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Ports should focus on value over throughput

PORT LEADERS HAVE been told they should focus on how much economic value they bring to their surrounding economies and not just on throughput in terms of tonnage and teu.

International Ports and Harbours Association president Santiago Garcia-Mila said that taking into account physical units alone gave the wrong message to the communities in which ports were based.

"We have been telling our communities that the bigger we are, the better we are," he told the Smart Ports Summit in Barcelona. "But what other sector in the world measures itself by physical units only? Local citizens don't know if 500m tonnes is a lot or not so it is difficult for them to understand."

There was now a consensus that there were "excellent" ports that had smaller throughput, he said.

"The port's mission should be creating value for the surrounding area," said Mr Garcia-Mila, who is also deputy general manager of the port of Barcelona. "It should be about creating prosperity, not just handling more tonnes and more boxes."

By helping the surrounding economy's industry and consumption, ports could help consumer and companies become more competitive and sustainable.

"If this is the mission of the port, then we understand that if we make the surrounding economy successful, we will be successful too. There will be more cargo to handle. If there is no cargo, there is no port."

Ports could no longer focus solely on facing seawards and building infrastructure, he added.

"If we create value and make our surrounding area more competitive, this economy will grow and we will grow. Cargo numbers will then be a consequence of what we do, not the rationale for it."

But growth needed to be done in a sustainable manner, Mr Garcia-Mila said.

Barcelona's cruise port alone was responsible for 9,000 permanent jobs in the city, €582m ($645m) in added value, and was responsible for 1.2% of the city's emissions.

"If we closed it so we had zero emissions, it would mean 9,000 jobs lost," he said. "Our idea is to decrease the emissions, to zero if possible, without an economic or social impact."

Digitalisation would also play an important role in improving prosperity.

"Ports need to become real hubs of digitalisation, where all stakeholders bring data together in digital platforms, allowing a far more efficient logistics supply chain and connectivity," Mr Garcia-Mila said.

"Logistics processes can be optimised by gathering and exchanging real-time information among different parties in the supply chain."

WHAT TO WATCH

Competition fears delay moves to prevent cargo misdeclarations

A FEAR of strict competition rules and falling foul of antitrust regulations has been attributed to preventing container lines coming together to prevent the increasing incidence of misdeclared cargoes

Laurent Audaz, head of insurance and legal at Mediterranean Shipping Co, said there needed to be better sharing of information about bad customers in order to fight the problem of misdeclared cargoes being loaded on to ships.

An increase in dangerously mislabelled containers had been behind a rising number of fires on containerships.

TT Club head of risk management Peregrine Storrs-Fox said that fires on ships had traditionally occurred once every two months, but that this year the figure had risen to once every 30 days.

In one sense, carriers are victims of their own success; ever more cargo is being transported in containers and the number of boxes transported rises every year.

But this makes it impossible for container lines to check that the contents of every box they load conforms with its bill of lading. Where boxes are checked, and misdeclared cargoes are found, there should be a mechanism available for alerting other carriers that the shipper in question should not be trusted.

"If I know a shipper has been misdeclaring cargo, I should be able to ring up my colleagues at Hapag-Lloyd, for example, and tell them," Mr Audaz told the Ending Misdeclared Cargoes Forum, hosted by the TT Club.

But strict antitrust rules in Europe and the US make this impossible, he said. "If we breach these regulations, we could face fines of up 10% of the turnover of the company. No carrier is going to risk that." He said the industry needed to be "more reactive".

"We need to find a way to get alerted quicker. And we need to find a way to get through the anti-competitive legislation that block our ability to exchange information quickly and be reactive and proactive," he said.

"If I have a rogue shipper on my ship, the same shipper will be on ships of Maersk, CMA CGM and Hapag-Lloyd. We should be able to send a message to a platform identifying the company so that everybody gets an alarm.

"If we move together, we can harm those that are shipping misdeclared cargo."

The Cargo Incident Notification System, an initiative launched by carriers in 2011 to help reduce the number of incidents on board, played a role, but could only report historical data, Mr Audaz noted.

"We need a real-time solution," he said. "We are working on initiatives but it is difficult to get momentum."

Lloyd's List Containers understands there have been talks among senior container line executives about finding a mechanism to overcome misdeclarations.

A new agency, which would encompass shippers, forwarders, ports, terminals, insurers, and other stakeholders, as well as container lines, is thought to be one idea under consideration.

The idea is thought to have been discussed at a meeting of the influential Box Club last year. It was raised again when the group of container line chairmen and chief executives met in Marseilles.

Nothing further, however, has emerged, and it appears that the risk of antitrust rules has so far prevented further action being taken

But collaboration remained the key to attaining the goal of safer shipping, and in the longer-term, a move to an integrated digital platform was the best solution as it documents each step of the supply chain process, Mr Audaz said.

"We can develop an effective set of rules through collaboration," he told the forum.

But carriers needed to "get alerted quicker" if there are suspected reports of misdeclared cargoes that could potentially lead to fires on board vessels.

Some lines have already started to take steps to penalise "rogue shippers", but there were limits to how far this could go.

"We can create rules that are very efficient but we don't have the teeth to bite," he said. "In some countries, businesses can be opened and closed again in a snap, and even if we can get to them it is very hard to go through the judicial processes. Most of the time it is a waste of money."

The real problem was where shippers willingly hide the nature of their cargo, rather than genuine mistakes being made.

"Errors and incompetence are an acceptable risk that we insure against," said Mr Audaz.

ANALYSIS

Improved visibility a key driver for smart port development

IN AN age of personal connectivity, smart phones and GPS, one question still worries supply chain managers: where is my stuff?

Just 6% of companies believe they have full visibility of their supply chains, according to Francisco de los Santos, chief technology officer at Algeciras Port Authority.

"As ports, we have much to do to improve this situation," he told the Smart Ports Summit in Barcelona. He said information and technology was transforming the ports sector and shipping, and three main forces were transforming the industry.

"E-commerce platforms and the instant gratification of consumer demand is putting a lot of pressure on global logistics chains," said Mr de los Santos. "Automation of ports due to increasing safety and efficiency demand, and the use of artificial intelligence to make decisions faster with more complex variable are also changing the ports sector."

But the biggest change remained the introduction of containers in the 1950s, he added. "The start of the container shipping era through the use of a standard metal box brought down cargo costs from $6 per tonne to $0.16 per tonne. That accelerated international trade and globalisation as we know it."

That in turn has led to the mega ships and high volumes of today, which put additional pressures on ports to digitalise in order to process cargo faster.

With shipping accounting for around 80% global trade, maritime transport was the backbone of international trade, and the mission of any port should be to accelerate logistics chains to support trade and create value, Mr de los Santos said.

But ports were also complex ecosystems with multiple participants, which was becoming a major context.

"We want to become business facilitators and are evolving from our traditional role as infrastructure managers," he said.

But due to a lack of visibility and transparency, and inefficiency in co-ordinating among the actors involved, ports often became "black holes" in logistics chains, leading to longer waiting times, wasted resources and mistrust.

The majority of logistics executives said there was poor communication and too little transparency between the processes in the port logistics chain, he added.

"What they want is more real-time information and predictions in order to do better planning."

Algeciras is working on building a platform to orchestrate operations and businesses from a holistic point of view to give visibility on everything happening within the port gates.

One initiative is the Pit Stop project, which seeks to manage vessel calls and automatically captures real-time events.

The idea behind Pit Stop is to have all participants working on the same agenda to reduce idle time in the port.

By connecting the system to the terminal operating systems of terminal clients, the port is able to offer full visibility of estimated and real-time events for every port call process.

This is now being extended to include land-side operations to offer an end-to-end container value chain.

"By using the same methodology, we analysed the process end to end and used standards to get cross-connectivity between all the systems involved," Mr de los Santos said. "This sounds very simple, but it was very complicated to achieve. Knowing what is happening allows customers to know where there stuff is."

MARKETS

Carriers eye strong year-end for fraught freight rate market

BOX carriers are hedging bets on both an early Chinese New Year and the new sulphur rules transition from January 1 to boost spot rates as the year draws to a close.

Rates on both the Asia-Europe and transpacific trades, the two largest deepsea trades outside intra-Asia, have been under constant downward pressure throughout 2019.

The ongoing delivery of ultra-large tonnage coupled with the ongoing trade war between economic super powers the US and China has hindered efforts to raise rates, despite carriers concerted attempts to manage capacity.

Significant cuts to supply through October ensured that rates, although low, held relatively stable, with only minimal movement reported by indices for on the spot prices.

A sudden surge in the spot market in early November saw optimism return among beleaguered mainline carriers, while signs of rate stability through the middle of the month has helped further lift sentiment.

At the start of this month rates rose by around $200 per teu on the mainline trades, with only the Asia-Mediterranean route proving the exception – where proposed rate increases failed to gain traction.

Although carriers were unable to drive up prices quite by the levels desired, or at least reported by respective general rate increases or revised benchmarks in the form of FAKs (Freight all Kinds), this bump was still most welcome off the back of a weak peak season.

London-based analysts Drewry said that the "mini-recovery" in container freight rates came with a warning, as it was prompted largely by changes to the supply side rather than an improvement in market conditions.

Indeed, transpacific volumes have continued to disappoint. The frontloading witnessed last year has led to a cargo shortfall with inventories well stocked, while the US-Sino trade war, which prompted last year's impromptu cargo rush, has continued to a detrimental effect on demand. The result is expected to lead to the trade's first volume contraction in a decade.

Meanwhile, Asia-Europe traffic, despite a strong start to 2019, has also waned in recent months. Drewry said that the recent hike is therefore unlikely to be traced back to a significant volume boom.

Rather, it was changes in the supply side that were driving rates momentum. This included not only the extension of blanked sailing programmes seen in prior months, but also the growing number of ships heading for scrubber retrofits, culminating in an increasing idle fleet.

While an increased idle fleet does not always lead to increased rates, demand was sufficiently strong that supply-side reductions were translating into more positive utilisation and freight rates, the analyst said.

It warned that while carriers may welcome the upturn in rates, they should bear in mind the "slightly illusionary" nature of the upturn, which was achieved by the removal of tonnage and the introduction of costly new fuels.

Therefore, this is not sustainable to provide a permanent solution to box shipping's structural problems.

Meanwhile, the near-term focus will be on whether the current rate rise can at the very least be sustained until the New Year, when the new low-sulphur regulations come into force.

With annual contract negotiations underway on the Asia-Europe trade — transpacific talks will not begin until the early spring — carriers will be looking to set a positive tone in the lead up to signing off on renewals. These will take greater prevalence this year as lines look to recoup spiralling fuel costs ahead of the impending sulphur cap.

Analysts Maritime Strategies International noted in a recent commentary that conversations will be eased on both counts by a healthier spot market backdrop.

The sudden surge in the spot market in early November saw optimism return among beleaguered mainline carriers, while signs of rate stability through the middle of the month has helped further lift sentiment.

Given the fortunes of the spot market in 2019, one could be forgiven for thinking that the recent spike in rates will once again prove short-lived.

However, in the carriers' favour is the early Chinese New Year, which is expected to trigger a cargo windfall in December rather than early next year to ensure shipments set sail before factories shut up shop for the holidays.

Carriers too are looking to scrubber retrofits to keep a lid on capacity and fuel surcharges ahead of the sulphur cap to hold rates steady.

Even so, there are signs that transpacific carriers may face more of a battle to keep rates firm compared to their Asia-Europe counterparts.

Since the jump in rates at the top of the month, at the time of writing in mid-November spot rates on the Shanghai Containerised Freight Index, documenting rates out of the world's largest container port Shanghai, had shown much more solidity on the Asia-Europe trade.

Indeed, on the Asia-northern Europe route spot rates had climbed by $1 on the SCFI to $708 per 20 ft unit, while the Asia-Mediterranean stayed firm relatively firm falling 3.9% to $706 per teu.

On the transpacific trade, however, rates had quickly fallen back to pre-GRI levels. The SCFI in mid-November showed rates at $1,351 and $2,398 per feu on the respective Asia-US east coast and Asia-US west coast lanes, effectively wiping out gains made earlier in the month.

Feedback from the Shanghai Shipping Exchange pointed to how the performance on the Asia-northern Europe out of Shanghai was being kept steady by temporary blank sailing operations, ensuring utilisation remained tight. In the case of services destined for the Mediterranean demand was "insufficient compared to the capacity supply scale", although some cut backs had helped alleviate some pressure.

However, on the Asia-north American route, despite widespread cuts to capacity, these were not enough to prevent rates from falling by the wayside, suggesting that demand on the crucial trade lane is still failing to deliver.

Further cuts to capacity were scheduled on both east-west majors through to the end of the November and into December, with void sailings remaining the weapon choice among carriers to preserve rates until shippers begin to ramp up operations ahead of the Chinese New Year celebrations.

The hope will be that additional scrubber retrofits will ensure rates hold steady through to the pre-holiday rush. Carriers will also be looking for a rate boost off the back of another round of GRIs at the start of December.

December 1 will also see the introduction of IMO 2020 transition charges adopted by several carriers, as the first step towards passing on the cost of compliance in the lead up to the new emission regulation.

Drewry said this should help to contribute to a "strong end to the year for carriers".

While it too expects freight rates to rise into next year in account of higher bunker surcharges all round, it stressed that the true test for carriers will be whether or not they rise sufficiently to cover the additional costs.

The answer to this question could be the container lines undoing or making in 2020.

Europe is destination of choice for LNG volumes

FLEX LNG, a Norway-based owner of liquefied natural gas carriers, said that trading patterns continued to favour Europe for incremental committed LNG volumes.

"The low LNG price environment continues to stimulate demand growth in some regions, predominately Europe, resulting in switching from coal and pipeline gas to LNG," the company said in a statement.

In addition, forward gas prices are incentivising a build-up in inventory on land-based facilities as well as floating storage on LNG carriers, it said.

The company, which listed in New York in June, said that it achieved time charter equivalent earnings of $58,222 per day in the third quarter versus $46,266 per day in the previous three months.

Revenues rose by $10m to $29.8m in the July to September period, and the company is expecting revenues in the region of $50m to $55m in the fourth quarter.

"The outlook for LNG shipping demand remains compelling," the company said. "The market has absorbed new tonnage as it has arrived, and despite lower than expected tonne-mile growth due to muted US-Asia trade and limited arbitrage opportunities, we believe that the market is reasonably balanced."

It said the long-term outlook for the industry continued to be "well supported".

Chief executive Øystein Kalleklev said: "In line with our expectations, the freight market has become increasingly tighter in the second half of 2019 resulting in much more favourable market conditions despite low gas prices."

The company reported a net income of $500,000 in the third quarter versus a loss of $3.9m in the previous quarter. It declared a dividend of $0.10 per share.

This month, it received firm commitments from a syndicate of 11 banks and the Export-Import Bank of Korea for a $629m financing for the five newbuildings scheduled for delivery in 2020.

In August, the company took delivery of its sixth newbuilding, *Flex Courageous*.

Queensland LNG exports feel impact of softer demand

OWNERS OF liquefied natural gas export projects in Australia's Queensland state are diverting their supplies to the domestic market as buyers in Asia turn their gaze to lower-cost alternatives elsewhere.

Of the three major export projects in Queensland, two are delivering at least 100 petajoules per annum of additional gas supply to the domestic market, according to Wood Mackenzie's research director Nicholas Browne.

Santos' latest quarterly report highlighting Gladstone LNG joint venture partners diverting about 40 PJ to the domestic market. Australia Pacific LNG also recently announced the supply of 61 PJ more natural gas to domestic over the next two years along with a new sales agreement with utility group, Origin Energy.

Origin Energy is a partner in the AP LNG joint venture.

Mr Browne noted, however, that these are relatively short-term arrangements spanning one to three years.

They overlapped with buyer responses during what has turned out to be a slow year for LNG global trade.

Some Asian buyers have been seeking to reduce their contracted offtake from LNG projects in Queensland as these sources are more expensive than other alternatives, Mr Browne observed.

"Data from the Gladstone Port Authority suggests that some buyers are not taking all their contracted LNG," he said without adding details.

Trade statistics published by the port showed Gladstone's LNG exports to China jumped year-on-year in the months of September and October, but volumes headed to South Korea, Singapore and Malaysia were significantly lower during either of the two months.

Uncharacteristically low LNG spot prices in a warmer-than-expected winter season this year have not helped boost buyers' interest in keeping to agreed delivery schedules for contracted cargoes.

What would hurt Queensland's export outlook more directly is its home country's struggle to contain costs of producing LNG.

Mr Browne said: "The price of gas in Queensland as a netback from the Asian LNG price fell from an average of A$11 per gigajoule last year to an average of some A$7 per GJ in the first three quarters."

He warned of lower-for-longer spot LNG prices into the 2020s and netback price for Australia's east coast potentially bottoming out to between A$6.50 and A$9 per GJ over the next two years.

LNG producers in Queensland however, can look to brighter days ahead in 2023 when a expected tightening in global LNG supply may see buyers clamouring for more volumes from the state, according to the seasoned WoodMac analyst.

WoodMac also holds the view that a supply shortfall in the domestic gas market may emerge in 2023.

Regasification terminals mooted for Australia's east coast may come to fill in the gap for the states of Victoria and New South Wales, which host two of Australia's most heavily populated cities, Melbourne and Sydney.

Mr Browne pointed out that any terminal that gets to move ahead first in New South Wales stands to also supply gas to Victoria.

Earlier this year, Australian Industrial Energy became a first-mover in pressing forward with the Port Kembla floating regasification project for New South Wales.

But the JERA-backed outfit, which reportedly bolstered Port Kembla's requirements to 46 shipments, is said to have struggled to lock in customers following declines in local gas prices.

IN OTHER NEWS

Eastern Pacific Shipping unveils tech accelerator start-ups

NINE start-ups from Singapore, Denmark, the UK and the US have been selected to take part in Eastern Pacific Shipping's MaritimeTech Accelerator Powered by Techstars.

"The class of start-ups was selected with careful consideration and input from EPS' operations, marine technical, commercial, IT, fleet personnel, and management teams, who would work closely with each start-up to test their technologies and accelerate their businesses," Eastern Pacific said in a statement.

Starting this month, the start-ups will go through an intensive three-month programme of research and development, mentorship, and collaboration at Eastern Pacific Shipping's headquarters in Singapore.

Houthi-held tugs and drilling rig freed

ALL the vessels and crew seized by Houthi rebels in Yemen earlier this week have been released, South Korean news agency Yonhap cited the foreign ministry as saying.

Among the total of 16 crew detained were two South

Koreans. The three vessels, two tugs and a drilling rig, were seized by the rebels on Monday for allegedly violating their territorial waters.

The two South Koreans were on board South Korean company Woongjin Development's tug and a drilling rig, while the third vessel was Saudi-flagged *Rabigh 3*, which was chartered by a United Arab Emirates company.

Yinson seals $800m refinancing deal for Ghana FPSO project

MALAYSIAN floating production, storage and offloading vessel specialist Yinson Holdings will boost its capital structure after sealing an $800m refinancing deal with 13 international and local banks for its FPSO *John Agyekum Kufuor*, operating offshore Ghana.

The vessel is on a long-term charter to Eni's subsidiary Eni Ghana Exploration & Production Ltd. The Italian energy company has a long-term credit rating of A- from Fitch.

"The refinancing allows Yinson to enjoy lower interest rates while freeing up capital to be invested in future projects," the company said, without disclosing how much lower the new rates are.

MOL to order Japan's first LNG-fuelled ferries

JAPAN'S leading shipping group Mitsui OSK Lines is set to commission the construction of the country's first pair of liquefied natural gas dual-fuel ferries.

On Wednesday, MOL and its ferry operating arm, Ferry Sunflower, announced the plan to order the two ferries from Yokohama-based Mitsubishi Shipbuilding Co.

The newbuilding pair are tentatively named *Sunflower Kurenai* and *Sunflower Murasaki*.

FSL sells two LR2 product tankers

FIRST Ship Lease Trust has confirmed the sale of two of its long range two product tankers in a move that seems in line with a strategy of phasing out some of its older tonnage.

Singapore-based shipping business trust and tanker owner said that the 2006-built, 109,672 dwt ships *FSL Piraeus* and *FSL Perth* were sold to an unaffiliated third party.

Both the vessels have been recently deployed under pool agreements, the company said in a statement.

American Shipping sees 'stable and improving' market conditions

AMERICAN Shipping Company said its orderbook for new vessels is "practically empty'', with older vessels being removed from the fleet.

"This trend is expected to continue for the coming years with limited yard capacity effectively increasing newbuild cost and delaying potential delivery times," the Norwegian-listed tankers owner said as it reported third-quarter results.

The company owns nine handysize product tankers and a shuttle tanker that are all engaged on the US Jones Act trade. It said its tankers were all on time charter contracts, with most vessels chartered for 12 months or longer.

Zim returns to profit despite trade uncertainty

MARKET volatility and continuing uncertainty over world trade continue to characterise the boxship market, Israeli carrier Zim said.

Announcing third quarter results, it said net profit was $5m for the three months compared to a net loss of $6.6m in the year-earlier period. Revenue was $842m, compared with $840.7m.

The company described the container shipping industry as dynamic and volatile and marked in recent years by instability and volatility in freight rates and bunker prices, as a result of ever-changing market environment, extensive merger and acquisition activity and the reorganisation of the global alliance structure.

For classified notices please view the next page

ADMIRALTY COURT PUBLIC AUCTION SALE

Jack Up Rigs Decus, Fortius, Impetus, Laurus and Primus

All five jack up rigs were previously on long term contracts to PEMEX. The rigs have been configured for PEMEX requirements and are capable of drilling wells up to 30,000 feet





	Decus	**Fortius**	**Impetus**	**Laurus**	**Primus**
Design	Pacific Class 400	Pacific Class 400	Pacific Class 400	KFELS MOD V-B	KFELS MOD V-B
Builder	PPL Shipyard Pte Ltd.	PPL Shipyard Pte Ltd.	PPL Shipyard Pte Ltd.	Keppel FELS	Keppel FELS
Year Built	2013	2013	2014	2013	2012
Classification	ABS	ABS	ABS	ABS	ABS
Flag	Panama	Panama	Panama	Panama	Panama
Water Depth (ft)	400	400	400	400	400
Drill Depth (ft)	30,000	30,000	30,000	30,000	30,000
BOP	1 x Hydrill 15,000 psi	1 x Hydrill 15,000 psi	1 x Hydrill 15,000 psi	1 x Cameron 15,000 psi	1 x Cameron 15,000 psi
Top Drive	NOV TDS-8A	NOV TDS-8A	NOV TDS-8A	NOV TDS-8A	NOV TDS-8A
Mud Pumps	3 x NOV 2,200 hp 7500 psi	3 x NOV 2,200 hp 7500 psi	3 x NOV 2,200 hp 7500 psi	3 x LEWCOW-2215, 2,200 hp, 7,500 psi	3 x LEWCOW-2215, 2,200 hp, 7,500 psi
Derrick	NOV 1,500 kips	NOV 1,500 kips	NOV 1,500 kips	Lee C Moore 1,500 kips	Lee C Moore 1,500 kips
Draw Works (HP)	3,000	3,000	3,000	3,000	3,000
Accommodation	150	150	150	150	150

All five jack up rigs are currently warm stacked at Freeport, Bahamas where they are under the control of the Admiralty Marshal of the Courts of the Bahamas. They are to be sold by open auction, "as is where is" at the time of sale. For more information, or to arrange inspection, please contact the Admiralty Marshal at the address below.

The auction is now open, and offers may be submitted by email at any time. The auction shall close at 1200 hrs midday on

10th December 2019

Admiralty Marshal
Port Department Administration Building
Prince George Wharf
Nassau, N.P., The Bahamas
Phone: 1 (242) 322-8832 Email: bronyataylor@bahamas.gov.bs

For additional information on the rigs please contact the Admiralty Marshal and AMA Capital Partners:

Paul Leand
Phone: 1 (212) 682 3344
Email: pleand@amausa.com

Ken Becker
Phone: 1 (212) 682 3344
Email: kbecker@amausa.com

Disclaimer: The above information and any further particulars provided by the Admiralty Marshal are provided in good faith but no responsibility is accepted for their accuracy. Purchasers must make their own independent enquires.