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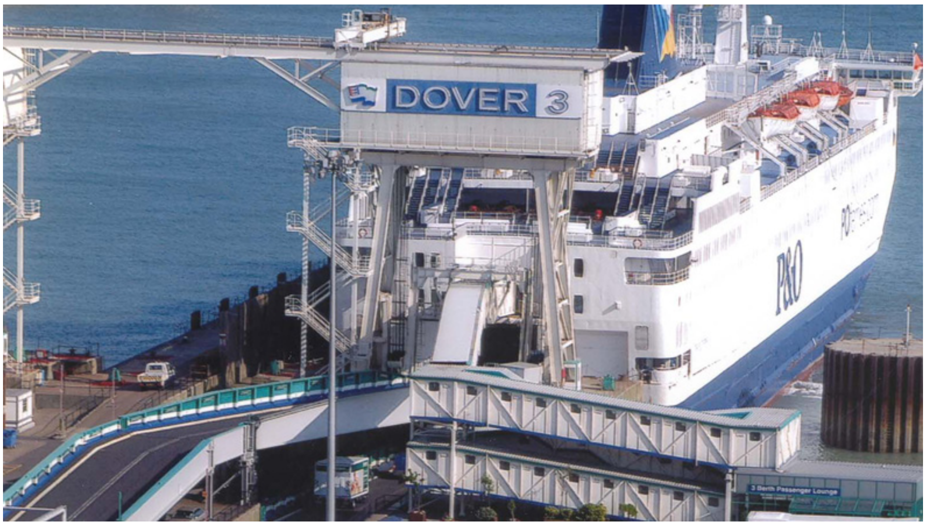
Don't let coronavirus take down ferry companies



IT'S EASY ENOUGH favourably to namecheck Schumpeter's notion of creative destruction until it's your company that stands on the cusp of being creatively destroyed, *writes David Osler.*

No surprise, then, that as coronavirus takes its toll on the fortunes of our industry, calls for shipping-specific government support beyond that available to the generality of the private sector in many countries are coming to the fore.

Such declamations are at their most vociferous in relation to the European ferry and shortsea sector, which is still carrying trucks full of food, medicines and other absolute necessities, even as it is forced to take a catastrophic loss of passenger revenues on the chin.

For some companies, this is already a life-and-death struggle. As Lloyd's List reported yesterday, P&O Ferries, one of Britain's biggest ro-ro outfits, describes itself as "in survival mode" unless a seafarer union makes major concessions in the face of the depredations of Covid-19. Let that stark warning sink in.

The editorial policy of Lloyd's List is broadly against state subventions, for all the standard economics textbook reasons. Even in the dark days through which we are living, the moral hazards of distorting fair competition are obvious.

As ro-ro rock star Emanuele Grimaldi properly points out, many operators — not least in his native Italy — have consistently lost money since the global financial crisis. After a decade of attrition, they will be only too happy to present themselves as deserving mendicants.

But Mr Grimaldi's concerns are not entirely disinterested. He can reasonably expect to number among the survivors and may be looking for cheap acquisitions among concerns that fall by the wayside.

In short, just as there are famously no atheists in foxholes, consistent Schumpeterians are few and far between at times of major economic downturn.

While it is a truism that the shortsea niche is well overdue for a shake-out, we can rely on the market to work its magic later. At the moment, even the efforts of the seven-stone weaklings are vital, and there is strong case to keep them afloat for the duration.

Trade associations are particularly keen not to see taxpayer backing presented as a bailout. Sadly, that is inevitably how many people will regard matters, not least because they recall last year's Brexit-related public ferry procurement fiasco.

Moreover, the perception is abroad that shipping fails to stump up its just contribution to the public purse when times are good, thanks to the widespread availability of tonnage tax and/or flag states that levy only the most nugatory of fiscal imposts.

As the social media uproar over airline boss Richard Branson's temerity in requesting help for Virgin Atlantic illustrates, it may be politically unavoidable to take such sentiment into account.

There are plenty of ways of doing that, perhaps in the form of equity stakes by way of payback, or making the aid repayable over time. But frankly that's the small print right now; the need is for swift action.

It has long been accepted practice to subsidise ferries to outlying islands for social reasons. In a sense, all of Europe now counts as an outlying island while we are united in fighting — and eventually defeating — this ferocious pandemic together.

Shortsea shipping is doing its duty to society; let society now do its duty to shortsea shipping.

P&O Ferries claims survival at risk without major cuts

ONE of Britain's biggest ferry operators is seeking major concessions from its workforce after it described itself as 'in survival mode' as a result of the coronavirus crisis.

P&O Ferries tabled proposals this week at the start of a 45-day consultation process that includes pay cuts, replacement of UK seafarers with foreign crew, no-strike clauses, statutory redundancy, cuts to the sick pay scheme, scrapping benefits for long service, and restrictions on leave.

The move comes after the company earlier this year dropped Portuguese ratings on North Sea services in favour of Filipinos on International Transport Workers' Federation contracts.

The company describes itself as "in survival mode".

It said: "The reality is that the cash we have in the bank will only last a matter of weeks unless we take drastic action to save ourselves now... If we don't survive in the short term there is no long term."

Three P&O Ferries vessels — *Seaway, Burgundy* and *York* — have been laid up. The operations of its other ships, including the freight charter vessels, are described as under review.

What are described as 'people costs' of £142m need to be reduced by 20%, which must be found from wage costs, the operating model and terms and conditions of employment. However, everything will be done to avoid compulsory redundancies.

Mick Cash, general secretary of ratings union RMT, accused DP World-owned P&O Ferries of using the pandemic as an opportunity to force through changes it wanted to make anyway, and demanded government intervention.

"To use the temporary market conditions created by coronavirus to attack our members — the maritime workers this country will always need — is nothing short of contemptuous," he said. "The government need to step in here to provide more guarantees to protect British seafarers' jobs and apprenticeships for the future."

Mr Cash said DP World is due to pay a $332m dividend to shareholders later this month, which would easily cover the cost of the savings it is seeking to impose on ratings.

A statement from P&O Ferries said: "In these extremely challenging and unprecedented times, we are working hard to secure support totalling just over £250m to safeguard jobs and the viability of the business, so we can keep critical goods flowing. That requires the support of all stakeholders, including the UK government.

"Today we have started presenting proposals to the unions whose support is also absolutely essential. They need to work with us to implement these changes urgently, otherwise the business will run out of cash and even more jobs will be lost."

The UK government has yet to confirm whether British-based seafarers employed by offshore entities, such as P&O Ferries (Jersey), will be eligible for support paying 80% of wages for furloughed staff through the coronavirus job retention scheme.

WHAT TO WATCH

World leaders pressed to resolve crew change crisis

GOVERNMENTS worldwide should come together to identify seaports and airports where crew changes can resume, a group of maritime bodies has argued, as they fear that marine accidents and disasters will exponentially rise as more seafarers get stranded for longer at sea.

The International Chamber of Shipping and International Transport Workers' Federation issued this stark warning in a joint letter addressed to G20 heads of state and transport ministers on Tuesday.

The joint letter highlighted the fact that the movement of seafarers and marine personnel, including crew changes, is essential to a functioning international shipping industry responsible for moving the bulk of goods — medical supplies, food, energy, raw materials and manufactured products, to name a few.

It called on the G20 policy-makers to honour a commitment declared on March 30 to jointly explore ways for air, sea and land freight to remain open without undermining efforts to contain the coronavirus contagion.

Professional seafarers and marine personnel should be designated as "key workers" providing an essential service.

They should be granted appropriate waivers from national travel or movement restrictions to enable them to join and leave ships, the two industry bodies argued.

Every month, about 100,000 seafarers need to be changed over from the ships which they operate, the two major organisations reiterated in their letter.

But with the restrictions and health protocols imposed by many states with regards to air travel and the disembarking and embarking of seafarers, many crew changes may need to be postponed at least until next month.

The ICS and ITF flagged the pressing concern over the physical and mental health of seafarers that have already been at sea for several months in a row.

"Tens of thousands, whose tours of duty have to come to an end, are waiting to be repatriated. We could soon reach a point when flag state administrations may no longer be willing to grant them extensions to stay on board the ships."

Further to this, restrictions that inadvertently prohibit crew changes would exponentially raise the probability of marine accidents and disasters happening, a daunting scenario for an already fragile and stretched global economy.

The two industry bodies argued for governments and relevant stakeholders, including airlines, to come together to facilitate the movement and changeover of ships' crew.

"We call on all governments to identify ports in their countries, and appropriate airports nearby, from where crew changes can be resumed as soon as possible, and to inform the International Maritime Organization and the International Civil Aviation Organisation accordingly.

"We also call on governments, in the event of medical emergencies, to provide visiting seafarers with access to emergency medical treatment ashore and, if necessary, to facilitate emergency repatriation as required by the ILO Maritime Labour Convention, 2006," they said.

Seafarers suppers fed by triple barrel supply pipeline

AT a time when globalisation is falling out of favour, Jens Holger Nielsen is adamant that his company's worldwide network is essential in order to keep international trade moving by ensuring those working at sea receive the provisions they need.

With tens of thousands of seafarers trapped on ships, and many more on offshore installations, because of widespread restrictions on crew and personnel changes, the challenge of supplying food and other essentials requires meticulous preparation and numerous back-up plans, says Mr Nielsen, group chief executive of the ships services company Wrist.

That in turn is dependent on what Mr Nielsen calls "a triple barrel supply pipeline", with sites able to source supplies locally, regionally, or globally.

Most businesses that provide stores for ships or offshore platforms are either local or at best regional organisations, but with the spread of the coronavirus starting to disrupt distribution systems, the ability to tap into a strong global supply line is necessary in these unprecedented times, according to Mr Nielsen.

"Now is the time to prove we are there for the people at sea.... to deliver what they need in order to keep going," he says. "They are completely dependent on us."

As the undisputed leader in this sector with an estimated market share of 10%-12%, and with strong owners in contrast to some of the smaller players, Wrist is already seeing business grow as the pandemic underlines the need to be well-resourced. Privileged supplier relationships are another advantage.

"We already today have a number of large customers working with us under more framework type of agreements, which is much more efficient for both parties and which secures supply planning better. We have seen this accelerating under the current circumstances", says Mr Nielsen.

The Denmark-based company, which is owned by the Scandinavian private equity fund manager Altor, has 26 sites around the world from which it can provide supplies, located in North America, Europe, the Middle East and Asia.

"As the only company in our industry, we have a completely global footprint as well as a robust supply chain, and were very early out of the starting blocks to protect our organisation and business continuity, and so far so good, we believe we have all the measures in place to continue supplying vessels globally under increasingly challenging circumstances," says Mr Nielsen.

Wrist started to build up stocks before the disease worsened into a pandemic, and also updates on a daily basis a heat map of Wrist's global supply capability in order to immediately detect any potential issues. Staff can see in real time where there may be bottlenecks or shortages.

That way, if stores are running low in one location, alternative arrangements can be made to provision the vessel at its next port of call although this has not yet been necessary.

Food is sourced from all over the world, with Wrist buying some 3,000 containers of food and other supplies a year that can be distributed between its 26 sites. While balancing sustainability considerations, airfreight will be used when necessary but predominantly for urgent vessel spare parts.

In these difficult times, there may be occasions when the exact produce ordered is in short supply, but customers have been very understanding, according to Mr Nielsen, and no crews have gone without provisions.

"We see bumps and strained supply chains here and there but nothing we have not been able to handle," Mr Nielsen notes. "We do, however, see food inflation."

The former chief executive of Samskip, and managing director of Maersk Line UK, believes his background is proving particularly useful, giving him a good appreciation of customer requirements in these difficult times.

As the coronavirus spreads, there have been reports of officials in some ports trying to block deliveries of certain supplies to ships, thinking it is bound for export markets.

“But they soon understand, once we explain that the provisions and supplies are for the seafarers on board, and if that is not allowed, then global supply chains stop,” says Mr Nielsen.

Wrist makes around 80,000 deliveries a year to some 13,000 vessels of all types, from tankers, bulkers, containerships, ferries, cruiseships to offshore vessels and platforms — all through its three main divisions — Wrist Ship Supply, Garrets for vessel budget management and Strachans for offshore work.

The challenge now is to second guess where shortages may occur in the food supply chain, as agricultural work is disrupted by the coronavirus, and make sure there are alternative supplies.

”That is where our global footprint is an enormous benefit and we spend a lot of time solidifying our supply chain from all angles,” says Mr Nielsen.

“Because if we cannot get food to the crew on board ships, then it is game over — or at least a very different ball game.”

OPINION

Virus may expedite transformation of class, says BV's de Tugny

CLASS societies were undergoing a transformation even before the coronavirus outbreak struck.

One element of this change was a shift to a risk-based approach to testing and inspection, with a focus on the most critical areas of a ship’s structure. This is “an important driver of class in future”, believes Matthieu de Tugny, president of Bureau Veritas’ Marine & Offshore division.

Mr de Tugny was country chief executive in France before being stationed in the US and Singapore, arriving back in Paris in 2015 as senior vice-president responsible for the offshore sector. A year ago, he stepped up to executive vice-president, adding the marine sector to his portfolio.

He describes the class society as “resilient” in the face of the global pandemic.

There is no talk of laying off or furloughing staff yet because a backlog of work has still to be digested. However, BV is encouraging its employees to take their leave during the crisis so they are available when lockdown measures are released.

Most employees are working from home, and the development of technology to enable this has advanced rapidly.

Mr de Tugny cites as an example an engine testing project, recently completed, involving BV staff in France, Germany and China — where the test took place. Such remote working is necessarily changing the perception that millions of air miles must be accrued every year in order for testing, inspection and certification to be carried out.

A month ago, BV opened its first remote survey centre, located in Rotterdam, a major maritime hub and port city. The centre will focus on supporting remote service delivery, with imagery and real-time video connecting ships with remotely located surveyors. It shows, Mr de Tugny affirms, that the ability to deliver class services without a surveyor being physically present is now a reality.

Rotterdam will be followed by centres in Miami, Piraeus, and Singapore — possibly also Dubai — to cover all the time zones.

Remote surveys are just one part of a developing package, Mr de Tugny says. The move from 2D to 3D modelling, and the link between visual and structural models, is being rolled out.

The arrival of drone inspections, the ability to combine technologies to anticipate corrosion, and the ability to analyse all the data generated by ships to enhance energy efficiency all speak of a new approach to risk by class.

Traditionally, class societies recruit from ship engineers, naval architects and others with a maritime background; the need now, Mr de Tugny says, is to recruit skills from a range of industry and technology sectors, such as IT. “We are educating surveyors — one of the strengths of BV is that we can draw on resources from across the group because existing resources [in Marine & Offshore] are not enough.”

BV has more than 100 people in India developing marine solutions, however all these skills must be co-ordinated. “Drone inspections must involve both junior surveyors with an aptitude for using the new technology and also experienced surveyors who know the risky areas of the ship.”

In parallel with this technological transformation, BV is working more closely than ever with clients, staying abreast of regulation and maintaining compliance.

Compliance with ever-changing regulations is one of the three key challenges Mr de Tugny believes the industry faces.

The others are increasingly volatile markets and the urgent push to make shipping cleaner and greener. The role of class is to work in partnership in the development of new fuels such as ammonia and biofuels, analyse the feasibility of new technology, and anticipate likely change.

It is a “collective approach” that was well in train before the coronavirus outbreak, and which will only be enhanced by it. With technology available for new ways of meeting, Mr de Tugny sees transformation for both class and the wider maritime sector as inevitable.

Online training is a challenge for teacher and technology

TRAVEL restrictions imposed by governments in response to the coronavirus outbreak have prompted a reassessment of maritime education and training.

The favoured solution has been to accelerate the shift from classroom to online training. While this brings many benefits, online teaching involves skills that are not always available to traditional classroom teachers, according to Raal Harris, managing director of Videotel.

“Some teachers are not web savvy,” he said. “You have to look at any time of crisis as a time of change, and ask: what are the options?” Mr Harris is putting together a webinar on running online sessions.

While it is assumed that all students have access to the very latest technology, this might not be the case. It is important to invest time in a technical induction, to make sure online students understand how to get the audio and visuals working. The teacher should find out what experience each student has already gained in order to bring the virtual class to a similar level before the class meets.

“The teacher must handle people at all levels. About 15 minutes of each session can be lost when microphones fail or students talk over each other,” he said, adding that most online sessions — teaching or meetings — only seem to aim at half the people in the room. “It’s so important to utilise the time together well.”

Mr Harris believes that online training is more than “doing the same things in the same way, then putting it online.” He suggests pre-recording the training, editing it, cutting in videos and multimedia resources. “It’s all about exploring the various costs and benefits.”

The first session should only begin when all the students are ready, he recommends.

Online training is unlike classroom training. All teaching is mentally and physically tiring, but while classroom teachers can walk around the room, online teachers can’t.

“Online, they do two jobs: teaching and managing the room. That’s made even harder when students ask questions via a chat box. The teacher focusing on slides sometimes forgets to look for inbound questions.”

A classroom teacher has a variety of techniques to keep students engaged. However, these techniques don’t work so well online.

Other ways to test engagement must be created, such as setting up break-out groups with small groups of students, setting tasks outside the virtual class, polling them to seek a direct response, allowing times for questions, or having a session moderator alongside to ‘manage the room and field the questions.’ It’s not possible to leave all the questions to the end of the session.

Mr Harris trained as a language teacher and encouraged his students to get deeply involved in each session. “I challenged them to think and to apply that knowledge." It is the same for online training.

The key is ascertaining the degree of experience offered by students and the level of technology available to them.

One of the issues for maritime is finding experts to train in the new subjects being created with increasing frequency. Students are no longer seeking a certificate that will secure them in their career, rather they want a job. So the question becomes how should the success of online training be measured.

"Success is extremely difficult to prove," Mr Harris conceded. "There's the traditional measure of academic attainment, whether a student deserves a certificate. However, the real measure is demonstrating that things are being done differently."

ANALYSIS

China to strengthen position as world's biggest shipbuilder

TOTAL shipbuilding output this year is 122m dwt, up 24m dwt from last year, according to Lloyd's List Intelligence's latest Shipbuilding Outlook report.

However, due to the outbreak of the coronavirus, the preliminary forecast for May has already been reduced to 100m dwt, Lloyd's List understands.

Based on the April estimates, China was predicted to deliver some 45m dwt this year, which would be the country's biggest share of the global total shipbuilding production since 2013. This is likely to be revised down to 42m dwt in the next update.

South Korea's deliveries were expected to grow by 5.8m dwt to 38.4m dwt, an 18% rise, but the country has been hardest hit as a result of coronavirus-related cancellations and this could see total output drop to 26m dwt, down from 32.6m dwt last year.

Japan was initially forecast to deliver 24.1m dwt, unchanged from 2019, but that number is now expected to fall to 20m dwt.

New orderbook information is not yet available, so all of the figures from this point on will be based on forecasts presented as of the end of March 2020.

The global orderbook for 2020 is 369m dwt. Of that total, the tanker and bulker sector has almost 159m dwt, followed by general cargo with 148m dwt and container and ro-ro with 49m dwt.

The global orderbook is forecast to shrink by 73M dwt (25%) in 2020 due to high deliveries and low ordering, according to Lloyd's List Intelligence data.

This decline will be highest in the tanker and bulker and general cargo segments where the orderbook will shrink by 33m dwt and 26m dwt respectively. The orderbook for container and ro-ro is set to drop by 11m dwt, while offshore and service will shrink by 3m dwt.

The tanker orderbook of 1,839 vessels comprises of 550 ships in the chemical/product segment (29m dwt), 519 crude tankers, which, as would be expected, is the largest segment in terms of capacity with 97m dwt, and 309 vessels in the pure chemical tanker segment (6.6m dwt).

Korea has the largest orderbook in the tanker segment, with 733 vessels (82m dwt), while the Chinese orderbook stands at 677 vessels (49m dwt). The third-largest orderbook is the Japanese, with 191 ships (14m dwt).

Comparing the average size of the vessels in the Korean orderbook to those in the Chinese, the Korean orderbook is at an average of 112,000dwt while the Chinese is 72,000dwt.

China has the highest share of the total orderbook in terms of capacity with 48%, around 178m dwt, followed by South Korea with 119m dwt — a 31% share. The Japanese share has dropped by two percentage points compared with 2019 with 14% (51m dwt).

In terms of the number of ships currently on order at shipyards, which Lloyd's List Intelligence pegs at 6,397 vessels currently, China also dominates with 42% or 2,658 in total. This, however, is down 2% compared with 2019.

China's orderbook is dominated by bulkers with 1,136 ships, along with 667 tankers and 463 container and ro-ro ships. In terms of dwt capacity, bulker and general cargo accounts for 58% of the total (104m dwt), followed by tankers with 27% or 48m dwt.

The total number of vessels on order at China's shipyards is twice that of the second and third-placed regions. Europe has overtaken South Korea to have the second biggest orderbook with 1,127 vessels, compared with 996 vessels in the Asian country.

US tipped to become net importer of crude oil and petroleum products

THE US will relinquish its current status as a net exporter of crude oil and petroleum products in the third quarter of 2020 and remain a net importer for the foreseeable future, according to the US Energy Information Administration.

In its latest Short-Term Energy Outlook, released on Tuesday, the EIA said its forecast results from higher net imports of crude oil and lower net exports of petroleum products. Net crude oil imports are expected to rise due to there being fewer barrels available for export as US crude oil production declines.

Net exports of petroleum products will be at their lowest in the third quarter of 2020, when a significant decline in US refinery runs is expected.

The EIA said the April edition of the outlook is subject to heightened levels of uncertainty due to the evolving nature of the impact of the coronavirus outbreak on energy markets.

Brent crude oil prices averaged $32 per barrel in March, a decrease of $24 per barrel from the average in February and the lowest monthly average since January 2016.

The EIA predicts Brent crude oil prices will average $33 per barrel in 2020, $10 per barrel less than in last month's STEO and down from an average price of $64 per barrel in 2019.

Average Brent prices will rise to an average of $46 per barrel in 2021, which is still $10 per barrel less than last month's forecast, as declining global oil inventories puts upward pressure on prices.

The EIA estimates global consumption of petroleum and liquid fuels averaged 94.4m barrels per day in the first quarter of 2020, a decline of 5.6m bpd from the same period in 2019.

It expects that global demand for petroleum and liquid fuels will decrease by 5.2m bpd in 2020 from an average of 100.7m bpd last year before bouncing back by 6.4m bpd in 2021.

Lower global oil demand growth for 2020 reflects growing evidence of significant disruptions to global economic activity along with reduced expected travel globally caused by the coronavirus outbreak.

The EIA predicted that global liquid fuels inventories will grow by an average of 3.9m bpd in 2020 after falling by about 200,000 bpd in 2019.

Inventory builds will be largest in the first half of 2020, rising at a rate of 5.7m bpd in the first quarter and increasing to 11.4m bpd in the second quarter due to widespread travel limitations and sharply reduced economic activity.

As the global economy begins to recover, stronger demand growth and slower supply growth will contribute to global oil inventory draws beginning in the fourth quarter of 2020. Global liquid fuels inventories will decline by 1.7m bpd in 2021, the EIA forecasts.

The EIA also forecasts significant decreases in US liquid fuels demand during the first half of 2020 as a result of travel restrictions and significant disruptions to business and economic activity caused by the pandemic.

The largest impact is expected in the second quarter of 2020, before gradually declining in the following 18 months.

US gasoline consumption is expected to fall by 1.7m bpd from the first quarter of 2020 to an average of 7.1m bpd in the second quarter, before climbing back to 8.9m bpd in the second half of the year.

Jet fuel consumption will fall by 400,000 bpd from the first quarter of 2020 to average 1.2m bpd in the second quarter.

The EIA said US distillate fuel oil consumption will see a smaller decline, decreasing by 200,000 b/d to average 3.8m bpd over the same period.

It forecasts that US gasoline consumption will average 8.4m bpd in 2020, down 9% compared with 2019, while jet fuel consumption will fall 10% and distillate fuel oil consumption by 5% over the same period.

The EIA forecasts US crude oil production will average 11.8m bpd in 2020, down 500,000 bpd from 2019. In 2021, the EIA sees US crude production declining further by 700,000 bpd.

The Henry Hub natural gas spot price averaged $1.74 per million British thermal units in March as unusually warm temperatures in March reduced heating fuel demand, which put downward pressure on prices.

In the view of the EIA, prices will begin to rise at the end of the second quarter of 2020 as US production declines and use for power generation increases demand.

It thinks Henry Hub natural gas spot prices will average $2.11 per million British thermal units in 2020 and then increase in 2021, reaching an annual average of $2.98 per mmBtu due to lower production than in 2020.

It also expects residential consumption of natural gas to average 12.9bn cu ft per day in 2020, a decline of 5.8% from the 2019 average due mainly to unusually warm weather in the first quarter.

As a result of warm weather and the slowing economy, the EIA believes commercial consumption of natural gas will average 9bn cu ft per day in 2020, a decrease of 7.1%.

Industrial consumption of natural gas will average 22.9bn cu ft per day in 2020, roughly the same as in 2019. The EIA said its industrial forecast was down from the March STEO of 6.5% growth.

In 2019, US dry natural gas production averaged 92.2bn cu ft per day and the forecast for natural gas production is an average of 91.7bn cu ft per day in 2020.

Monthly production is expected to fall from an estimated 94.4bn cu ft per day in March to 87.5bn cu ft per day in December. The Appalachian and Permian regions are likely to see the greatest declines in natural gas production.

In the Appalachian region, it said, low natural gas prices are discouraging producers from engaging in natural gas-directed drilling, and in the Permian region, low oil prices reduce associated gas output from oil-directed wells.

Total US working natural gas in storage ended March at 2trn cu ft, 17% more than the average for 2015-2019. In the STEO, inventories are expected to rise by 1.9trn cu ft during April through October season to reach about 3.9trn cu ft by the end of October.

The EIA expects US exports of liquefied natural gas to average 6.6bn cu ft per day in the second quarter of 2020 and 6bn cu ft per day in the third quarter of 2020.

It sees exports of LNG in third-quarter 2020 as 300m cu ft per day lower compared with the March STEO forecast due to lower expected global demand for natural gas.

MARKETS

US containerised imports to remain significantly low for months

IMPORTS at major US retail container ports dropped to their lowest level in five years during March, and are projected to remain "significantly" below normal levels through early summer, according to a report issued by the National Retail Federation and Hackett Associates.

"We are seeing far fewer imports" coming into the US than previously expected even as factories in China have resumed work, NRF vice-president for supply chain and customs policy Jonathan Gold said.

He said many US stores were closed and consumer demand had been hit, with millions of Americans out of work. Still, there were "essential items" that are "badly needed" and "cargo may sit longer than usual" because of the store closures, causing other impacts to the supply chain.

Hackett Associates founder Ben Hackett said the coronavirus pandemic is “unravelling the economy nationally and globally” as most of the world moves towards a lockdown entailing closure of significant portions of the service and manufacturing industries.

He said “the largest drop” was forecast for the first half of this year but the second half “may not be in better shape” due to uncertainty about the “length of the lockdown and extent of the pandemic”.

US ports covered by their Global Port Tracker report were down 1.51m teu in February, 17% lower even than January and down 6.8% year over year.

The report acknowledged that February numbers were “normally” lower than January due to annual factory shutdowns in China for lunar new year celebrations but that “the shutdowns lasted longer than usual” this year due to the coronavirus outbreak.

The report estimated that March imports would plunge to 1.27m teu, down 21.3% year on year and the lowest level seen since 1.21m teu of imports in February 2015 during a labour dispute at US west coast ports.

April is forecast at 1.44m teu, down 17.6% year on year; May at 1.48m teu, down 20.1%; June at 1.41m teu, down 21.4%; July at 1.61m teu, down 18.2%, and August at 1.72m teu, down 12.5%.

The first half of 2020 is forecast to total 8.93m teu, down 15.1% from the same period last year. Before the extent of the pandemic was known, the first half of the year was forecast at 10.47m teu.

The Global Port Tracker report is produced for the NRF by Hackett Associates and covers the ports of Los Angeles/Long Beach, Oakland, and Seattle/Tacoma on the US west coast.

On the US east coast, it includes the ports of New York/New Jersey, Virginia, Charleston, Savannah, Everglades, Miami and Jacksonville. On the Gulf coast, it covers Houston.

US LNG exports to China start to flow again

ENCOURAGING signs of trade normalisation are beginning to emerge as China is reported to have started granting tax waivers to some liquefied natural gas importers, resulting in shipments of US LNG starting to make their way to the giant Asian consumer.

Reuters cited trading sources as saying that the Chinese government has started granting the waivers to some importers of US LNG on a commodity that had seen tariffs being jacked up to 25% during the Sino-US trade tensions last year.

Exactly which companies received the waivers and by how much the tariff was cut was not immediately clear.

Reuters cited tracking data as showing that four LNG carriers, *SK Resolute*, *Cool Explorer*, *Höegh Giant* and *Palu LNG,* are making their way towards China with expected arrivals between late April and early May.

Lloyd’s List Intelligence data shows that *SK Resolute* is heading for the northern China hub of Tianjin after having left the Cameron LNG plant on the US Gulf coast.

The data also shows *Höegh Giant* had loaded at the Sabine Pass LNG terminal, also in Lousiana on the Gulf coast, and is headed for Tianjin as well.

Palu LNG loaded at the Corpus Christi LNG plant and is also signalling an arrival in Tianjin in the second half of April.

Cool Explorer, while having loaded at Sabine Pass, has signalled China as a destination but left the exact port ambiguous.

Tianjin is a major LNG hub for the north China region, with state-owned companies CNOOC, Sinopec and PetroChina all having facilities there. This is the first time since March 2019 that LNG shipments from the US to China have resumed after the trade tensions between the two economic giants.

IN OTHER NEWS

Unions call for clarity on furlough fears

SOME seafarers may be ineligible for the UK's furlough scheme as stricken companies lay off workers, according to maritime unions.

RMT and Nautilus International said the British government had not made it clear whether seafarers, many of whom are on offshore contracts, can access the scheme.

The Coronavirus Job Retention Scheme pays workers 80% of their salaries up to £2,500 ($3,080) a month.

BP's force majeure claim hits Golar LNG

BP's bid to invoke coronavirus-linked force majeure on the delivery of the *Gimi* floating liquefied natural gas unit has prompted a downgrade on Nasdaq-listed Golar LNG's equity value.

BP has served a Golar LNG subsidiary a force majeure notice on the lease and operate agreement for the *Gimi* FLNG unit being converted at Singapore-based Keppel Shipyard.

The energy giant has claimed that as a result of the recent coronavirus outbreak around the globe, it is not able to be ready to receive the *Gimi* FLNG by the target connection date in 2022.

ABB and HDF to partner on deepsea fuel cell systems

TECH vendor ABB is partnering with Hydrogène de France on the development of megawatt-scale fuel cell systems that could power oceangoing vessels in an effort to commercialise the zero emissions technology.

Switzerland-listed ABB announced on Wednesday that it has signed a memorandum of understanding with the French hydrogen technology firm to assemble and produce a fuel cell power plant for marine applications.

The fuel cells system will be based on the megawatt-scale fuel cell power plant jointly developed by ABB and fuel cells solutions provider Ballard Power Systems, a collaboration that was launched in mid-2018.

Cancelled sailings cause 69% drop in throughput for Long Beach

LONG BEACH continued to feel the economic effects of the coronavirus outbreak in March with more cancelled sailings and a decline in cargo containers shipped through the nation's second-busiest seaport.

Port of Long Beach executive director Mario Cordero said the coronavirus outbreak was "delivering a shock" to the supply chain that continued to ripple across the US national economy.

The port saw 19 cancelled sailings in the first quarter of 2020, contributing to a 6.9% decline in overall cargo shipments compared to the first three months of 2019.

Pacific Basin pulls plug on second-hand acquisitions

HONG KONG-based small to medium-sized dry bulk vessels operator Pacific Basin Shipping has decided to cease any secondhand bulker purchases and reduce its exposure to long-term charters due to the coronavirus pandemic.

"In light of the current unprecedented market uncertainty and out of caution, we are now pausing our strategy of growing our owned fleet with larger, high-quality secondhand acquisitions, unless we find particularly compelling opportunities," chief executive Mats Berglund said in the company's first-quarter trading update.

The company took delivery of three modern secondhand vessels — one handysize and two supramaxes — during the quarter, which it had agreed to purchase in 2019.

Total seals LNG-fuelled tankers charters with AET

TOTAL is continuing its commitment to liquefied natural gas while leveraging on the expertise of established energy logistics player AET, with the signing of a time charter for two newbuilding LNG-powered dual-fuel very large crude carriers.

AET announced the agreement with Total subsidiary Chartering and Shipping Services for the newbuildings, which are scheduled to be delivered from the first quarter of 2022. Charter duration and rate details were not disclosed.

AET chairman and president and group chief executive of MISC Yee Yang Chien highlighted the group's robust sustainability agenda. "Today's agreement with Total takes us a step further in delivering on that agenda," he said.

Cyprus and South Korea join Qualship 21 list of élite flags

CYPRUS and South Korea have joined the ranks of flag states eligible for the Qualship 21 programme run by the US Coast Guard and reserved for those with the best compliance record in US ports.

Vessels under flags in the list of top-performing registers, on the basis of a three-year rolling average, are likely to be inspected less frequently by the USCG.

At the same time, Cyprus, India and Turkey were removed from the list of targeted flags, having had no more than one detention over the past three years.

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