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Oil production curbs arrest surge in floating storage charters

GLENCORE AND TRAFIGURA are leading global oil traders chartering long range two tankers for storage of refined products amid an accelerating global surplus of gasoline, jet fuel, and diesel.

But further short-term time charter deals are unlikely to immediately materialise this week, after the world's key oil producers led by Russia, Saudi Arabia and the US signalled a possible agreement to curb global crude production by as much as 15%.

ST Shipping, the transport entity for Glencore, chartered two tankers for between 120 days and 180 days' storage last week, according to reports from shipbrokers. Royal Dutch Shell and Litasco — Lukoil's marketing arm — were also identified as each chartering an aframax-sized ship for periods of three to six months over the past seven days.

The take-up of tankers hired for both clean and dirty floating storage is yet to reach the levels forecast last month, when the size and scale of the crude demand collapse stoked fears that land-based storage was strained and the crude price plunged to 18-year lows.

"All time-charter deals of storage and contango plays either failed or are being scrutinised very carefully," London shipbroker Braemar ACM said in its weekly emailed report.

"It is not all doom and gloom, despite oil cuts in production signalling less tanker demand. The oil will have to go somewhere, global storage tanks are filling up and refiners are reportedly turning away additional barrels as demand for refined products from petrol to jet fuel takes a hit."

With any decision on a production cut between the key countries now postponed until Friday, further deals await clarification on whether oil producers will agree to curb record output.

Some 130.9m barrels of crude is currently tracked in short-term storage of 20 days or less on 93 tankers, according to data from Lloyd's List Intelligence. That's close to the record of 131.6m barrels tracked two weeks ago.

However, the figure is inflated by Iran's national tanker fleet, National Iranian Tanker Co, which cannot trade due to US sanctions and is storing crude and condensate on its tanker fleet, which includes 36 very large crude carriers.

Middle distillate markets are broadly in contango, when the future price is higher than the spot price, with traders able to buy now and take a futures position for sale at a profit, while placing the physical cargo in storage. Jet fuel and gasoline have plunged in price as demand for air and land transportation has collapsed, with onshore inventories quickly rising.

"If you are able to find free tank capacity now you can make a fortune," said Insight Global, in an April 2 report into the onshore tank industry. Commercial tank capacity at the Amsterdam-Rotterdam-Antwerp, US Gulf coast, Fujairah and Singapore hubs was around 75%, the Netherlands-based petroleum research company said. It would take almost four months for tanks to "reach tops", assuming a 10m bpd drop in demand, according to the report.

LR2 rates have soared on the benchmark route to Japan, amid floating storage speculation. Earnings to ship 90,000-tonne cargoes of refined products from the Middle East Gulf. To Asia are equivalent to $65,500 daily according to the Baltic Exchange. This rate was at $4,000 daily in late January, before coronavirus was declared a pandemic.

Average rates gained 20% for larger product tankers over the week ending April 3, with increases of 5% seen for smaller, medium range tankers, which dominate the sector.

Of the 25 aframax period charters reported for 12 months or less over the past two weeks by oil traders, three directly reference the fact that they will be used for floating storage. A further 11 vessels were hired for periods ranging from 30 to 60 days, or up to 180 days, suggesting they could also be used by this purpose.

Rates to take aframax tankers for short-term periods were reported as high as $45,000 and $50,000 daily. Litaso chartered the LR2 *Elka Athina* for 150 to 180 days floating storage, while Shell's shipping arm paid $50,000 to charter *Fos Athens* for 60 to 120 days, and $52,000 daily to extend that to 180 days after the first four months.

WHAT TO WATCH

Ferry operators call for bailout as crisis mounts

FERRY operators have called on the UK government for financial aid as the industry struggles with the coronavirus lockdown.

P&O Ferries has asked for a £150m bailout, saying the lockdown was costing it £250,000 a day. Danish ferry operator DFDS has asked 2,000 staff to take leave, supported by government aid packages, while Brittany Ferries estimated its financial hit at about €25m ($27m) for March and April.

UK Chamber of Shipping chief executive Bob Sanguinetti warned that ferry companies had cut services and furloughed staff.

"Unless these companies get access to the government financial packages now, this is likely to be followed by further reduction of services, or indeed companies going out of business," Mr Sanguinetti said in a statement on Monday.

"We are being told that it is fast becoming cheaper to lay ships up than to keep them running at a loss. This will put at risk our vital supply and essential logistics lines — the lifeblood of this nation."

P&O Ferries said it transported 15% of goods in and out of the UK, including food and medical equipment. "We have no choice but to look at all options to keep the business working, and that includes an urgent request to the UK government for funding," it said.

"We are working hard to secure support from all stakeholders to safeguard jobs and the viability of the business, so we can keep critical goods flowing."

Swedish ferry operator Stena Line said on Monday it would furlough 600 staff and make 150 redundant in the UK and Ireland, citing "a large decline in travel bookings and freight volumes" across Europe.

Stena Line director Ian Hampton said passenger figures were not expected to recover until well into next year and several vessels had been taken out of service. "We are having to make some very difficult decisions that we hoped we would never have to make," he said. "We will do everything in our means to ensure essential supply lines stay operational during what is a very difficult time for the company and the countries that we serve."

Furloughed staff would be paid 80% of their salaries, he said. In March, Stena Line said it would lay off 950 employees in Sweden and permanently close its Olso-Frederikshavn route. Communications manager Carl Mårtensson told Lloyd's List the company was working closely with chambers of shipping in the UK, Ireland and Sweden to get financial aid.

But Emanuele Grimaldi, joint managing director of Grimaldi Group, which owns ferry operators Finnlines and Minoan Lines, said governments should not bail out weaker shipping lines in a way that distorted the market.

"If the state is intervening, then it has to intervene in such a way that it does not create unfair competition," Mr Grimaldi said in an interview.

A UK Department for Transport spokesman said discussions between the government and industry continued.

Brittany Ferries said it continued to provide "lifeline freight services" between France, Spain and Ireland, with five of its 12 vessels carrying freight only.

"These lifeline freight services don't offset the loss of passengers — indeed they are loss-making and that's why we echo the UK Chamber of Shipping's call for assistance to allow us to keep them running," the company said.

DFDS, which makes 84% of its revenue carrying freight, said it has not asked for a bailout. It suspended its Copenhagen-Olso and Amsterdam-Newcastle routes and was running its Newhaven-Dieppe, Dover-Calais and Dover-Dunkirk routes at half capacity to allow for social distancing.

DFDS said it continued to run its freight service on the Dover-France and Newhaven-Dieppe routes to keep trade flowing.

Maritime in talks with airlines to repatriate seafarers

THE maritime industry is in talks with the aviation sector to try to find a solution to repatriate seafarers once they come to the end of their contracts.

With most of the world in lockdown mode, only a handful of countries recognise seafarers as key personnel providing an essential service akin to doctors and firefighters. That means that crew in these limited zones will be allowed to leave ships at ports provided that they do not show symptoms of the deadly infection. However, with travel bans in place, those crew that are ready to go ashore are not getting flights home.

The International Maritime Organization has been in daily high-level virtual meetings with other United Nations agencies, such as the World Health Organisation, the International Labour Organisation, and the International Civil Aviation Organisation, to make sure that governments around the world recognise seafarers and port staff as crucial workers exempt from travel restrictions.

At the time of writing, Lloyd's List understands that no outcome has yet been agreed.

"Industry will come through this challenge, but we need to act now to ensure our shipping lanes remain open," said V. Group's director for health, safety and environment Matt Dunlop. "Being designated 'key worker' status would enable the seafarers to cross borders in order to join and leave vessels."

"One solution would be to designate say, six global hubs around the world where seafarers as key workers were allowed to travel without restriction," he told Lloyd's List. "This would stagger the scale of seafarers transiting and would also alleviate the risk of all seafarers going home at the same time once all restrictions are lifted."

"This is a humanitarian crisis. As an industry, we must unite, be consistent in our approach. But we're facing some challenges."

InterManager's secretary general Kuba Szymanski said that with travel restrictions in place, crew changes will have to be postponed until the end of April at least.

Through collaborative efforts, more ports are allowing crew changes, he said.

InterManager, which represents 90% of the seafaring community who work on cruiseships, ferries, tankers, containers and dry bulk carriers, has identified places such as Houston, Singapore and Amsterdam as potential repatriation points.

While discussions are ongoing about crew changes — and the situation remains fluid and dynamic at the time of writing — some of the immediate measures taken by shipmanagers include extra bandwidth and free calls home for crew at sea. Extra food, medicines and provisions are being supplied.

Contracts are being extended by up to four weeks, where possible.

V. Group has mental health support through an employee assistance programme for the 600 ships it manages, 60% of which are tankers. It has hired a professional medical advisory based in the US for 24/7 access to advice. It also set up a coronavirus command centre, co-ordinating with families of crew members.

Torvald Klaveness said it was taking "extensive preventive measures" to protect its crew and employees, while ensuring its business remained fully operational.

It said flag states and class societies were offering grace periods to extend certificate validations and maximum working hours on board vessels.

"Currently, it is more or less impossible to make crew changes," it said. "By not changing crew and postponing scheduled docking of vessels, we are protecting our people on board by minimising risks of contagion from shore."

It has put greater emphasis on personal hygiene and social distancing, with visits on board kept to a minimum.

Visitors are expected to sanitise hands, wear masks and keep to certain areas to avoid contact with crew on board.

Japan's shipbuilding dispute with South Korea rages at WTO

JAPAN and South Korea's dispute over the latter's shipbuilding subsidies continues as the two countries failed to reach an agreement during negotiations last week.

Representatives from the two nations held a meeting last week based on dispute settlement procedures of the World Trade Organisation but their public remarks indicate a persistent divergence of views.

Japan, which had requested the consultation earlier this year based on an extensive list of concerns over the South Korean government's intervention in its nation's shipbuilding industry, said it explained the reasons why it considers Korea's measures supporting its domestic shipbuilding industry to be market-distorting and inconsistent with the WTO subsidies and countervailing agreement.

"In order to solve this problem, Japan also requested Korea for clarification of the facts regarding the measures at issue and prompt correction of the measures. Japan will continue its attempt to achieve a prompt resolution of the matter pursuant to the WTO dispute settlement procedures," Japan said.

Meanwhile, South Korea said in its own press release that during the latest meeting it declared that Japan's points were "groundless" and that the financial transactions it had issues with were in line with WTO rules and did not lead to market distortion.

It added that it would deal with the relevant WTO dispute settlement procedures accordingly.

Representatives from the European Union, which had supported Japan's push in the WTO, also joined last week's meeting as a third party.

WTO consultation procedures suggest that if two arguing sides are unable to resolve their differences after two months, the case may be handled by a WTO panel.

"Only after such mandatory consultations have failed to produce a satisfactory solution within 60 days may the complainant request adjudication by a panel," the rules stipulate.

South Korea and Japan, the second- and third-largest shipbuilding nations respectively, have been at loggerheads over shipbuilding subsidies for several years.

In a culmination of this tension, Japan submitted a first formal complaint against South Korea to the WTO in late 2018, alleging that South Korea's subsidies to shipbuilding are in breach of international agreements.

At the time, Japan had reported South Korea had paid about $10.5bn in support to its shipbuilding industry since 2015. Among the policies it took particular issue with the large scale bailout of South Korea's Daewoo Shipbuilding & Marine Engineering.

Frustrations have also flared up outside the WTO. In December 2019, shipbuilding nations meeting under the Organisation for Economic Co-operation and Development failed to agree to a new competition regime, as South Korea opposed it.

Since Japan first took its grievances to the WTO in late 2018, South-Korea's biggest shipbuilder, DSME, and Hyundai Heavy Industries have agreed to merge, in yet another move that has raised suspicion in Japan, according to its second WTO consultation request.

The European Commission, which was investigating the merger on competition grounds, has suspended the investigation.

South Korea also rolled out a Won820bn ($669m) financial package for its shipbuilders earlier this year.

On the other side of the aisle, in Japan, Imabari Shipbuilding and Japan Marine United have agreed to a close partnership that will see Imabari buy a stake in JMU and the establishment of a joint venture to develop and sell vessels. Reports out of Japan suggest the government is targeting greater consolidation of the country's shipbuilding industry amid intense competition from China and South Korea.

OPINION

Labour dispatch halls may need reconsidering amid health crisis

LONGSHORE unions continue to assign work to dockers through dispatch halls on the US east, Gulf and west coasts as they balance safety with the need to keep ports fluid during the coronavirus pandemic, *writes Eric Watkins.*

Both the International Longshoremen's Association and the International Longshore and Warehouse Union — along with their respective employers — have issued instructions for the safety of workers in these perilous times.

But such efforts may not be enough, as underscored last week when a terminal at the port of Los Angeles had to be closed temporarily due to the lack of longshore workers available for their assignments.

That happened when a dispatcher at one of two union halls tested positive for coronavirus. Union leaders and their employers' representative acted swiftly to stave off what could have been a disaster.

International Longshore and Warehouse Union leaders, together with the Pacific Maritime Association, representing the dockworkers' employers, isolated the dispatcher and quickly closed down the two dispatch halls.

That caused a momentary crisis because labour could not be dispatched to one terminal, where a ship due to be worked on was turned away and drayage truckers were caught in lines more than two miles long.

The ship stayed at anchor overnight and many hundreds of truckers found themselves in a miles-long gridlock until the next day.

That was the bad news.

The good news is that the incident could have been worse — a lot worse — if the ILWU and the PMA had not acted as swiftly as they did to close the dispatch hall.

In a building the size of a basketball arena, hundreds if not thousands of dockworkers can congregate to receive their assignments, and in that crowd of people contagion can spread to the entire workforce.

The ILWU works all 12 terminals in the San Pedro Bay ports of Los Angeles and Long Beach. In the worst possible scenario, all 12 terminals could be shut if the workforce were exposed to the infection in significant numbers.

The San Pedro Bay port complex is the largest in the nation, putting through close to 18m teu a year. That throughput represents a substantial part of the US economy as well as of the global economy.

If those 12 terminals were brought to a standstill there would be more than enough economic hardship to be shared up and down global supply chains, to say nothing of the nations they serve.

To guard against that nightmare scenario, the ILWU and the PMA must come up with an alternative to the traditional dispatch hall — an institution that is hallowed by time, but potentially dangerous now.

To be sure, the ILWU and PMA have been working for weeks to make sure that dockworkers took all appropriate care when in the dispatch halls. Instructions had been sent out beforehand about measures to take, such as handwashing and social distancing.

But those measures were not enough to prevent the potential contagion of many workers in the dispatch hall that day last week. The union and the employer recognised as much when they shut the place down overnight for cleaning and sanitising.

Such actions enabled the dispatch hall to open up the next day, with workers heading out to their assignments. The terminal opened, the ship returned to the berth and the lines of truckers eased.

Still, that can't happen every time there is an alert or someone tests positive for the disease. Nor will it help much to reduce the number of dockworkers going into the hall even if they do observe social distance.

What needs to happen is a system that allows the union and the employer to dispatch workers where they are required but without having them pass through a crowded and potentially dangerous dispatch hall.

That will be tough to do and not just technically but also politically as the ILWU believes a union-controlled hiring hall has "long been a place that would end all forms of discrimination and favouritism in hiring and equalise work opportunities".

Still, the threat to dockworkers around the nation is evident to anybody in the current pandemic.

Just last week, two ILA dockworkers in the port of New Orleans died from the coronavirus.

Earlier, two container terminals in the port of Houston had to be closed for 24 hours after one ILA worker tested positive for the disease.

Days later, ILWU dockworkers at a terminal in the port Oakland threatened to stop work until their facility was regularly and professionally cleaned and sanitised

Longshore unions continue to perform essential work along the east, Gulf and west coasts as they balance the need for safety measures with the demands of keeping US ports open and efficient.

Dockworkers need to be kept free of contagion, and supply chains need to remain fluid. That much is clear.

But the supply chain also includes dispatch halls and if they can adversely affect the safety of dockworkers and the fluidity of the supply chain, then perhaps it's time to find an acceptable alternative of dispatching labour to the docks.

Grimaldi pledges support for UK flag as Brexit forces ACL ships to quit

ITALIAN shipowner Emanuele Grimaldi has confirmed that the five ships operated by Grimaldi Group subsidiary Atlantic Container Line are to leave the UK flag following Britain's departure from the European Union, but has vowed to return tonnage to the Red Ensign if the law is changed, and once the threat of double taxation is lifted.

Mr Grimaldi also said the pending change of ship register would have no impact on the group's UK workforce. ACL, which operates the world's biggest multipurpose container/ro-ro ships, has a sizeable office in Liverpool, from where back office work for lines across the group is conducted. Another large office is located in London.

The decision to flag ACL's five newbuildings in the UK when they were delivered a few years ago was a considerable coup for the UK Ship Register as it embarked on an ambitious growth programme. The goal to double tonnage on the register has since been abandoned as the uncertainty of Brexit persuaded a number of international owners to move their fleets elsewhere.

Mr Grimaldi and ACL president Andrew Abbott had made no secret of the fact that Atlantic Star and its sister ships would probably have to switch to another register if the UK left the EU without an acceptable agreement in place covering shipping.

As ACL is registered in Sweden, where it was headquartered for many years, the ships are required by EU law to be flagged with an EU country.

The timetable for transferring the ships to another flag has not been disclosed. The Maritime & Coastguard Agency, which administers the flag, said that it had not yet received a request from Grimaldi to remove the ships from the UK Ship Register.

Mr Grimaldi, who is joint managing director of Grimaldi Group alongside his brother Giuanluca, has held out the prospect of many more ships being placed on the UK register if Britain and the EU are able to reach an accord, and once there is no likelihood of double taxation for shipowners.

Britain formally left the EU at the end of January and is now in a transition phase until December 30 while the two sides negotiate the terms of a future trading relationship.

The status of those talks during the coronavirus pandemic is unclear.

In a telephone interview, Mr Grimaldi made it plain that he regards the UK flag as "one of the best in the world", and that the decision to move the ships to another jurisdiction was made reluctantly.

"I would like to have more vessels on the UK flag," he said. "The UK has some of the best professionals in the shipping industry, with a maritime heritage and know-how which is unique."

However, under current law, it would be illegal for an Italian company with a subsidiary registered in Sweden to flag ships in a non-EU country such as the UK.

He said that in future, he might consider establishing a shipowning company in Britain in order to bring more of Grimaldi's 120-strong fleet under the Red Ensign, but that could only happen once the law was clear at the end of current UK-EU negotiations on a new trade deal.

Mr Grimaldi said he considered the UK to be his second home, and that he hoped to reverse the ACL move, but only once a deal had been done with the EU that would remove any legal or taxation uncertainties.

ANALYSIS

Lloyd's marine and aviation lines continue to lag other classes

LLOYD'S marine, aviation and transport line of business lagged other classes during the 2019 accident year, albeit with an improved underwriting performance compared with 2018.

MAT generated an accident-year combined ratio of 113.3% in 2019, a year-on-year improvement of 2.9 percentage points.

This still left the segment as the worst-performing at Lloyd's on an accident-year basis, behind motor (100.6%), property (101.5%), casualty (103.8%) and energy (107.5%).

While its performance was poor in relation to other classes, Lloyd's said there was some evidence action taken during the 2019 business planning process had helped improve the MAT result.

Withdrawals and reductions in capacity and appetite in both marine and aviation business led to an 11% reduction in Lloyd's MAT premiums in 2019, which fell to £2.8bn ($3.43bn).

For marine classes, Lloyd's said cargo showed the clearest evidence of positive market remediation and stabilisation. Hull, in contrast, remains "under significant strain" despite an improving performance environment.

In aviation, Lloyd's said there were fewer large losses in 2019 compared with earlier years but added the result was hit by the continued high frequency and cost of attritional claims.

Lloyd's said aviation excess-of-loss and space classes endured a difficult 2019, with loss activity compounded by a decline in industry capacity levels caused by consolidation and market withdrawals.

MAT classes' full-year combined ratio of 108.5% benefited from a 4.8-percentage point contribution from prior-year reserve releases, compared with a 0.9-point contribution to 2018's 115.3% combined ratio.

During 2020, Lloyd's said it expects the marine market will be highly selective, both on individual risk and at segment level, with the preference for more open-market placements enabling greater opportunity to control risk selection.

The corporation said 2020 is expected to be a year of performance improvement for many market participants.

Specialty reinsurance classes, of which marine is the largest, generated an accident-year combined ratio of 108.6% in 2019, compared with 102.4% in casualty and 106.5% for property.

Specialty reinsurance gross written premiums fell 1.7% to £2.05bn in 2019, of which MAT accounted for £1.4bn.

Lloyd's said the marine excess-of-loss market had hoped for material rate increases in 2019 following 2018's Lürssen shipyard loss, which was heavily reinsured.

"However, the segment continued to attract a high level of capacity and the price increases achieved were relatively modest," Lloyd's said.

Lloyd's said the Lürssen shipyard loss had seen favourable reserve movement in 2019, offset by the increased incidence of large losses and exposure to Typhoon Jebi on the more recent years.

Similarly, aviation reinsurance saw increased large loss activity in 2019 compared with more recent years, with major losses arising from the grounding of the Boeing 737 Max fleet and within the space account.

Box lines face major losses if rates fall

CONTAINER lines could be facing a $23bn loss, wiping out eight years' worth of profits, if rates follow the downward trend seen in previous recessions.

With more than 200 sailings blanked to match available capacity with demand, container lines now face a potential fall in rates as the coronavirus pandemic hits consumer demand, according to analysts at Sea-Intelligence.

Sea-Intelligence had previously forecast a 10% reduction in volumes this year, based on volume declines in previous steep recessions.

In revenue terms, this would equate to $15.7bn in lost earnings for container lines. Once achievable cost savings were taken into account, this would still amount to a profitability loss of $6.7bn.

"This would in itself render the industry loss-making, reversing the $5.9bn profit in 2019 to an $800m loss in 2020," Sea-Intelligence said.

But this calculation was based on rates remaining at their current level.

While rates had held up well to date, for this to continue would require "exceedingly tough rate discipline" from carriers, Sea-Intelligence said.

"Historically, they have not been able to do this."

If rates were to decline by 5% across the remainder of the year, the setback would translate to an additional loss of $4.6bn.

"If, however, 2020 ends up matching 2009, not only on the volume decline but also on the rate decline, then we could see rate levels decline by 23%," Sea-Intelligence said.

"In the worst case scenario, where the 10% volume loss is combined with the same level of losses on rate levels as the carriers themselves reported in 2009, we would see carriers lose $23.4bn in 2020. And this is even taking into account a 0% rate change in the first quarter."

Losses of this level would be "highly challenging" to the industry. In the past eight years, the combined profits of the top 15 carriers were just $20.9bn, all of which could be wiped out by this year's performance.

"The purpose of blank sailings should therefore primarily be seen as an attempt to prevent rate declines, despite the fact that billions also have to be targeted in cost savings from the blank sailings," Sea-Intelligence said.

MARKETS

UAE to gradually lift crew change restrictions

THE United Arab Emirates will ease restrictions on crew changes in the country, following calls by industry and the International Maritime Organization for the better treatment of seafarers amid the coronavirus pandemic.

The UAE's Federal Transport Authority said on Sunday in a circular that it would gradually lift crew change restrictions, but did not specify timelines for the lifting of the prohibitions

Up until now crew changes have been prohibited in the UAE, as a measure to prevent the spread of coronavirus in the country.

Initially, priority will be given to those seafarers who are UAE residents, who are on passenger ships laid up at UAE ports, who are not medically fit to keep working and who are considered urgent humanitarian or medical cases.

Nonetheless, under the loosened restrictions, seafarers will still need to have been on board a vessel that left an international port at least 14 days before being allowed to step on UAE soil. They must also not have had contact with anyone outside the vessel during that period.

Additionally, an air ticket for the crew member planning to go on shore will have to be bought beforehand. UAE authorities will also need to see a medical statement confirming that the seafarer is not fit to serve on the ship and is able to fly out to a home country.

The crew changes should not violate the minimum safe manning requirements of the flag states authorities, the FTA said.

"FTA will review global health developments and the smooth flow of global air traffic and will gradually reduce these requirements to ensure the return to normal procedures of crew change in the UAE as soon as possible," it added.

The FTA acknowledged that this new policy towards crew changes was partly in response to industry appeals.

Industry bodies and individual companies have been lobbying heavily, pushing governments globally to facilitate crew changes and repatriations. Collective action prompted the IMO to issue an official call along these lines, based on the advice of numerous industry associations.

Last week, the FTA announced in another circular that it would consider valid seafarer certificates of competency, proficiency and others for three months after their expiry, beginning on March 26.

The country's port state control authorities would also take a "practical approach" when inspecting these certificates.

Renewals of seafarer certificates are difficult to secure amid crew change prohibitions, national and vessel lockdowns. Industry has called on flag states and port state control authorities to be lenient when considering seafarer certificates.

Aponte sets out MSC action to keep trade flowing

MEDITERRANEAN Shipping Co is helping shippers in Europe to use its shortsea shipping networks to avoid new land border blockages in order to ensure that essential supplies are delivered as the coronavirus pandemic spreads.

In an open letter commenting on its cargo business, MSC Group president and chief executive Diego Aponte said that, as a major shipping and logistics service provider, the company had a crucial role to play during the crisis.

"Our family company, built on maritime heritage and passion for the sea, has for the past 50 years been bringing people everyday goods such as medicines, food, fresh produce, clothes and children's toys," he wrote at the weekend.

"As an essential cog for global trade, it is imperative that we, together with our customers, keep the world moving despite the difficult operating conditions we are all experiencing."

Container lines are anticipating a severe drop in volumes over the coming months as consumer demand in Europe and North America is dented by widespread lockdowns and shop closures. Privately-owned MSC has also been hit by the collapse of the cruise industry, with its sizeable fleet now idle.

On the cargo side, Mr Aponte said MSC was increasingly implementing new solutions and innovating to adapt to the current challenging environment.

The recently announced Suspension of Transit programme uses some of the world's leading transhipment hubs as advance storage posts to help shippers begin moving goods early in anticipation of a resumption in demand, in an efficient and cost-effective way.

Through its internal information sharing system, MSC said it was drawing on intelligence from 155 countries to identify new travel and port restrictions, curfews, and suchlike, "to ensure that we are well placed to directly advise our customers on how to manage supply chains amid these changes".

Mr Aponte said that one of the first decisions he took in January following the coronavirus outbreak was to begin introducing travel restrictions within the company.

"We have since seen a record number of MSC people using technology to work in an agile way, in many cases remotely from home, including in our offices in China starting in January and subsequently in our headquarters in Geneva and in many locations around the world," said Mr Aponte.

"Implementing our business continuity plans ensures that we maintain our operations and high levels of customer service while our people can avoid travel and practise social distancing."

Mr Aponte pointed out, however, that switching on from home is not an option for many of people — the seafarers working on MSC's 550 containerships; the drivers of trucks, trains and barges; dockworkers; handlers of goods at its depots and warehouses; plus port captains and terminal operators around the globe.

He also revealed that in Italy, MSC had converted a passenger ferry vessel from Grandi Navi Veloci, part of the MSC Group, into a floating hospital for victims of coronavirus.

"As a truly global diversified group of companies, with a stable financial position across our various businesses, we remain in a position of long-term strength. While the situation is clearly becoming more intense in parts of Europe and the US, we are seeing some glimmers of hope in the Far East," said Mr Aponte.

China has shown early signs of recovery from coronavirus after the lockdowns eased, factories started working again and goods started to flow.

"Nonetheless, we are not complacent about the risk from coronavirus in any location, in any way. My thoughts and sympathies, and those of my family, go out to everybody affected around the world," said Mr Aponte.

Maersk extends crew change prohibitions

MAERSK has prolonged its prohibition of crew changes on its vessels for another four weeks until May 12, as the coronavirus pandemic continues to spread and seafarers still run the risk of being infected or stranded.

The world's largest containership line had announced last month it was banning crew changes for its ships from March 17 until April 14 to prevent seafarers from contracting the virus and keep its vessels running.

But a Maersk spokesperson confirmed to Lloyd's List on Monday that Maersk has extended the restriction for another four weeks "based on the need to keep our crew safe while maintaining operations as normal as possible", echoing the same reasoning behind the first prohibition.

The company feels it can better protect its seafarers by suspending exchanges of crew as this lessens the number of social interactions they need to have, the spokesperson said.

"Second, the rapid changes to global travel poses a risk of stranding seafarers in transit, in locations from where they are unable to leave or get sufficient assistance," the spokesperson added.

The spokesperson did not immediately say how many seafarers will be affected by the latest decision or how crew have responded to it.

Maersk said it has implemented crew welfare initiatives, including compensation to ratings for contract extensions and improved internet connectivity service in certain areas in Europe, Asia and North America.

It is also offering additional funding to seafarers for provisions and Slop Chest purchases.

"Maersk has been in contact with all relevant authorities and organisations and will closely co-ordinate on any legal or compliance matters to resolve these while ensuring continued safe operation of our fleet," the spokesperson said.

As countries implement nationwide lockdowns and travel bans, some shipping companies have introduced vessel lockdowns. while certain jurisdictions have prohibited crew changes altogether in their territory.

Industry groups, however, have mounted pressure on governments to facilitate crew changes, repatriations and exemptions from travel bans.

On Sunday, the United Arab Emirates, which has prohibited crew changes, said it would gradually lift restrictions.

IN OTHER NEWS

EU suspends separate shipyard merger probes

THE European Commission has halted probes into two shipyard mergers as it waits for further information from the companies.

According to a statement from the commission, investigations into the merger of Italy's Fincantieri with France's Chantiers d'Atlantique, and South Korea's Hyundai Heavy Industries with Daewoo Shipbuilding & Marine Engineering, have been put on hold in a process known as "stopping the clock".

"This procedure in merger investigations is activated if the parties fail to provide, in a timely fashion, important information that the commission has requested from them," according to the statement. "Once the missing information is supplied by the parties, the clock is re-started and the deadline for the commission's decision is adjusted accordingly."

BRS sees more sustainable dry bulk market in second half

IMPROVEMENTS in the world economy should help balance supply and demand and lead to a more sustainable dry bulk market during the second half of the year, according to BRS shipbrokers annual shipping review.

It pointed that the rates in the first quarter of the year have not been as high as many would have anticipated when trading the curve in 2019.

Into Chinese New Year, many anticipated a pickup in activity after the holiday and the potential to get 2020 into proper gear. However, any prospects of higher rates were swiftly diminished by the spreading of coronavirus and the damaging effects on Chinese demand, the Paris-based broker said.

Forwarders battle to find alternative transport solutions

FORWARDERS are battling to find alternative transport solutions for their shipper customers against the backdrop of a severe freight capacity squeeze owing to the coronavirus outbreak, according to a senior industry executive.

However, it is not a completely bleak picture as there continues to be regular demand for goods shipped by air and sea on a number of major international trade lanes, despite lockdowns in many parts of the world.

"The biggest challenge we are confronted with at the moment and have been for the past month, is dealing with the significant reduction in capacity on the market," said Hellmann World Logistics chief commercial officer Jochen Freese.

Big rise in Nordic marine premiums

MAJOR claims are once again in the driving seat for overall claims costs, after a seemingly temporary hiatus in the late 2010s, according to the latest annual statistical review from Nordic trade association Cefor.

But more positively, claims frequency is still stable, while the long-term overall trend for all claims types remains on a downwards trajectory, with the notable exception of fire and explosion claims, the report added.

In addition, premium income last year rose in clear comparison with 2018, with percentage growth hitting double-digits in some classes.

LNG heavyweights team up on hydrogen and ammonia studies

TWO of the world's largest liquefied natural gas players are teaming up on a joint study looking at large-scale export of hydrogen as ammonia for use in decarbonising Japan's coal-fired power generation.

Australia's top liquefied natural gas producer, Woodside, has signed an agreement with Jera, the world's largest single LNG importer, trading house Marubeni Corp and heavy industry manufacturer IHI Corp.

As a consortium, the Japanese heavyweights have received approval from the New Energy and Industrial Development Organisation in Japan for a feasibility study covering the entire hydrogen-as-ammonia value chain.

K Line-owned containership hits berth in Busan

A K LINE-owned containership hit a berth while docking at Pusan Newport in Busan, resulting in damage to five shore gantry cranes.

The 14,000 teu *Milano Bridge* allided with shore gantry cranes at Pier No 8 on April 6 while it was undergoing berthing operations, according to Lloyd's List Intelligence.

Local television footage showed one shore crane completely collapsed while the remaining four at the berth were knocked out of alignment off their rails.

Teekay LNG wins charters for two tankers

TEEKAY LNG Partners has secured new fixed-rate charters for two liquefied natural gas tankers in its fleet.

Its 52%-owned tankers *Arwa Spirit* and *Methane Spirit* will respectively start 12-month and eight-month charters upon completion of, and in direct continuation of, their existing contracts in May and July, the shipowner said in a statement.

The 162,000 cu m *Arwa Spirit* has been plying trades between the US and Europe since last December, according to Lloyd's List Intelligence data.

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