre-qualified participants. They also specifically expressed concern that ‘power peddlers’ interested in the process are responsible for influencing the addendums to suit particular bidders. Formal complaints were lodged by bidders with the Public Private Partnership Review Board in conjunction with what they described as “unfair changes”.

**Get on with it**

Just as doubts are increasingly surfacing about the integrity of the Second Mombasa Container Terminal privatisation process, so frustration is building among the bidders, agencies - such as JICA, who financed the container terminal development - and sponsors to the port such as Trademark and the World Bank.

The port of Mombasa and the country as a whole will clearly benefit hugely from an efficiently run new container terminal. But already at this stage, assuming the current tender is not cancelled, the prospect of a four to six-month delay in appointing an operator is in sight.

This does not present an attractive picture of Kenya to the worldwide investment community. There are strong question marks over the second container terminal bid process offering a level playing field in competitive terms. Equally, government has not distinguished itself by making last minute changes to the tender process which may work to the benefit of some parties and not others.

But perhaps most damming of all the whole process has been lost momentum. There were many positive features of the bid process, namely a number of the world’s foremost container terminal operators’ submitted bids; many of the international companies have partnered with strong local companies.
JICA, the World Bank, Trademark and other agencies are wholly behind getting on with opening the new facility; and the completion of the bid process will meet a genuine need and not least serve to alleviate persistent congestion in the container sector in the port of Mombasa.

In reality, however, these positives have not been capitalised on. Surely, for example, world recognised terminal operating companies will be technically qualified to operate the new Mombasa terminal? Instead, the process stalled as various bidders turned to the courts to try to protect themselves from technical disqualification. It is a shameful situation but even more shameful perhaps are the reasons behind it.

[Port Strategy]

**Nicaragua: Port authority announces plans for new Caribbean port**

27/01/2016

*An terminal in Bilwi, Puerto Cabezas, would streamline logistics of cargo which currently comes through the ports of Limon in Costa Rica and Cortés in Honduras.*

If the plans of the National Port Company (EPN) are realised, the operator of the entire logistics system that involves moving goods through Nicaragua's northern Caribbean could significantly improve their times.

It will also open up more opportunities for shipping companies, since at the moment only 3 lines are operating in the Caribbean, compared to 15 in the Nicaraguan Pacific.

Specifically, the town of Bilwi, Puerto Cabezas, could see a terminal with a capacity to handle goods which currently have to go through the Puerto Limón, Costa Rica, Puerto Cortés, Honduras, according to information provided by Virgilio Silva, President of the EPN, who estimated the necessary investment for the project at $400 million.

In addition to the possible new port, "... the Government of Nicaragua has announced that this year it will be investing $224 million in modernizing the country's ports." This includes
construction of the fourth stage of Puerto Salvador Allende, the completion of San Juan del Sur and dredging of the access channel of the port of Bluefields.

[El Nuevo Diario / CentralAmericaData]

**Germany: Shipowner Norddeutsche Vermögen continues to exploit substandard shipbreaking**

27/01/2016

German shipowner Norddeutsche Vermögen Holding GmbH & Co and its subsidiary Norddeutsche Reederei Schuldt, a company offering shares in ship funds, has seen another three of its vessels arriving at the beaches of South Asia in 2015.

The “Northern Glance” (registered under the name “APL Malaysia”, IMO 9196917) hit the beach of Chittagong, Bangladesh, the “Northern Diversity” (IMO 9147112) and the infamous “Northern Vitality” (IMO 9122423) were rammed up the beach in Alang, India.

The last of the three ships has been under the NGO Shipbreaking Platform’s spotlight for the last three years: the vessel’s story is a prime example for Norddeutsche Vermögen’s circumvention of the law and the company’s lack of responsibility for end-of-life management. Ship funds, while referring to values such as ‘tradition’ and ‘honesty’, are meant to maximise profits for its private investors – at whatever price it takes.

In September 2012, the Platform found that the owners of the “Northern Vitality” intended to sell the 1997-built ship for breaking in India with the help of a cash buyer. At the time, the vessel was moored in the German port of Wilhelmshaven – and the sale for scrap to India would have constituted a breach of the EU Waste Shipment Regulation that prohibits any export of hazardous waste to developing countries.

Hazardous materials such as asbestos, refrigerants, oil residues, sludge and heavy metals were bound to be on board the vessel, either in its structure or in electronic equipment, in paints and the ship’s stores. The Platform informed the port authorities, the responsible Environment Minister in the state of Lower Saxony and the European Commission in order to prevent an imminent illegal export to India. As a consequence, the vessel was arrested in Wilhelmshaven and was only allowed to leave once Norddeutsche Vermögen produced proof that the “Northern Vitality” would be repaired in Varna, Bulgaria, for further operational use, and would not be sold to the breaking beaches of Alang.

At the same time in September 2012, two other ships owned by Norddeutsche Vermögen and its subsidiary Norddeutsche Reederei Schuldt were beached in Alang: the “Northern Felicity” was renamed “Felicity” and reflagged under the typical end-of-life flag St. Kitts and Nevis just before beaching. The “Northern Dignity” hit the beach of Alang renamed “C Wind” and flagged out to St. Kitts and Nevis. Three years later, the “Northern Vitality” now hit the beaches of Alang in December 2015: another proof that Norddeutsche Vermögen very obviously does not
care at all about the end-of-life management of its vessels. Since at least the 2012 case, the company was fully aware of the serious concerns surrounding substandard shipbreaking in South Asia.

This did not make the company reflect on its practices. Together with the "Northern Vitality", the "Northern Diversity" was sold for scrap to Alang, India, and – even worse – the "Northern Glance" ended up on the beach of Chittagong, the worst shipbreaking zone globally, where child workers are used illegally to scrap the vessels on an intertidal mudflat and the government is not capable of setting up a treatment facility for hazardous wastes.

Since 2012, Norddeutsche Vermögen and its subsidiaries Norddeutsche Reederei Schuldt and Reederei Karl Schluter have sold at least 16 vessels for beaching. Now, they finally also managed to circumvent the law and got rid of the "Northern Vitality" three years after the authorities’ halt.

Maritime databases indicated that Norddeutsche Vermögen was the last beneficial owner of the "Northern Vitality" and remained so after its repair in 2012. It is possible that the German owner sold the containership to another anonymous company before it ended up on the beaches of Alang – in any case, the "Northern Vitality" saga represents a prime example of how ship owners escape the law for mere profit maximisation. The old vessels are sold either to cash-buyers – as in most cases of the Norddeutsche Vermögen ships – or to anonymous, dodgy shipping companies with the intention to profit from substandard scrapping on South Asian beaches.

It is shameful that Norddeutsche Vermögen, certainly aware of the controversial dismantling practices taking place in South Asia, has deliberately chosen to close its eyes to the realities on the ground. On its website, the company claims to base its business on “Hanseatic values”, “responsibility for the present and the future”, and “acting in a fair manner”. The website is illustrated by the picture of the “APL Malaysia” / "Northern Glance", now stranded in Bangladesh and taking its toll on people and the environment.

The NGO Shipbreaking Platform calls upon Norddeutsche Vermögen and the private investors trusting in the value of the company, to ensure the clean and safe recycling in line with the EU Ship Recycling Regulation in case any of the more than 40 vessels owned by Norddeutsche Vermögen currently has to be sold for demolition in the future.

[NGO Shipbreaking Platform]

**Saudi Arabia: Aramco signs MoU for new shipbuilding complex with foreign companies**

27/01/2016

*National oil giant Saudi Aramco has signed a memorandum of understanding to establish a shipbuilding and repair complex in the kingdom, part of Saudi Arabia’s efforts to diversify its economy beyond oil, the company said.*
Pressured by low oil prices, Riyadh is laying plans to develop non-oil industries, using state spending to jump-start the process. The shipbuilding complex is one of the first big projects to be announced under this policy.

The MoU was signed with National Shipping Co of Saudi Arabia (Bahri), a state-controlled firm which ships oil for Aramco, as well as a subsidiary of London-listed Lamprell Plc, a United Arab Emirates-based engineering firm, and South Korea’s Hyundai Heavy Industries Co Ltd.

The companies will study a proposal over the next few months to build a maritime complex offering engineering, manufacturing and repair services for offshore rigs, commercial vessels and offshore service vessels, Aramco said.

Aramco did not give a value for the project, but chairman Khalid al-Falih told a business conference that it was expected to be located on Saudi Arabia’s east coast and could eventually create 500,000 jobs. The complex will initially support Aramco’s operations but will ultimately move on to other markets, such as manufacturing container vessels, Falih said.

[Reuters]

Ukraine ‘moves closer to Europe’ with mountain rail tunnel breakthrough
27/01/2016

A Europe-funded tunnel under the Carpathian Mountains in Ukraine that will quadruple rail traffic to and from the European Union saw a breakthrough last week with the completion of the tunnel’s tube.

“Ukraine is moving an important step closer to Europe with the completion of the tunnel tube,” said a statement from the European Bank for Reconstruction and Development (EBRD), one of the project’s funders, in announcing the milestone at the so-called Beskyd Tunnel.

The $177m (€163m) twin-track tunnel, stretching 1.8km under mountains from Lviv in western Ukraine to Chop, near the borders of Hungary and the Slovak Republic, replaces a 130-year-old single-track tunnel built under the Austro-Hungarian Empire.

It will remove a major bottleneck in the transport corridor that links Ukraine with the EU by increasing capacity from the current 12 trains a day to 46 on completion, which is scheduled for the end of 2017. Nearly half of all goods travelling between Ukraine and the rest of Europe pass through the tunnel, originally completed in 1886.

Of the $177m cost, EBRD is lending $40m, the European Investment Bank (EIB) is lending $60m (€55m), with Ukraine’s national railway company, UZ, contributing as well. The EIB announced its lending decision in May 2014, as tensions were escalating quickly over Russia’s
annexation of Crimea and declarations of independence by pro-Russian separatists in eastern Ukraine.

“This is a very important project for Ukraine and Europe,” said Sevki Acuner, EBRD Director for Ukraine, this week. “Modern transport links will boost cross-border trade and cooperation, and bring people and businesses closer together. Better access will also allow the region to realise its potential as a destination for tourism and investment.”

The European lenders are also hailing the project as a breakthrough in above-board project delivery in Ukraine, a country normally associated with rampant corruption. The EBRD said the Beskyd tunnel is the first rail project in Ukraine to abide by the contractual framework standards of the International Federation of Consulting Engineers (FIDIC), and by the EBRD’s own procurement policies.

The EBRD is the largest international financial investor in Ukraine. As of 1 January 2016, the Bank had a total cumulative commitment of approximately €12 billion in 355 projects throughout the country.

[Global Construction Review]

Containership charter market: Back to the bottom
27/01/2016

The dust has now settled on the brief rally and subsequent dramatic downturn of the containership charter market in 2015. After a good few years in the doldrums, last year saw some fairly animated movements in boxship charter rates. Accordingly, the start of a new year marks a good time to reflect on just how the present market looks in a historical context.

Hitting the buffers

More than seven years have now passed since the downturn of 2008, when boxship earnings fell to record lows and container trade then contracted by 9% (in 2009). The Panamax 4,400 TEU one-year guideline charter rate fell to $6,450/day in October 2009, having stood at $38,000/day at start 2008. Boxship idling was adopted by many operators, reaching a peak of 11.8% of fleet capacity at end 2009, a level which it has not since neared. The surplus capacity generated during that downturn has remained a factor in market fundamentals ever since.

First bounceback?

By mid-2010 the charter market seemed to be improving, trade growth rates appeared to indicate a bounceback and operators re-activated idle vessels. This lowered idle capacity to around 2% of the fleet, helping charter earnings recover to levels comparable to historical averages. The one-year rate for a 4,400 TEU Panamax reached $28,500/day in March 2011.
However, both freight and market fundamentals did not reflect the renewed optimism and problems of overcapacity remained. As a result, charter vessel demand soon fell once more, with charter rates dropping back to the bottom of the cycle, and idle capacity reaching around 6% of the fleet by March 2012.

The market would spend around three years in the doldrums before elevated scrapping and limited growth in the smaller vessel sizes finally helped improve fundamentals. This generated the conditions under which rates could recover, led by the Panamaxes in mid-2014.

**Second attempt**

Panamax earnings were supported crucially by the ‘cascade’ of capacity onto intra-regional routes. And subsequently the moderation of this trend then supported higher earnings in the Sub-Panamax sizes. Rates initially looked to be heading back towards historical averages but the recovery proved short-lived. Ship demand fell in 2H 2015 as a result of the cumulative impact of a range of box trade growth shocks. Global box trade is estimated to have grown just 2.4% in 2015, the slowest rate since 2009. By December, idle capacity stood at 7% of the fleet, the highest level since early 2010, and earnings fell sharply with the end 2015 guideline rate for a 4,400 TEU Panamax reaching a record low of $6,000/day.

**A difficult outlook**

So since 2009 boxship earnings have largely failed to achieve historical averages, spending large amounts of time at the bottom of the cycle. Supply-side factors still look helpful but the impact of these is expected to remain dormant unless combined with improved box trade growth. Until then (and the world economy will have a major say in when), the charter market looks likely to remain nearer the foot than halfway up the ladder.

[Clarksons]
Scotland: Mainstream to build $2.8 billion offshore wind farm
26/01/2016

Mainstream Renewable Power Ltd. said it’s in talks with a consortium led by power company InterGen NV to reach a financial close on its planned 2 billion-pound ($2.8 billion) Neart na Gaoithe wind farm off the coast of Scotland.

The 450-megawatt project will deliver the cheapest offshore wind power in the country, having secured a so-called contract-for-difference with the government guaranteeing 114.38 pounds per megawatt-hour, Dublin-based Mainstream said Tuesday in an e-mailed statement.

“All the building blocks are now in place to deliver this power plant into operation by 2020,” Chief Operating Officer Andy Kinsella said in the statement. “All consents have been received; the CfD was awarded; the technology and construction contractors are in place and, very significantly, the required debt funding for the project has been sourced from commercial banks.”

The InterGen consortium also includes Siemens AG’s project unit, the Marguerite Fund and Infrared Capital, Mainstream said. The project will create more than 500 jobs during construction and over 100 permanent jobs during its 25-year operational phase, the company said.

A quarter of the project costs will be met by equity, with 1.5 billion pounds of debt secured, according to Mainstream. It declined to say who is providing the debt.

[Bloomberg]

Cape Horn discovered 400 years ago
27/01/2016

On January 29 2016, it is exactly 400 years ago that a Dutch merchant ship, the Eendracht, sailed by Cape Horn, the southern-most point of South America.

When Fernando Magallanes discovered and sailed the Strait of Magellan in 1520 it was still assumed that Tierra del Fuego, the southern bank of the Strait, was part of Terra Australis, the unknown continent. Maps of the era show no passage south of the Strait of Magellan.

Some 80 years later, in 1602, the Dutch established the Dutch East India Company (the Verenigde Oostindische Compagnie or VOC) and granted it a monopoly to trade with the “Spice Islands” east of Cape of Good Hope and west of the Strait of Magellan.

One of the founders and the first president of the VOC was Isaac Le Maire. He soon fell out with the board and was expelled in 1605 with the prohibition never to trade in VOC territory. For a number of years he complied, but then the temptation became too great and he got
permission to establish an “Australische Compagnie” or “South Company” and to launch an expedition to investigate the possibility of trade with the unknown Southern Continent.

His intention, from the start, was to find a new way to the East Indies, bypassing the exclusive routes of the VOC. He purchased two vessels, the Eendracht (about 40m (130 feet) long with a crew of 65) and the Hoorn (about 30m (98 feet) long with a crew of 22) and had them fitted out by Captain Willem Schouten.

Le Maire appointed his son Jacob as leader of the expedition. They sailed from the city of Hoorn, which was an important investor in the adventure, in June 1615. After calling at Cape Verde and Sierra Leone in Africa to replenish stores, water in particular, they arrived at what is today Puerto Deseado in the South of Argentina early December.

It is a protected inlet with a tidal range of over five meters, ideal to ground the vessels and clean their hulls of molluscs and other growth. The cleaning was done by scratching the hulls with burning grass and scrubs. During this work the Hoorn caught fire, and when the flames reached the gunpowder room, the vessel exploded and was irretrievably lost. All of the crew survived and they then spent some weeks recovering what could be saved to put it on board Eendracht.

On January 13, 1616, they set sail on the next leg of the trip. They continued south past the latitude of the Strait of Magellan. Here the coast of Tierra del Fuego forced them to sail eastbound in bad and cold weather. Captain Schouten was tempted to abandon the search and set sail for Cape of Good Hope, unconvinced of the existence of a passage to the east and less secure without the assistance of his support vessel Hoorn.

Jacob Le Maire insisted, and they continued. On January 24, they found an opening and against current, waves and wind they managed to sail through. To the west was Tierra del Fuego, to the east there was land which they called Staten Land, not knowing it was an island. Today it is called Staten Island, just like the island at the entrance of the Hudson River in New York, both named in honor of the General Staten of Holland, the Dutch government at the time.
They called the passage “Strait Lemaire.” Continuing south, they sailed by various islands, some of which still today carry the names they were given then. On the afternoon of January 29, 1616, they came by a cape which they realized was the southernmost of all and called it Kaap Hoorn in honor of the city they had sailed from. They crossed the Pacific Ocean and arrived in Djakarta on the island of Java at the end of October 1616.

Instead of congratulating them with their discovery, the VOC-appointed governor did not believe their story and confiscated their ship and the goods on board. Le Maire, Schouten and some of the crew were shipped to Holland as criminals for having infringed the monopoly of the VOC.

Jacob Le Maire died on board at the end of December. The others arrived in Holland by July 1617. Isaac Le Maire was of course most distressed for having lost his son and his ships. He claimed against the VOC for the confiscated vessel. He won the case and recovered 65,000 florins.

But in the meantime the Dutch set up a new company, the West India Company, which they granted the monopoly of trading with the Americas, including the route via Cape Horn. As a result Le Maire could not take advantage of his son’s discovery.

He died a bitter man in 1624, but his name lives on, 400 years later.

[Maritime Executive]

Just published: New guidance to tackle bullying and harassment onboard ships

26/01/2016

The International Chamber of Shipping (ICS) and the International Transport Workers’ Federation (ITF) have teamed up and developed new guidance to prevent bullying and harassment onboard ships.

The Guidance on Eliminating Shipboard Harassment and Bullying provides advice to shipping companies, seafarers and seafarers’ organizations on policies, complaints and grievance procedures to combat bullying and harassment.

These guidelines have been launched prior to International Labor Organization (ILO) Special Tripartite Committee on the Maritime Labour Convention (MLC) to be held in February in Geneva. The new rules address the responsibilities of seafarers and their employers to use these procedures appropriately and for being aware of any harassment or bullying that might occur within the maritime workplace. This includes any instances of cyber-bullying.

[gCaptain]
Spain: New Prestige ruling is a travesty of justice
26/01/2016

In what many will see as a travesty of justice, Spain’s Supreme Court has reversed its 2013 decision and sentenced Greek captain Apostolos Mangouras to two years jail and found the owner Mare Shipping and the London P&I club liable for the 63,000 tonne oil spill in 2002.

The total cost of the damage has been estimated at 4.1 billion euros ($4.4 billion) and by designating those liable for the disaster for the first time, Spain’s top court finally opens the way for compensation more than 13 years after the spill.

The Spanish authorities have always claimed that the master and owners were reckless in allowing the vessel to put to sea as they allege it was in poor condition and unseaworthy. However, most industry observers believe that the refusal by the Spanish authorities to allow the vessel refuge when it became damaged in rough seas in November 2002.

Far from giving assistance, the Spanish actually instructed the ship to move into deeper waters and assistance was also refused by the French and Portugese who also instructed the vessel to stay away. After six days at sea the vessel finally broke in two and spilled its cargo which washed ashore on Spanish and French beaches causing massive pollution.

A Spanish court in 2013 acquitted Mangouras and the ship’s chief engineer, as well as a senior Spanish official, of environmental crimes over the wreck, arguing they did not act intentionally or with serious negligence. But the Supreme Court revoked the acquittal for Mangouras, accusing him of “gross negligence” for having sailed at a time when bad weather was possible.

[ShipInsight]

Spain: Captain of sunken oil tanker Prestige sentenced to prison over 2002 wreck
26/01/2016

Spain’s Supreme Court sentenced the captain of the Prestige oil tanker, which sank off Spain’s northwestern coast in 2002, covering thousands of kilometers of coastline in fuel oil, to two years in prison on Tuesday.

The captain, Apostolos Mangouras, was convicted of recklessness resulting in catastrophic environmental damage, according to a statement by the court, overturning a previous sentence which cleared him of criminal responsibility.

The sinking of the Greek tanker, which was sailing to Gibraltar, released an estimated 63,000 tons of foul-smelling black fuel along the Galicia coast and forced the closure of the country’s richest fishing grounds.
The sinking of the Greek tanker released an estimated 63,000 tons of foul-smelling black fuel along the Galicia coast and forced the closure of the country’s richest fishing grounds.

The new ruling opens the door to damage claims against the captain and the insurer, The London Steamship Owners Mutual Insurance Association, with one prosecutor calling for more than 4 billion euros. The Galician regional court had previously concluded it was impossible to establish criminal responsibility and that the disaster was partly due to the 26-year-old tanker’s poor state of repair.

After a storm damaged one of its fuel tanks, the ship had spent days drifting at sea having been refused permission to dock by Spanish, Portuguese and French authorities. It eventually split into two and sank about 250 miles off the coast, spurring oil into the water from the sea bed.

In Tuesday’s ruling, Mangouras was accused of guiding the tanker in treacherous conditions with full knowledge of its weakened structure while the ship was overloaded by at least 2,000 tons of fuel oil.

[Reuters]

Global container ship fleet to grow at slowest in more than 25 years

26/01/2016

Global container ship capacity is expected to increase by 4.6 percent in 2016, the slowest growth rate in more than 25 years, giving some relief to an industry hammered by oversupply, consultancy firm Alphaliner forecast on Tuesday.
Freight rates have plunged, driving many shipping companies into losses, as global trade has failed to keep pace with the number of new vessels entering the market in recent years.

"Falling below the previously smallest year-on-year increase of 5.5 percent, recorded in 2009, it will register well below the average annual growth rate of 10.3 percent, recorded since 1990," Alphaliner said of capacity growth.

Changes in capacity have been tracked since 1990.

The balance between demand and supply will improve as new vessel deliveries from shipyards slow down and a growing number of container ships are scheduled for demolition.

Before the financial crisis in 2008, container transport demand was increasing at about three times the rate of global economic growth. Since 2010, that ratio has been just 1.1, shipping organisation Bimco said.

With the International Monetary Fund expecting world economic growth of 3.4 percent in 2016, that would suggest container demand of between 3.5 percent and 4.0 percent – signalling the industry is still in for a torrid year.

"The new normal level of demand is somewhat lower than originally expected – just as global GDP growth keeps disappointing us," said Bimco shipping analyst Peter Sand.
Maersk Line, the world’s largest container shipping company with over 600 vessels, said global demand likely increased 1-3 percent in 2015, compared with its previous expectation of 2-4 percent.

Falling shipping freight rates for transporting containers from Asia to Northern Europe showed last week there was no traditional surge in cargo exports from China ahead of the Lunar New Year, spreading further gloom over the industry. Spot freight rates on the world’s busiest trade route have halved since the start of the year after falling 26 percent to $545 per 20-foot container (TEU) – a level not considered to be commercially viable for most vessels.

[Reuters / Alphaliner]

**Latin America: Access to funding is no problem for most ports**

26/01/2016

*Financing is not a hurdle to development for most Latin American ports, explains Alex Hughes*

Politics, posturing and infrastructure challenges have all played a role in the sluggish development of port sectors in Latin American countries. But Latin American ports do have one enviable detail on their side when it comes to pushing forward with expansions and constructions: access to financing options.

True, governments wishing to fund expensive port projects anywhere in the world can seek finance from a variety of potential lenders. But those in Latin America and the Caribbean have exclusive access to the Inter-American Development Bank (IDB), the leading development bank for countries in the region. Owned by 48 member countries, the bank also includes capital providers such as the US, China and Japan, all of whom help to ensure that the IDB maintains a ‘Triple A’ rating, allowing it to raise market funding where necessary.

Esteban Diez-Roux, IDB principal transport specialist, notes that the bank mainly provides sovereign-guaranteed loans for governments, leaving its affiliate, the Inter-American Investment Corporation (IIC), to deal with private sector operators.

“We do provide financing for both port infrastructure and handling equipment, although in most cases we are asked to provide sovereign-guaranteed loans covering infrastructure, since this tends to the be the area governments and public entities are most active in. However, there is nothing in our policy that says we can't finance equipment acquisition for ports, if that request is linked to the state,” says Mr Diez-Roux.

**Aid and assistance**

As a development bank, the IDB not only provides financing for governments, but also technical assistance, which has the effect of giving a seal of quality to those projects that it subsequently finances, making it more attractive to other potential investors.
“Our rates are some of the lowest on the market, especially when compared to rates that a commercial bank could provide. Terms would be advantageous, too, since our financing can extend to periods of up to 25 years, in some cases,” he says.

The IDB currently works with 26 member countries in Latin America and the Caribbean. Cuba and some of the smaller islands in the Eastern Caribbean, however, are not members. Mr Diez-Roux stresses that it is up to each government to put projects forward for the bank's consideration and this includes those for ports. In all cases, this is part of an ongoing dialogue between the IDB and its member countries, with each government putting forward a program to the bank, outlining those areas where they are seeking to invest in. The IDB will then study those programs and see where it can add to proposed development.

“For public sector loans, our interest rates are the same for all countries,” he says, adding that this is similar to how the World Bank operates. “However, for private sector borrowers, the IIC sets rates depending on each project's specific conditions.”

Roads tends to seek the most IDB support, accounting for 70% of the bank's portfolio. Urban transport is also another key area, although ports, historically, have not figured that highly. “However, we have given a lot of technical assistance to the ports sector, helping governments build institutional capacity and draw up master plans, which might, for example, also include providing an access road for a port,” he says. “The reason why port projects have tended not to have figured so highly is purely down to policies pursued by individual governments, because it's up to them what they want us to work on.

“Mr Diez-Roux stresses that the IDB's role is not entirely passive as it undertakes analyses of the projected needs of certain countries in certain sectors. Even so, he concedes that Brazil, in particular, is one of those countries where the government has adopted a ports expansion policy that might require significant funding in the near future.

**Total costs**

As for how much of the total cost of a port project the bank would provide, Mr Diez-Roux says that this can vary considerably. “In theory, we could provide 100% of the funding for a port project, but that would depend on the size and the economic development of the country involved. So we might be seeking some form of counter-funding from the government, although this wouldn't necessarily be matching funding as such.

In fact, there is no specific policy, so we might provide half the financial backing, 80% or even 100%. Nevertheless, from some of the bigger countries, we might well ask them to provide matching funding, although there is no reason that smaller states could get almost all the money they are asking for,” he says, pointing out that less developed nations in Central America and the Caribbean might therefore seek more support.

Once a government does get IDB support for a specific project, for example a major new port, it can't then switch the financing to, for example, roads. Over time, negotiations might take
place for a country to restructure a loan or do something with it other than what was originally agreed. However, Mr Diez-Roux stresses that, were this the case, the arrangement would have to be sent back to the bank's Board of Directors.

Finally, in respect of what commodities are currently benefiting from port infrastructure development supported by the IDB, he points out that many commodities, such as coal, iron ore and agribulk, tend to be mostly handled by the private sector, which is responsible for obtaining its own funding. “So, in these areas, governments have a lesser role to play. We are however seeing ports looking for funding in respect of container handling, but that tends to be more because of the way ports structures are set up. Containers tend to be handled in public service ports and not private terminals,” he says.

**ICTSI keeps its financing options open**

The Philippines-based global terminal operator International Container Terminal Services, Inc. (ICTSI) is involved with a number of container terminal projects in the Americas, including in Brazil, Colombia, Mexico, Honduras and Ecuador.

ICTSI container terminal TeconSuape at the Port of Suape, Brazil. Credit: ICTSI

Rafael J. Consing, the company’s senior vice president and chief officer, notes that in Latin America it has a mix of greenfield and brownfield concessions. In some of these, the state was responsible for building the quay and surrounding infrastructure, while ICTSI, as operator, built the superstructure and equipped the terminal.
“We do have other projects, too, where we were wholly responsible for the entire civil works within the terminal. In addition, we have one project where we even had to build a road leading to the terminal,” says Mr Consing.

He explains that most of the initial funding for an acquisition is funded directly by the parent company and once the project is completed and operational, a risk transfer is undertaken and the parent company's advances are refinanced with non-recourse project loans.

“There is invariably an element of time decay in any concession contract. Thus, by funding it directly, we are able to limit value erosion from delays in financing,” he says. As for funding for superstructure, to date ICTSI has not encountered any material difficulty in financing its various projects across Latin America.

Even though ICTSI has gone into several politically challenging countries, such as Honduras and Ecuador, Mr Consing stresses that banks are not warier of lending money to companies working in these states. “We have not encountered any issues at all in financing any of our projects, either in terms of public bonds or in respect of the loan markets,” he says. Nevertheless, he concedes that the extent of guarantees required and credit spreads charged by banks are always risk-adjusted for sovereign credit risk and project finance structure, so can vary from country to country.

In Brazil, where funding for port projects can potentially be sourced from the Social and Economic Development Bank (BNDES), ICTSI approached both the International Finance Corporation (IFC) and the Netherlands Development Finance Company (FMO) to secure finance for its terminal at the Port of Suape (TeconSuape). Use of such large institutions is quite normal, says Mr Consing, pointing out that ICTSI also recently concluded a non-recourse $260m financing with both the IFC and the IDB for its Contecon terminal operation at Manzanillo, in Mexico.

[Port Strategy]

**China: Tangshan Port to add container terminal**

26/01/2016

*Shanghai-listed Tangshan Port, a major port in Hebei, has released a restructuring plan after suspending share trading for nearly three months.*

The port plans to issue new shares to raise about RMB2.15bn ($326.8m) for the acquisition of a 30% stake of Tangshan Jinhang Dredging Engineering, 18.58% of Tanggang Railway Company and 10% of Caofeidian Industrial Company, plus some land assets from its parent company Tangshan Port Industrial Group.

Presently, the port mainly operates in bulk shipping and storage and is one of major iron ore and coal ports in North China. Tangshan Port said it plans to expand its business to the
container sector after the restructuring, including the development of a new container terminal which will be a significant step in the transformation of the port.

Tangshan Port handled 113.28m tons of cargo in the first three quarters of 2015, showing year-on-year growth 7.36%.

[Splash 24/7]

**Earth ‘covered in plastic’: 5 billion tons of waste has contaminated marine life and entered food chain**

26/01/2016

*Some 5 billion tons of plastic waste are littering our planet and the total amount is enough to wrap the Earth in clingfilm, a new international study has found. Scientists compare the grave pollution levels to a start of a new geological epoch.*

Since the end of World War II, mankind has produced about 5 billion tons of plastic and now the remains of water containers, supermarket bags, polystyrene lumps, compact discs, cigarette filter tips, nylons and other plastics can be found everywhere, a team of scientists led by Professor Jan Zalasiewicz from Leicester University has found in a study titled *The Geological Cycle of Plastics and Their Use as a Stratigraphic Indicator of the Anthropocene*. The study has been published in the journal “Anthropocene.”
Plastic was found on the ocean floor, remote islands, buried underground in landfill sites and even in polar regions which used to be considered as pristine zones before 2014, when significant amount of plastic were found frozen in the Arctic Sea.

“The results came as a real surprise. We were aware that humans have been making increasing amounts of different kinds of plastic – from Bakelite to polyethylene bags to PVC – over the last 70 years, but we had no idea how far it had traveled round the planet,” The Guardian cited Zalasiewicz as saying. “It turns out not just to have floated across the oceans, but has sunk to the deepest parts of the sea floor. This is not a sign that our planet is in a healthy condition either,” he said.

Plastic doesn’t just pollute the planet, the scientists say, but has become a part of the food chain – a factor that has a colossal environmental effect. “Just consider the fish in the sea,” Zalasiewicz said, referring to study data that shows the extraordinary degree to which fish caught in oceans have been polluted with plastic.

“A vast proportion of them now have plastic in them. They think it is food and eat it, just as seabirds feed plastic to their chicks. Then some of it is released as excrement and ends up sinking on to the seabed. The planet is slowly being covered in plastic,” he added.

Sometimes wildlife adapts to plastic pollution – for example, on islands such as Diego Garcia hermit crabs are using plastic bottles as homes. But largely, the consequences of plastic spread are negative – lots of seabirds and turtles, for example, get entangled in plastic and drown or choke to death.

Zalasiewicz and his team believe that the spread of plastic in the last 70 years has had such a grave effect on the planet that it can be viewed as a marker for a new geological epoch on
the Earth, called Anthropocene, which has put an end to the Holocene era that began about 12,000 years ago.

"Plastics are already present in sufficient numbers to be considered as one of the most important types of 'technofossil’ that will form a permanent record of human presence on Earth,” the study concludes, according to the Daily Mail.

Humankind produces about 300 million tons of plastic annually, and the manufacturing figures continue to grow, the paper says. Plastic degrades very slowly, so it takes plastic bags and bottles about 200 years to degrade.

[RT]

**Climate change: Ocean warming underestimated**

25/01/2016

*Ocean warming plays a bigger role than previously believed*

To date, research on the effects of climate change has underestimated the contribution of seawater expansion to sea level rise due to warming of the oceans. A team of researchers at the University of Bonn has now investigated, using satellite data, that this effect was almost twice as large over the past twelve years than previously assumed. That may result in, for example, significantly increased risks of storm surges. The scientists are presenting their findings in the scientific journal *Proceedings of the National Academy of Sciences of the United States of America* (PNAS): Revisiting the contemporary sea-level budget on global and regional scales.

In principle, water in the oceans acts like a mercury thermometer: when the temperature goes up, the liquid expands and climbs up the little tube. Since the world's oceans are similarly locked in between the continents, their levels also rise when they heat up due to rising temperatures. "In the deeper parts of the ocean, even a small amount of warming is enough to create a significant rise in sea level," says Dr.-Ing. Roelof Rietbroek from the Institute of Geodesy and Geoinformation at the University of Bonn. An increase of several millimeters a year, he says, is not rare in deep-sea zones.

"To date, we have underestimated how much the heat-related expansion of the water mass in the oceans contributes to a global rise in sea level," says Dr. Jürgen Kusche, Professor of Astronomical, Physical and Mathematical Geodesy at the University of Bonn. Together with researchers at the Deutsches GeoForschungsZentrum (GFZ) in Potsdam and the Alfred Wegener Institute (AWI) in Bremerhaven, the geodesists used gravity field data from the GRACE satellites and sea-level measurements from the altimeters on Jason-1 and Jason-2 to calculate how much sea levels had risen, both due to warming-related expansion of the water and due to the increase of ocean mass from 2002 to 2014.
**Effect is twice as large as the melting ice masses in Greenland**

Until now, it was assumed that sea levels rose an average of 0.7 to 1.0 millimeters a year due to this "thermometer effect." According to the new calculations, however, the ocean's expansion contributed with about 1.4 millimeters a year -- in other words, almost twice as much as previously assumed. "This height difference corresponds to roughly twice the volume from the melting ice sheets in Greenland," says Dr. Rietbroek.

In addition, the sea-level rise varies strongly due to volume expansion in various ocean regions along with other effects. According to the research team's calculations, the Philippines hold the record with about 15 millimeters a year, while the levels are largely stable on the West Coast of the United States -- because there is hardly any ocean warming in that region.

**Risk of storm surges could increase significantly**

The main areas threatened by rising sea levels are coastal settlements, where regional changes can play a greater role than the global increase. "No country will raise its levees because of a couple of millimeters," says Dr. Rietbroek. "But these small amounts add up to several centimeters within decades. Under such conditions, the likelihood of a destructive storm surge could increase dramatically." From the perspective of the research team, it is thus worth keeping an eye on the expansion-related sea-level rise in the world's oceans in light of climate change. Little measurement data is available, they say, to show how much the oceans are warming up and expanding at depths of thousands of meters in conjunction with rising global air temperatures.

"Up to now, the physical expansion processes in the deep sea have been considered only to a limited extent," says the geodesy researcher from the University of Bonn. However, he says, they play a key role in estimating the climate effects. Therefore it would be highly interesting to observe future heat-related expansion of the world's oceans, using new satellite missions, and to reinterpret measurement data from the past. A longer observation period will help show what proportion of the rise in sea level is due to human activity, and what proportion is due to natural causes. Dr. Rietbroek: "In addition, the estimated trend in sea level is much less affected by natural fluctuations compared to the observed trend in global temperatures, so it is a more reliable indicator of climate change."

[University of Bonn / ScienceDaily]

**Environmental Performance Index reveals dire state of fisheries and worsening air pollution**

25/01/2016

The 2016 Environmental Performance Index (EPI), a Yale-based initiative that evaluates how 180 countries protect ecosystems and human health, finds cause for both optimism and serious concern.
The 2016 Environmental Performance Index (EPI), a Yale-based initiative that evaluates how 180 countries protect ecosystems and human health, finds cause for both optimism and serious concern. The world's nations have expanded access to water and sanitation while creating more protected areas than ever before, yet countries have failed to reverse degradation of air quality and decline in fisheries, the report finds. The EPI, which measures national and global protection of ecosystems and human health from environmental harm, draws out trends and highlights data gaps in priority areas including air quality, water management, and climate change.

Increased access to water and sanitation stands out as a major success story: concerted efforts to develop clean drinking water and sewage infrastructure have significantly reduced deaths from waterborne diseases. The number of people who lack access to clean water has been cut nearly in half since 2000, though at 550 million, or around 8 percent of the world's population, there is still much room for improvement. The world's nations also show strong commitments to habitat protection, and countries are now within striking distance of international targets for terrestrial and marine habitat protection.

Yet in other areas, environmental progress has stalled, and some issues have shown troubling declines. Twenty-three percent of countries lack any kind of wastewater treatment. The world's fisheries are in a dire state, with most fish stocks at risk of collapse. Air pollution has
worsened and today accounts for 10 percent of all deaths, compared with 2 percent claimed by foul water. More than 3.5 billion people -- half of the world's population -- live in nations with unsafe levels of air pollution.

Now in its 10th iteration, the EPI provides a diagnostic tool for policymakers to evaluate and improve performance toward environmental goals. The EPI is produced biennially by researchers at Yale and Columbia universities, in collaboration with the World Economic Forum and with support from the Samuel Family Foundation and the McCall MacBain Foundation.

"While many environmental problems are the result of industrialization, our findings show that both poor and wealthy nations suffer from serious air pollution," said Angel Hsu, Assistant Professor at Yale-NUS College and the Yale School of Forestry & Environmental Studies (F&ES) and lead author of the report. The EPI shows that focused, coordinated global efforts are essential to make progress on global goals and to save lives.

"The EPI sends a clear signal to policymakers on the state of their environment and equips them with the data to develop fine-tuned solutions to the pressing challenges we face," said EPI co-creator Kim Samuel, Director, Samuel Group of Companies and Professor of Practice at McGill University's Institute for the Study of International Development. "With the very survival of the planet at stake, we hope leaders will be inspired to act -- especially in urban areas where an increasing majority of the world's population lives.

Seventeen new Sustainable Development Goals and the Paris Climate treaty, both recently adopted by the UN, create a framework for strengthening global initiatives to tackle environmental challenges. Realizing these agreements' goals will require better monitoring frameworks. Data gaps create hurdles and impasses for tracking progress towards meeting targets, including benchmarks for protecting fisheries, ensuring freshwater quality, agricultural sustainability, preventing species loss, fostering climate adaptation, and managing waste.

"Even when data exists, policymakers often struggle to apply this information appropriately," notes Marc Levy, Deputy Director of the Center for International Earth Science Information Network (CIESIN) at Columbia University. "The EPI works to identify and address these blind spots within existing policy goals. For instance, a new biodiversity indicator weeds out protected areas that do not intersect with species' habitats, showing where national parks may be ineffective at protecting species.

Technological advances offer solutions to some stubborn monitoring challenges, yet these improvements are not a silver bullet. Satellite imagery and remote sensing fill gaps in the EPI's air quality and forestry information, but this data has its own blind spots. Scaling data collection and assessment down to the individual level has great potential to complete fragmentary pictures and make datasets whole. Appraising environmental quality at the city or regional level can sharpen environmental management strategies, honing in on environmental outcomes that national assessments can miss.

[Yale School of Forestry & Environmental Studies / ScienceDaily]
Marine wireless charging and mooring concept to be developed
25/01/2016

An agreement has been signed between Wärtsilä and Cavotec to jointly develop the world’s first combined induction charging and automatic mooring concept.

Wärtsilä has developed a wireless charging system based on inductive power transfer. Cavotec provides automated mooring systems for various types of vessels, as well as shore power and reel systems. By combining the strengths and expertise of the two companies, an integrated wireless charging/mooring concept is to be developed for use in Wärtsilä’s ship designs.

Wireless charging eliminates the cable connection between the vessel and shore, thereby securing and facilitating safe connections and disconnections. It also reduces maintenance since wear and tear to physical connection lines is eliminated. Similarly, damage to electrical outlets caused by seawater, snow and ice is also avoided. The new project’s integrated system will be capable of transferring more than 1 MW of electrical energy. This is some 300 times more than that of current chargers used by electric cars.

Cavotec’s mooring system is a vacuum-based automated mooring technology that eliminates the need for conventional mooring lines. Remote controlled vacuum pads recessed into, or mounted on the quayside, moor and release vessels in seconds.

“During recent years, wireless charging has been introduced for cars, busses and trains. Wärtsilä has now made this possible also for marine vessels. This agreement with Cavotec will enable this technology to be delivered as an integrated charging and mooring system,” says Peter Rogers, Director Power Products, Wärtsilä Marine Solutions.
“This is an exciting project and we are delighted to be partnering with Wärtsilä to make shipping cleaner, safer, and easier. The envisioned integrated wireless charging and mooring system will further the marine industry’s environmental profile,” says Ottonel Popesco, CEO of Cavotec Group.

By making wireless charging of ship batteries possible, the electrification of coastal shipping is enhanced, resulting in major reductions in harmful exhaust emissions. Wärtsilä has already launched an innovative ferry concept featuring wireless induction battery charging.

[Wärtsilä 7 SAFETY4SEA]

**China to enforce low sulphur ECA at Yangtze River Delta ports from 1 April**

25/01/2016

*Vessels calling ports in the Yangtze River Delta, including Shanghai, will have to burn low sulphur fuel while at berth from 1 April this year.*

The Yangtze River Delta is the first of three major port areas to make a 0.5% ECA compulsory. A circular from P&I club Skuld said meant the rules will become compulsory in Yangtze River core ports - Shanghai port, Zhoushan port, Ningbo port, Suzhou port including Zhanjiagang, Changshu and Taicang, Nantong port – from the beginning of April.

China’s Ministry of Transport announced in December last year plans to set up three ECAs the Pearl River Delta, Yangtze River Delta and Bohai-rim waters.

Until the end of 2017 ships will be required to use fuel of less than 0.5% sulphur content while berthing excluding the one hour before departure and arrival. From 2018 the requirement to burn low sulphur will be extended to the whole duration of berthing and from 2019 the entire time a vessel is within the ECA area.

Before the end of 2019 the Chinese government will evaluate the effectiveness of the ECAs and decide whether to reduce the sulphur content to below 0.1%, enlarge the ECAs or other measures.

[Seatrade Maritime News]

**Eco engines dominate global order book**

25/01/2016

*The trend to use eco engines in container ships has gained traction – and there are currently the same number of engines of this type on order as there are already in operation.*
According to data from VesselsValue.com, there are 4.6 million teu worth of container ships currently deploying eco engines – almost balanced by the 4.19 million teu of those with this type of engine on order.

While 75 per cent of the current global container fleet uses non eco engines (15 million teu) versus 25 per cent with eco engines, this picture changes dramatically when looking at the orderbook, with 95 per cent of ships on order (4.2 million teu) to use an eco-engine, leaving those that will deploy a non eco engine trailing in the wake with just 154,596 million teu on order.

Unsurprisingly the newer types of container ships have the most number of vessels installed with eco engines, with ultra large container ships leading the pack with 4.2 million teu using eco engines (includes current and vessels on order), compromising a huge 85 per cent of this part of the world’s box ship fleet.

Data from VesselsValue.com shows that only 751,374 teu worth of this type of ship does not have an eco-engine. Second in line is the new panamax box ship sector: 1.4 million teu (current and vessels on order) have an eco-engine versus 1.27 million teu which do not. In third place is the post panama container ship sector, with a total of 2.6 million teu with an eco-engine versus 5.8 million teu that are without. Afterwards comes the handy container sector with 14.3 per cent deploying an eco-engine, the sub panamax sector with 12.2 per cent of its current and future fleet deploying an eco-engine, the feedermax with 4.5 per cent and the panamax container sector with just 1.8 per cent of overall teu.

A large 72 per cent of the container vessels being delivered this year will have eco engines, versus 28 per cent that will not. Looking at how the container ship sector fares compared to other ship types when it comes to vessels with eco engines being delivered this year, it is behind the bulker and LNG ship sector, which will each see 79 per cent of their deliveries in 2016 have eco engines. But the container sector beats the LPG ship sector, with 62 per cent of deliveries and strikes the same figure as tanker vessels, which will also see 72 per cent of its 2016 fitted with an eco-engine.

Container shipping: A difficult market is helped along by low supply growth in 2016

25/01/2016

Demand

Overall, container volumes being moved around the world have grown by an average GDP-to-trade multiplier of just 1.1 since 2010 and we expect this to continue in coming years. With IMF expecting GDP growth of 3.4% in 2016, this translates into container demand of 3.5-4%. The “new normal” level of demand is somewhat lower than originally expected – just as global
GDP growth keeps disappointing us. From 2000-2008, the GDP-to-trade multiplier stood at 2.2, delivering container demand growth at 8-9% from a GDP base of 4% on average.

Freight rates across the board saw lower levels more or less all year, with trading into the US East Coast in the first four months of 2015 being the exception. The China Containerized Freight composite Index (CCFI), which covers ten major ports in China and includes long-term contractual rates in addition to spot freight rates, declined 19% in 2015, on average, from the year before. Trades into Europe declined 29% on average, while rates for ships bound for the US West Coast lost 8% on average from the previous year.

In the spot market, the depressing development and the accompanying volatility in 2015 were, even more, apparent (see graph). Spot rates on the Shanghai to Europe trade lost 47% on average from 2014-2015. As the deployed capacity in this trade is leading the industry up and down, growth in volumes needs to return. As this trade went into reverse in 2015, the redeployment of non-competitive ships into other trades hampered freight rates there as well.

Supply

There is no way to hide it, nor any reason to. The fundamental imbalance of the containers shipping market worsened in 2015. While the demand side delivered only a sluggish growth level, the supply side jumped by an astonishing 8.1%. We are not making it easy for ourselves.

No wonder the system of cascading broke down, as all trades were already awash with ships ready to be filled up with cargo but still sailing underutilised. 2015 saw the injection of 208 brand new ships with a combined transport capacity of 1.67 million TEU. The highest supply side capacity expansion ever, including 46 ultra-large containerships (more than 13,870 TEU), 66 feeders (up to 3,000 TEU) and 99 other ships with an average size of 8,160 TEU.

Mercifully, 2016 is expected to bring around only 850,000 TEU of new capacity. Yet, it will be a year where all fleet growth will happen in the size-segments larger than 8,000 TEU, just as
it has been the case every year since 2012. The only solace is that the work done by owners and investors managed to postpone the original agreed delivery dates. Over the past year, BIMCO estimates that the postponement rate of orderbook has gone up from 15% to 30% with most of the work done in the first half of 2015.

2015 saw a total of 2.1 million TEU of newbuild capacity being ordered. 2016 will see a lower level.

Towards the end of 2015, the amount of idle capacity climbed to 1.36 million TEU (Alphaliner), only to go down again on the expectation that transport demand would go up prior to the Chinese New Year. That does not seem to be the case, as the demand primarily from Europe is not going anywhere for the time being.

As goes for the permanent reduction of capacity, 2015 was not an upbeat year. 90 ships were sold for demolition, 2/3 being ships smaller than 3,000 TEU. A total of 193,156 TEU. What a difference a year makes, one year ago there was hardly any idling seen. As if the market was just about in balance with all ships ready for the anticipated cargo rush in January. Like it or not, the container shipping fleet can cater for a much higher transport requirement than it does today, without growing at all for a few years.

**Outlook**

The lower bunker costs are very welcome to an industry struggling to make a profit. The lower fuel price, however, may not be such a blessing, as some may have forgotten that slow-steaming originally was a way to deploy more ships without increasing capacity on the strings.
As we have seen, even in the tramp shipping segments, speed has gone up now that the fuel is much cheaper. By mid-January 2016 HFO 380 cSt was quoted at USD 112 per tons in Rotterdam and USD 152 per tons in Singapore (Marine Bunker Exchange). This compares to USD 242 and 281 respectively one year ago. A drop in prices of 50%.

Viewed in the light of how difficult 2015 turned out to be, how can it be that less than 200,000 TEU was taken out of the active fleet? Could it be because 75% of the fleet is 10 years or younger? OR is it that we need to see all ships built before 1994 broken up before we could set a new record beating the 444,000 TEU from 2013? It’s not easy parting with your assets these days. Even if banks stopped propping up entities to prevent bankruptcies, the eventual sale of assets in this market would only intensify the chase for lower cost levels. It would not change the fundamentals at all – which need to become better at it is the only way to improve asset values for the better for both owners and banks. Over the past year, containerships have lost 6-16% of their value according to Vesselsvalue.com

We must get past the Chinese New Year celebrations taking place in the week of 8 February 2016 before export volumes can rise again. As demand for Chinese manufactured goods is weak, many factory workers have already started to go on holiday.

We need European retailers and wholesalers to stop running down inventories and start importing containerised goods to a large extent again. The ongoing declining value of the Chinese Yuan against the US dollar may inspire some to go back to its Chinese suppliers for goods. Private consumption in Europe has been steady over the past year so eventually demand should come back. At what level and what time remains uncertain. What remains certain is “the sooner the better”.

According to SeaIntel, deployed capacity in Asia to North European trades was down by 0.43% in 2015 from the previous year. For freight rates to rise, a return in demand is not enough,
we need the supply side to support the fundamental balance too. BIMCO expects imports in the US to present an upside to the industry as the economy is constantly improving and demand from the consumer is very solid.

[BIMCO]

**Tanker shipping: Still a strong market as demand stays high**

25/01/2016

**Demand**

One of the most characteristic developments in 2015 was the declining price of crude oil during the second half of the year. Brent crude oil dropped from USD 57 a barrel (bbl.) on 1 July to hit USD 37 a bbl. on the last trading day in 2015. Going into 2016, the trend has continued and for the first time since April 2004, Brent crude oil and WTI light has traded below USD 30 a bbl.

More than anything else, the healthy refinery margins that have followed in the wake of the lower input price has stimulated oil products trading and refinery throughput. This has been a strong boost to overall oil tanker demand. Freight rates would not have reached the highest levels seen since Q4-2014, especially for crude oil tankers without it. This positive result was achieved via a prudent multi-year slowdown in fleet growth.

The production of crude oil is still higher than consumption and many are seizing the opportunity to increase their inventories while the prices are perceived as low. According to the US Energy Information Administration (EIA), the current US crude oil inventories of around 482 million barrels is at a level unlike any of the previous winters going back 80 years. Current inventories are about 100 million barrels above the normal seasonal levels.

China has also been stocking up on crude oil. In December, they imported a record 7.8 million barrels a day of crude oil, 9.3% more compared to December 2014. Overall for the whole of 2015, China’s crude oil imports rose 8.8% reaching a total of 6.7 million barrels a day.

Going forward, this large-scale stockpiling poses a threat to tanker demand once they stop stockpiling and start running down inventories. BIMCO expects that a “correction” in demand may be fairly steep once it arrives. Several factors come into play when that will be: the end of the winter season, flattening or increasing oil price development, run-down of stocks or economic changes in key consuming regions.

In the shorter-term, the oil market’s producers/refiners are being affected by the exceptionally warm winter currently impacting heating oil demand across the Northern Hemisphere this year. In the US, lingering effects of El Nino has resulted in an unusually warm start to the winter months. The US weather authority (NOAA) reports the demand for this “heating
“season” which runs from October through March, and starts in July, to be 23% lower than normal.

Despite lower demand, the refineries are still going strong due to the low price of crude oil. While vast amounts of the oil products go into stockpiles, much of it is being traded, benefitting the oil product tanker market. China’s oil product exports - consisting mainly of gasoline and diesel- grew by a whopping 53% in December reaching 4.3 million tons. Looking at 2015 as a whole, China exported more than 36 million tons of oil products, equivalent to an increase of 22% compared to 2014. The export’s growth originate from overcapacity in the refinery market as well as permissions given to independent domestic “teapot” refiners to export more oil products. This permission is extended into 2016.

Supply

Fewer new ships have been ordered over the last few years and this has played an important role in creating the current ‘positive’ market. During the final four months of 2015, this trend ended and new orders were placed twice as fast, and the total for the year ended at 11.4 million DWT. All sizes got a fair share.

For the crude oil tanker segment, the newbuilding market was busy throughout the year. 35 million DWT was ordered, out of which 66 were VLCCs. But most significant was the sudden return of interest in aframax crude carriers. Following a decline in the aframax crude oil tanker fleet from 2013, no less than 57 new orders were placed in 2015. This was the highest number of aframax crude oil tanker orders since 2006- when 101 were ordered. 2016 marks the end of a multi-year slowdown in fleet growth for crude oil tankers. This slowdown made a freight market recovery possible as it coincided with an increase in tanker demand starting in mid-2014 when oil prices started to drop and inventories started building. Supply growth peaked at 6.5% in 2011 and slid to 0.5% in 2014. BIMCO expects the crude oil tanker fleet to grow
strongly in 2016. As demolition activity is likely to stay subdued, the fleet is estimated to grow by 5.9%. Most of the new tankers will be delivered in the second half of 2016.

**Outlook**

BIMCO expects to see prudent owners and operators starting to fix on long-term charters as the 3-year time charter freight rate for a modern VLCC has reached USD 44,000 per day and the 1-year time charter rate stand at USD 58,250 per day.

Considering that these are the best time charter rates since the crisis and the freight market for crude oil tankers is expected to soften sometime during 2016, the current market presents an opportunity for some, to secure solid revenue and earnings streams for a fixed amount of time.

The spot market may be very tempting at USD 100,000 per day, but the strong time charter market may be the window some owners and operators are looking out for to change their strategy for the coming year’s deployment mix of their fleets.

Moreover, in terms of the asset value at stake - the return on investment is much-improved from 2006-2007 when time charter rates were at the same level. In today’s market, you can buy a brand new “resale” for USD 100 million, whereas in 2006-2007, a resale of a new 310,000 DWT VLCC would cost you USD 140 million.
Moving further into the winter months of 2016, the tanker markets are expected to remain strong for the time being. However, with a substantial quantity of crude oil pouring into stockpiles around the world, there is a limit to how long this trend can continue. As stocks fill and the end of winter causes reduced demand for crude oil, oil shipments cannot continue to grow the way they did in 2015 and the tanker markets will feel the effect.

The International Energy Agency (IEA) expects the demand for crude oil to grow by 1.2 million bbl. a day in 2016. Despite this being a significant increase for the year, growth in 2015 was substantially higher at 1.8 million bbl. a day.

After 40 years of banning exports of crude oil, the US lifted the ban in December. The effect it will have on shipping in the coming months will be minimal as the market is overly saturated with oil as it is. Additionally, Iran’s expected increase of oil exports in coming months, following the suspension of sanctions, is also expected to have a fairly neutral impact on the tanker market – albeit some trade patterns may change.

The much-anticipated structural shift in the Chinese economy – away from heavy industry, housing, infrastructure and exports towards a domestic consumer-driven economy - is so far not hindering net oil demand, as consumption of oil products has merely shifted.

[BIMCO]

**Brazil: Judge decides that Vale may reopen its iron ore port Tubarao**

*A Brazilian judge decided on Monday that miner Vale SA may reopen its iron ore and coal port near Vitoria, the company’s lawyer said, staving off the possibility it will have to start closing mines.*
The decision by federal appeals judge Vigdor Teitel gives Vale 60 days to explain how it would fix environmental problems at Tubarao port that led to a court-ordered shutdown last week, said lawyer Sergio Bermudes.

Vale had only about four days to overturn the closure, which began Thursday, or risk having to start shutting mines in Minas Gerais, HSBC said in a note to clients last week. When closed the port was shipping about 200,000 tonnes a day of iron ore brought to Tubarao by rail from the highland state of Minas Gerais.

Tubarao is responsible for about a third of Vale’s more than 300 million tonnes of annual iron ore and iron ore pellet exports. Vale officials did not immediately respond to requests for comment. The closure caught Vale at one of its most vulnerable times in recent history. Iron ore is responsible for the bulk of Vale revenue and profit and prices <.IO62-CNI=SI> are at some of their lowest in more than a decade, forcing investment and personel cuts as well as asset sales.

The port controversy, the result of a federal police investigation into air and water pollution in and around the port, is a sign of increasing scrutiny of Rio de Janeiro-based Vale. A November damburst at a Brazilian mine run by Samarco Mineracao SA, Vale’s 50-50 joint venture with Australia’s BHP Billiton Ltd, is considered the worst environmental disaster in Brazil’s history.

The damburst unleashed a tsunami of mud that killed at least 17 people, devastated river valleys and wildlife for hundreds of miles (kilometers) and cut off drinking water to tens of thousands.

The ruling on Monday also opens the port to receive coal for ArcelorMittal SA, the world’s largest steelmaker. ArcelorMittal has a mill at the port and receives coal and ships steel from Tubarao’s docks. ArcelorMittal was cited in the original court order closing Tubarao, but ArcelorMittal said it has no control over operations at the port. The port also receives coal and ships steel for other steelmakers. (Writing by Jeb Blount; Editing by Jonathan Oatis and Grant McCool)

[Reuters]

Panama: Shortage of ports on the Pacific coast
25/01/2016

*It is not only the port of Corozal which needs immediate promotion, there is also an urgent need to keep building port infrastructure in order to take advantage of the Canal expansion.*

The opinion of entrepreneurs in the logistics sector is unanimous: the forthcoming opening of the new and expanded Panama Canal locks should be the starting point for consolidating Panama as a major logistics hub for the hemisphere.
They point out the current lack of space, especially in the Pacific docks, to meet shippers demand for transfer operations. The Canal expansion will increase the country’s attractiveness as a logistics hub, but must be planned for now, along with an increase in the supply of docks and other related infrastructure to take advantage of that demand. If Panama does not increase its supply of port services, other ports in the region will receive the benefit.

An article on Martesfinanciero.com items reports on the port project in Corozal stating that: "...11 port operators, the largest in the world, have formally expressed their interest: Terminal Investment Limited, SA (TIL) (Luxembourg); Eurogate GmbH & Co. (Germany); Carrix, Inc. (EU); Hyundai Engineering & Construction Co. (Korea); APM Terminals (The Netherlands); Ports America (USA); CMA-CGM (France); Evergreen (Taiwan); China Shipping Ports Development Co. LTD and China Harbour Engineering Company LTD (Republic of China); Mitsui OSK Lines (Japan) and Patrick Terminals (Australia)." Meanwhile, there is a delay in the process of securing port operators legal ability to receive the same tax benefits that are currently enjoyed by other port operators in the country.

"... The executive director of the Maritime Chamber of Panama (CMP), Luciano Fernandes, values the presence of another Pacific port and not just because of its convenience. "It is vital" to complement the country's logistics center. The Pacific side is where there is the most need of port infrastructure, roads, logistics parks and other developments. When you have a sea front, which is the case in Corozal, it makes sense to use it to transfer goods through a port terminal,” he said, noting that it will make the sector more competitive.

The manager of the CMP referred to the fact that shipping lines cannot operate in the Pacific due to lack of capacity in ports. "These lines design their routes depending on the availability of port terminals. With no windows at the docks, which refers to the specific time slots needed for an operation of a ship with a certain amount of cargo, these carriers cannot operate."

[Honduras: Rates and inefficiency of Puerto Cortés criticized]

25/01/2016

The cost and time to handle containers at the terminal are not competitive with other ports in Central America.

While moving a container in Puerto Cortés costs about $2,308, other ports in the region charge more competitive rates, such as Manzanillo, Panama ($665), Quetzal, Guatemala ($977), Limon, Costa Rica ($1,020), Acajutla, El Salvador ($1,040), Corinto, Nicaragua ($1,140), and Santo Tomas, Guatemala ($1,450).

The hassle of importing is felt more keenly with the 3% rise in rates applied in January. In March there will be a further increase of 1%. "... It is true, before proceedings in Puerto
Cortes were semi-manual, and it was cheaper and more efficient. Now we have an operator who supposedly has the know-how of the business and costs and timeframes have gone up,” said Jose Raul Lopez, president of the National Federation of Customs Brokers of Honduras (Fenaduanah) to Laprensa.hn.

“... Currently unloading a container takes between 14 and 15 days. There are problems of congestion and with every day a container is held up there is an extra cost and that leaves the final consumer worse off. Increases must be consistent with efficiency,” insisted Maria Antonia Rivera, director of the Competitiveness Committee of the Chamber of Commerce and Industries of Cortés (CCIC) when talking to La Prensa.com.

[CentralAmericaData]

**Just published: Paper on risk and insurance considerations of port and terminal development**

25/01/2016

*Insurance broker JLT Specialty has issued a paper to guide and advise international contractors, owners, government bodies, developers, operators and financiers who are looking to expand their understanding of how insurance can interact with their port and terminal developments.*

The paper [*Port and Terminal Development – Risk and insurance considerations*](25/01/2016) is structured in two parts to focus on the different insurance specialisms:

- construction (from concept stage)
- operation (including aspects of exposure which overlap with construction)

From an insurance perspective, there can be a significant overlap of these two areas of risk specialisms and careful integration of appropriate policies is necessary to address the potential exposures this creates. The paper aims at raising the profile of some of the key risks and insurance issues that can impact on developments, and the wider impact they can have.

[Port Finance International / JLT Specialty]

**Just released: Two new reports on bribery, corruption and slavery in global supply chains**

25/01/2016

*Two new reports released this week call attention to the dangers of bribery and corruption in global supply chains and their links to modern day slavery.*
The reports *Modern Slavery and Corruption* and *An Exploratory Study on the Role of Corruption in International Labour Migration* provide a snapshot of the extent and global spread of corrupt practices, the ways in which they interact with myriad forms of exploitation and the impact of legislation put in place to curb both.

Nick Grono, CEO of the Freedom Fund which co-published the reports, emphasized just how widespread and entrenched the problem is: “Slavery and forced labor taint many of today’s global supply chain. Many of the everyday items we buy are produced with a degree of forced labor. This widespread exploitation of workers, particularly migrant workers who can be especially vulnerable, is often made possible by widespread corruption and bribery.”

Legislation and litigation to pursue those responsible for enslavement, as well as those engaging in the corruption and bribery that facilitates it, can catalyze long term change, says Grono. The report *Modern Slavery and Corruption* by Liberty Asia, and its accompanying in-depth legal analysis of legislation to combat corruption and human trafficking, examines the U.S. Foreign Corrupt Practices Act (FCPA) from the perspective of the anti-trafficking community and explain how efforts to eliminate corruption from business relationships and transactions can be a vital component in the fight to reduce modern slavery.

The FCPA covers all “issuers” of securities on a U.S. stock exchange as well as officers, directors, employees or agents acting on behalf of those issuers. For example, for those in the anti-trafficking community in Asia, “issuers” includes more than 50 major Thai companies, their subsidiaries and officers in industries ranging from food producers, entertainment, chemicals, manufacturing and tourism, and in New Zealand, this includes nearly 40 companies in industries such as fishing, chemicals and oil and gas.

Anti-corruption law, but in particular the FCPA, create significant criminal and civil liabilities on organizations and personal liability on those managing them. The FCPA has a strong history of enforcement by the Department of Justice with severe punishments in the form of heavy fines and individuals receiving custodial sentences.

Research studies and media reports frequently focus on corruption in Thailand’s foreign employment sector, emphasizing the collusion between human smugglers, labor brokers, changing rules and corrupt government officials that facilitates the physical transportation of foreign migrants to Thai workplaces. Thailand’s border provinces contain a high concentration of immigration and police checkpoints, so it is practically impossible to transport Myanmar migrants by land to workplaces without the cooperation of corrupt government officials.
This connection to corruption was underscored by the recent request for asylum in Australia by a senior Thai police officer in fear of criminal gangs and the authorities. His investigation into human trafficking in Thailand resulted in charges against 90 individuals including a lieutenant general in the Thai Army accused of being a trafficking kingpin.

“It’s time we recognized fully corruption’s role in creating an environment for the exploitation of the vulnerable and poor,” said Duncan Jepson, founder and CEO of Liberty Asia. “Industries of all types have a responsibility, both legally and ethically, to prevent their resources from being abused in this manner. Given the high cost of corruption to society, employees and shareholders, and the extent of criminal liability, it is now unacceptable that businesses do not deploy available anti-corruption tools and approaches.”

Detailing exactly how slavery, bribery and corruption interact, Verité’s Exploratory Study on the Role of Corruption in International Labour Migration draws on research into three illustrative transnational migrant worker recruitment corridors – Nepal to Qatar, Myanmar to Malaysia, and Myanmar to Thailand. It highlights the ways in which fraud, corruption, bribery and other illegal practices have become a structural feature of the international labor migration process and demonstrates the ways in which they can leave workers vulnerable to exploitation and businesses vulnerable to legal risk.

Together the reports expose current links between corruption and modern slavery and the risks posed to businesses as well as map out the legislation designed to prevent or eliminate exploitative practices. They detail how corruption and other illegal practices in migrant worker recruitment can significantly contribute to migrant worker vulnerability to debt bondage, human trafficking and forced labor as well as create potential legal risk for companies whose supply chains are tainted by exploitation.

[Maritime Executive]

**Cyprus: 14 bids for privatization of Limassol Port**

25/01/2016

*Cyprus has received fourteen bids for the privatization of the Limassol Port, the country’s Ministry of Transport, Communications and Works said on Thursday.*

The bids have been received following a round of due diligence and two rounds of consultations with the prequalified bidders. Six submissions were received for the container terminal, three for the marine services and five for the multipurpose terminal in accordance with the terms of the procurement process, the ministry said. The commercialization project now enters its next phase of detailed review and evaluation of the submissions, which is expected to last a few weeks.

“We are very satisfied both by the number of participants and the quality of operators that submitted bids. They are financially sound companies, internationally recognized for their
experience in operating similar terminals and services. Now is the time to evaluate their proposals in detail,“Alecos Michaelides, Permanent Secretary of the ministry said.

The plan is to have the preferred bidders before the end of the first quarter of 2016, in line with the process so far and to pursue thereafter final approval of the House and the signing of the agreement.

Limassol port workers have been protesting for a number of times over the recent period as they fear the privatization process will result in numerous layoffs. The privatization of commercial operations at Limassol and Larnaca has been agreed within a bailout plan between Cyprus and international creditors.

[World Maritime News]

**European Parliament committee favors clear public funding rules for ports, but not free market access to port services**

25/01/2016

Draft rules to improve the transparency of public funding for key EU ports and common rules for ports wishing to restrict the number of service providers were approved by the Transport Committee on Monday.

But the committee rejected a proposed “one size fits all” EU-wide free market access rule for suppliers of port services such as towage, mooring and pilotage. Ports themselves must be able to decide how their port services are organized, so as to ensure security and safety, say MEPs. The draft rules aim to boost the efficiency of seaports in the trans-European transport network, used by the bulk of EU maritime traffic, so as to make EU industry more competitive, attract investment and foster job creation in EU coastal regions.

"We have been able to dismiss the forced free market access to port services. Especially for safety and security concerns, ports must be able to decide on the organisation of port services“, said rapporteur Knut Fleckenstein (S&D, DE), who is steering the proposal through Parliament. "For the first time in the course of the long discussions on the port package we have the ports, the terminal operators and the unions on board."

"The provisions on financial transparency lay the groundwork for the European Commission’s competition directorate-general to deliver more clarity on rules for public investment in ports, for which the sector has long been calling. We looking forward to the timely presentation of the draft on Block Exemptions, which will include a framework for ports”, he added.

**No "one size fits all” free market access for service providers**

Whereas the European Commission proposal would have made free market access the key EU-wide principle for the supply of port services such as mooring, bunkering, towage or
pilotage, the committee insists that “a single system would not be appropriate, as the EU port system includes many different models for the organization of port services”.

It therefore amended the proposal so that “existing port management models established at national level in the member states can be maintained.”

**Transparency of public funding and fees for using port infrastructure and services**

If ports receive public funds, this must be shown transparently in the accounts, MEPs say. Separate accounts should be kept for publicly-funded activity or investment and other activities, they add.

To prevent price abuse in the absence of fair market mechanisms, arrangements should be made to ensure that fees are “not disproportionate” to the economic value of the services provided and are set in a transparent and non-discriminatory way, says the committee.

Port infrastructure charges should be set, transparently and autonomously, “in accordance with the port’s own commercial and investment strategy”, say MEPs, stressing that port users are regularly consulted when charges are defined or changed.

Each EU member state should designate one or more independent bodies to handle complaints. Member states may designate already existing bodies, but the users need to know where to file their complaint and complaints need to be dealt with independently.

**A “toolbox” for organizing port services**

MEPs backed proposed common rules for member states and port managers which wish to limit the number of service providers, to set minimum requirements for them or to provide services themselves, as an “internal operator”, instead.

Where minimum requirements for port services providers are put in place, they should be limited to a clearly-defined set of conditions concerning professional qualifications, but should also take account of equipment needed to provide the port service, and meet maritime safety and environmental needs as well as national social standards, MEPs add.

MEPs clarified the list of “justified cases” for the limitation of service providers, adding “scarcity of waterside space”, port traffic characteristics or the need to provide “safe, secure or environmentally sustainable port operations”.

**Staff training and working conditions**

These draft rules would not affect the application of EU member states’ social and labour rules, say MEPs, who nonetheless stress that staff must be granted working conditions on the basis of binding national, regional or local social standards.
Training of new recruits and lifelong training of staff are essential to ensure port workers' health and safety and to protect the quality of services, MEPs say, stressing that member states must ensure that relevant training is provided for every worker in the port sector.

[European Parliament News]

**China: CSCL projects $426 million operating loss for 2015**

25/01/2016

*State-owned China Shipping Container Lines (CSCL) has warned investors of a net loss for the financial year ended 31 December 2015 due mainly to lower earnings from poor freight rates and impairment on ships.*

CSCL said in a regulatory filing that it expected a loss of RMB2.8bn ($426.2m) for 2015, of which operating losses and assets impairment are forecast at RMB2bn and RMB800m, respectively. The anticipated loss is a reversal from the profit of RMB1.06bn for financial year 2014.

CSCL explained that in 2015 the total trade volume of import and export dropped to a negative growth rate of 8% due to the lackluster global economy and the slowdown in the growth of China’s economy. Demand growth for container shipping declined while new shipping capacity continued to expand, creating a greater imbalance in the market’s supply-demand equation, the company said.

Freight rates in 2015 also fell with the annual average of China Containerised Freight Index decreasing by 20.1% compared to the previous year. CSCL added that it “considers that there are signs of impairment on vessels and containers assets of the company as at 31 December 2015” as it is “uncertain for the shipping industry to see a recovery in the future due to the impact of the global economic downturn.”

CSCL recently announced plans to combine with fellow government-owned shipping line COSCO, China’s largest shipping company, in a deal that would create the fourth largest ocean carrier worldwide with 288 containerships with around 1.6 million TEUs of capacity.

[Seatrade Maritime News / American Shipper]

**Sri Lanka: Container terminal Hambantota – a prime example of China’s lamentable excursion in infrastructure projects**

25/01/2016

*China’s One Belt, One Road initiative is bursting with promise. But Beijing’s track record for “exporting” infrastructure projects has run into a few dead ends over the years, notably in Sri Lanka.*
While China developed a port in southern Sri Lanka years before the current One Belt, One Road initiative was officially launched, that project provides a cautionary tale on the pitfalls of politically motivated infrastructure, made worse by ham-handed execution.

In early 2008, the state company China Harbour Engineering Co. began to construct a new container terminal in Hambantota, on Sri Lanka’s southeastern coast. The Sri Lankan government of then-President Mahinda Rajapaksa touted the creation of what it said would be South Asia’s largest port facility by 2014. A new international airport and export-processing zone were to follow. It was part of what was being called China’s “string of pearls” strategy.

What emerged was a string of disasters. Critics called it “the port without ships.” What little traffic Hambantota attracted was cannibalized from the main port in the Sri Lankan capital of Colombo. Most of the revenue came from a new bunker facility, which lost millions of dollars on questionable transactions.

The project was pork-barrel politics at its worst. The new port is located near Rajapaksa’s home district and the facility was actually named for the ex-president, who was soundly defeated in stunning elections last year. Adding injury to insult, China Harbour Engineering built the first phase of the port using for the most part Chinese labor, many of who entered on tourist visas. Two other Chinese companies are constructing the second phase.

The current government of President Maithripala Sirisena is now investigating the project for corruption, opaque contracts and procurement deals and onerous lending terms, even as it asks China’s help in saving the facility. “We have $1.5 billion sunk in the project and no
revenue,” complained deputy foreign minister Harsha de Silva, in an interview with The South China Morning Post. “We want Chinese investors to come and help turn it into a dockyard as well as invest in an industrial park there.”

The first phase of Hambantota terminal opened in 2010, with a price tag that was revised upwards from $360 million to $501 million. The government has already spent more than $800 million on the second phase, which is scheduled to be completed by the end of this year and will include four new berths. China’s Export-Import Bank financed both at terms that are reported to be more than 6%. That’s far from concessional rates.

The government’s Sri Lankan Ports Authority is now struggling to service the debt and is diverting revenue from Colombo port operations to help pay off the loans.

[American Journal of Transportation]

India: Shipping Ministry plans to float tenders to develop three greenfield ports
25/01/2016

The Shipping Ministry is planning to float tenders by March, for the development of three greenfield ports in the country.

Out of the three, it is most positive about Wadhwan port near Mumbai, as it does not require any major land acquisition. It would be developed on 5,000 acres of reclaimed land and serve as a satellite port to the main Jawaharlal Nehru Port. In June 2015, an MoU was signed between Maharashtra Maritime Board and Jawaharlal Nehru Port Trust (JNPT) for the port development.

Land acquisition

A senior Shipping Ministry official told BusinessLine that along with Wadhwan, Sagar port in West Bengal and Colachel in Tamil Nadu would be developed. Sagar port requires land acquisition but due to the attitude of the State government, the process is expected to be delayed. About 5,000 acres would also be required for Colachel port, but the site will require more investment in terms of road and rail connectivity, the official said.

The official pointed that Wadhwan has a fairly well-developed road and rail connectivity. It is closer to Mumbai, which is a major export and import area.

The multi-cargo port will decongest the Jawaharlal Nehru Port. It would be constructed at a distance of more than four nautical miles off Dahanu coast, near Wadhwan point. More land is being reclaimed at Wadhwan, as in the future it could also be used for some port-based industries.
**Stake for state governments**

In all the three port projects, the local governments would be given 26 per cent stake, which they could be held through maritime boards or other State Government controlled bodies. Incorporating State governments in large projects is mandatory under Modi administration, the official said.

The official added that the Wadhwan port has been facing opposition from local residents and activist over environmental concerns. Therefore, the land reclamation has been designed in such a manner that it manages to steer clear of all local interferences and authorities.

[The Hindu BusinessLine]