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Floating storage at record levels as tanks fill up on land

CRUDE STORED ON tankers surged to a record 163m barrels after a volatile week in global oil markets left traders and refiners scrambling to offload surplus oil.

Some 114 tankers, including 59 very large crude carriers, are now deployed for floating storage for the week ending April 24, the most in records dating from 2009, according to data from Lloyd's List Intelligence.

Volumes have gained 37% in two months as the coronavirus pandemic cut global crude consumption by a third, depressing oil prices to the lowest in more than 20 years and overwhelming land-based storage capacity.

Floating storage is defined as any tanker actively trading that has been at anchor or not moving for 20 days or more.

The data has yet to reflect widespread discharge delays at ports because of shrinking land-based storage capacity, extended tanker voyages around the Cape of Good Hope, and greater volumes of distressed cargoes that remain unsold on vessels at anchor.

The Lloyd's List Intelligence floating storage data is also inflated by some 45-plus cargoes of Iranian crude, stored by National Iranian Tanker Co.

These tankers are unable to trade because of US sanctions. When removed from the tally, volumes in floating storage total some 76m barrels, data shows.

Floating storage is likely to soar well above these volumes in coming weeks as tanks fill up shoreside and the contango in the oil price widens. Time charters for periods ranging from three months to 12 months has accelerated with tankers expected to be used for storage leading into the northern hemisphere summer.

“Not all time charters are being done with storage options, but many have some type of element for storage which is not being exercised at the moment,” London-based Rebecca Galanopoulos Jones from Alibra Shipping told Lloyd’s List.

“The focus is on time charters for three to six months, just to keep a focus until the summer and then see what will happen.”

The chaos and volatility in oil markets translated to an unexpected rate rally for both clean and dirty tankers over March and April that is now extending to May.

Despite the unprecedented collapse in demand, exports of crude and refined products have remained steady, at the same time as traders seek to secure tonnage for floating storage charters.

Clean tanker spot earnings reached record levels this week above $150,000 daily for long range two tankers, and nearly $90,000 daily for medium-range tankers according to assessments from London bourse, the Baltic Exchange.

Six-month time charter rates for suezmax tankers are now benchmarked at $55,000 daily, and above $85,000 daily for VLCCs, more than double figures at the start of 2020.

“Considering that more cargoes already on the water are struggling to find buyers, clean and dirty tankers are being forced to anchor off major refining and consuming regions and wait on costly demurrage,” Alphatanker said in a report published this week.

Build-ups are seen for North Sea and Russian Urals in northwest Europe, West African, Russian and US barrels in the Mediterranean, as well as domestic grades off West Africa, according to the research arm of Paris-based shipbroker BRS.

VLCCs chartered by Saudi shipowner Bahri have also waited up to three weeks off the Sumed pipeline at Ain Sukhna, Egypt, because of storage issues, vessel-tracking data show.

US Gulf-loaded medium-range tankers laden with gasoline are also delayed discharging on the east coast of Mexico because land-based storage is at capacity. Floating storage is also rising along the US West Coast as a shortage of commercial tanks there prevents tankers discharging crude cargoes.

Alphatanker estimates that floating storage will peak in late May or early June. The US Gulf will become a further storage hub for stranded tankers, the report said.

Some 19 VLCCs laden with Saudi crude are now sailing for the region and anticipated to arrive during May, for which buyers are unlikely. At the same time as demand for gasoline and other transport fuels has fallen to 29-year lows in the US, as refinery utilisation plunged 22% in a week to 68%, according to the US Energy Information Administration. That is the lowest on record going back to 1990.

Oil traders are also taking tonnage for contango plays, profiting when the spot price is lower than the future price. That allows crude to be bought and stored for sale at a later date. Based on the current spread in Brent crude, traders can make a profit of about $3.1m for a six-months storage play, and as much as $17.1m for a 12-month period, excluding cost of carry.

WHAT TO WATCH

Shipmanagers focus on crew morale as borders remain closed

SHIPMANAGERS are trying to boost morale of crew stuck on board ships indefinitely beyond their contracts, given that more than two-thirds of the world is restricting travel to limit the spread of the deadly coronavirus.

To combat stress and anxiety and promote well-being, shipmanagers have introduced measures focused on extra activities such as games and competitions or having barbecues. Most have allowed free calls home with increased broadband so that crew can keep in touch with loved ones. Access to helplines for counselling and advice and to round-the-clock medical staff is also on offer.

Besides keeping active with some form of exercise, the crew welfare charity Iswan has also recommended quiet time, for prayer and meditation, inviting seafarers to draw on strengths. Limiting news consumption was also encouraged in the face of the invisible threat.

Singapore-based Thome Group, which provides full technical management to about 200 ships, has some 5,500 crew at sea at the moment, 11% of which are now on overdue contracts. This will increase to 18% by the end of May.

Chief executive Olav Nortun told Lloyd's List that extended time on board will be a challenge.

"Fatigue risk is definitely there," he said, and the company is carrying out regular health checks and running drills so that crews are able to manage the situation.

"To keep the crew occupied and take their minds off the crisis, we've arranged a different kind of weekly activity with rewards at the end of it, such as photo competitions, best effort in maintaining Covid-19 preparedness, or best workout session," the executive said.

"It's all about engagement, reaching out to them."

For now, a positive takeaway is that port delays and fewer inspections actually lessens the stresses faced by the crew, he noted.

V. Group's director for health and safety Matt Dunlop, in a recent BIMCO webinar, said that crews understand the situation and are coping, although that could change in a few weeks time, if the contracts are extended further.

"Prolonged periods at sea significantly increases mental well-being issues of seafarers and jeopardises the safety of the vessels they sail on," he said. The company manages 600 ships.

"Governments need to adopt policies to allow movements of seafarers," he said, adding that progress is being made for an industry repatriation alliance, although it is just a concept at this stage.

Safety concerns

Human Rights at Sea, a UK-based charity, said it has been receiving feedback from seafarers, with at least nine crew members overdue for relief who are fatigued, both mentally and physically, and under enormous psychological pressure to safely execute their shipboard responsibilities.

The common threads of concern besides mental exhaustion and safety on board, focuses around fears about being stranded, unable to get home to support their families, according to the statement. Depression may be setting in for some.

One seafarer, who was not identified, said that he had been on board for six months already, two months beyond his usual contract term.

Despite calls by the shipping industry to designate seafarers as key workers, exempt from travel restrictions during this global health crisis, no decision has yet been taken and there is no clear and consistent approach. Even within a country, rules differ from state to state, posing immense challenges for logistics operations.

Even if seafarers can get to airports in their home countries, onward travel may be difficult.

Discussions regarding repatriation are ongoing, said a spokesperson at the International Maritime Organization. Its secretary-general Kitack Lim recently issued a statement in which he said the inability to resupply or repatriate crews concerned him greatly.

The IMO has appealed to governments to take a pragmatic approach.

Some governments have responded, slowly opening up ports, even if only for nationals, but it is a rapidly changing landscape in which a second wave of inspections may again block any movements.

China is stepping up crew change efforts, while India's government has provided some relief, allowing "controlled" crew changes. That means testing during sign-in and sign-off and transit passes being issued with fixed routes and time validity.

South Korea, in an emailed statement to Lloyd's List, said that it was allowing all seafarers, irrespective of nationality, to freely move within its territory, provided they undergo screening and quarantine.

"If other countries follow in the footsteps of this approach, the collective and concerted global actions will surely help to win the fight against the coronavirus crisis."

According to Thome, it has managed to make some crew changes in Hong Kong, Singapore, Gibraltar, Houston and some Chinese ports for Chinese nationals. Philippines, where the majority of its crew are from, is only partially open.

Repatriation will naturally bump up costs to operate the vessels, said Mr Nortun, but this depends on how long quarantines will last, how long hotels will be needed for and how much the flights will cost.

“We can’t repatriate everyone at the same time” for operational reasons, he said, noting that the industry working together for a common goal was a good thing.

Hong Kong-based bulker operator Pacific Basin said it lobbied for disembarkation restrictions to be lifted at ports due to the significant operational challenges it posed. Not all its crew were happy about the uncertainty in their relief caused by the government restrictions.

Fleet Management, also based in Hong Kong, said its monthly average crew change numbers were 1,600 for Singapore, 600 for Hong Kong and 400 for Houston.

The industry needed a unified and consistent crew change protocol, according to managing director Kishore Rajvanshy, who stressed that mental health was the biggest concern.

For China Navigation, part of the Swire Group, its monthly crew changes are 270 and some of its crew have already exceeded their maximum contracted tour duration. Its usual hubs are Dubai, Singapore, Istanbul, Hong Kong, Shanghai, Pusan and Tokyo.

Cash advances could help seafarers ride out the difficult time, as a way of reducing some of the stress.

Greek ferry operators seek urgent aid

GREEK ferry operators are seeking extra aid from the government as a study estimates the sector will need up to €30m ($32.4m) a month if it is to survive the coronavirus crisis.

“Immediate and real support” for the sector is required to avert collapse, the Association of Greek Passenger Shipping Companies has warned.

It has asked for the state to cover the operating losses for vessels that are running services.

With only 31 of its 85 member vessels currently operational, the association has also called for the state to reimburse costs incurred by those that are idled in port.

Other demands include increased rates for those ships already fulfilling public service contracts

The measures should apply to vessels serving Greece-Italy routes as well as domestic trades, owners said.

Greece this month announced a €15m aid package, which the association described as being too little and unclear in duration.

XRTC, a specialist consultancy which analyses Greece’s ferry sector, said that the economic difficulties confronting the sector amounted to a “freak wave”.

It estimates that €22m to €30m a month would be needed to get the sector through the pandemic.

The study sees income from passenger traffic being halved this year, assuming that movements pick up somewhat from June onwards.

Traffic came to a virtual standstill this month and the study also allows for a 90% reduction in May before a partial recovery

For income from freight traffic, XRTC posits a 40% slump over the next six months, with a slight improvement only from October onwards.

Overall, it projects a 45% reduction in revenues for the sector this year, leaving an aggregate hole in ferries’ income for 2020 of nearly €300m.

“Greek coastal shipping, which is in the same dire position [as other European ferry operators], continues to serve exports, mainly from Crete, connects our islands with the mainland and secures relocation of migrants in order to decongest the Aegean islands,” said XRTC.

Currently, ferry operators are continuing their operations with 85% of staff working from home and just 15% at the offices, according to the study.

“Unfortunately, it is certain that this year’s summer tourist season, if any, will be much shorter than in previous years.”

It noted that the sector faced not only the question of initial survival but "just as important" how to stand on its own two feet in the long run.

In a survey of operators, the industry put funding and liquidity as the sector's chief concern, followed by reduction in demand.

Danish shipowners deeply concerned about South Korean subsidies

DANISH shipowners have criticised moves by South Korea to provide aid for its shipping industry, including container line Hyundai Merchant Marine.

In a strongly worded statement, Danish Shipping said it was "deeply concerned" about the latest example of earmarked state aid by the South Korean government.

"This follows a series of other South Korean government support initiatives, which has led to the construction of vessels, that there is currently no demand for," said Jacob Clasen, executive director of Danish Shipping, the association that represents the Danish shipping industry.

South Korean shipping companies, notably HMM, will receive Won1.25trn ($1bn) worth of financial help from the government as it aims to help cash-strapped firms hurt by the coronavirus pandemic, South Korea's Yonhap news agency reported.

Korea Development Bank and the Korea Ocean Business Corp will spend Won470bn to repay HMM's maturing debts. The two organisations are the usual vehicles for the South Korean government to give aid to ailing maritime businesses and have injected funds into HMM at several times in the past.

The announcement from South Korea came on the same day that HMM held a naming ceremony for its first 24,000 teu containership, HMM Algeciras, the world's largest in terms of capacity, at the Daewoo Shipbuilding & Marine Engineering shipyard in Okpo.

Guests at the event included Moon Jae-in, the country's president, plus the deputy prime minister and many other dignitaries.

HMM Algeciras is one of twelve 24,000 teu class vessels scheduled for delivery between now and September,.

"The last thing we need right now, in the current economic situation, is an artificial government-induced overcapacity of vessels on the global market," said Mr Clasen. "State aid for operations and market development, in an unprofitable company, will only create market distortion and an unlevel playing field — in an already difficult market."

In the past, both Maersk chief executive Søren Skou and Mediterranean Shipping Co president Diego Aponte have criticised state support for lines that had no viable business model.

"We are of course concerned about state subsidies and clearly want to have a level playing field," Mr Skou told Lloyd's List in an interview last year.

There were companies in the sector "that do not have a viable economic model, and there are also companies that probably need more scale", he said.

Mr Aponte was equally forthright as he urged competition authorities in Europe and the US to monitor the behaviour of state-backed container lines amid fears that they may buy their way into markets through price dumping.

"As a European carrier, we cannot fight against a state-backed line that can afford to lose millions of dollars a year in pursuit of the political agenda of its government," Mr Aponte said a couple of years ago.

Danish group Maersk and Switzerland-based MSC are partners in the 2M alliance. HMM was affiliated to 2M until the start of the month when it joined The Alliance, which consists of Hapag-Lloyd, Ocean Network Express and Yang Ming.

Both Maersk and MSC are family-controlled and have not received state subsidies.

Earlier this month, Emanuele Grimaldi, head of Italy's family-owned Grimaldi Group, also warned against the danger of providing state aid for some companies and not others during the coronavirus pandemic, thus distorting the market.

OPINION

State bailouts are useful if you can get one

THE competition landscape in container shipping is never as discernible as simple black or white when it comes to the force of state interests, *writes Cichen Shen*.

Yes, fairness problems do exist, and state subsides should be given more transparency and control should probably be put under a better framework of global governance, not just for shipping but for all industries playing by market rules.

But for an individual carrier, the position it takes on the issue can be affected by many things, for example, which alliance you sit in.

It is only sensible for a 2M alliance member to be concerned about South Korean's $1bn aid to its domestic shipping sector, in which its competitor carrier HMM is a leading player.

The rescue plan was announced on the same day of the naming ceremony of HMM Algeciras, the first ship out of a dozen 24,000 teu newbuildings, which is financed by state lenders and whose godmother is the country's first lady.

No wonder the association that represents the Danish shipping industry, Danish Shipping, linked the plan yesterday with "an artificial government-induced overcapacity of vessels" and "market distortion in an already difficult market".

But HMM's fellow members in The Alliance — even the privately-run ones — may think a bit differently. They will at least appreciate the capacity reinforcement brought about by HMM's super-sized vessels, which the grouping seems to need for sharpening its edge on Asia-Europe trade.

They will perhaps also feel reassured that the renewed government backing has secured the stability of one of its major business partners — even this cannot be said loudly.

Assurance must have been felt by CMA CGM and Evergreen in the Ocean Alliance in a similar way.

This is not to say that state-owned/backed carriers or any such type of companies should be proud and confident of sucking up taxpayers' money. But it shows a privately owned carrier can sometimes also bask in the sunshine of public funds from a foreign country in the complex world of container shipping.

Is China's elusive V-shaped recovery helping shipping

CHINA's economic prospects were looking up at the beginning of this year because of the Phase One deal and last year's stimulus efforts starting to filter through to the real economy, building new hope for the shipping industry, *writes Inderpreet Walia*.

But the response to the outbreak of coronavirus has weighed heavily on global supply chains, industrial and consumer activity, as well as led to a dramatic decline in both inbound and outbound shipments.

Although the virus appears to have been contained in China and signs of a recovery are emerging, there is still a long way to go, especially as it spreads beyond China's borders.

The economic impact remains hard to quantify given that the situation is still unfolding and that governments' responses differ.

"This is a crisis like no other," says International Monetary Fund managing director Kristalina Georgieva. "Never in the history of the IMF have we witnessed the world economy coming to a standstill," she said. "It is way worse than the global financial crisis."

The first quarter of the year real gross domestic growth in China plummeted to minus 6.8% year on year from 6.0% in the final quarter of 2019, with the most significant decline noted in industry and construction growth to minus 9.6% year on year.

Both aspects of the economy, which are key to dry bulk and container demand, are still tracking well below where they were last year even after the country is reportedly heading towards normality.

Despite the rebound from very depressed levels in the first two months of 2020, continued double-digit contraction in March Fixed Asset Investment (in both infrastructure and manufacturing) growth, which drive the demand for raw materials and semi-finished industrial goods, highlights downside risks on domestic spending, even as external trade slumps in the second quarter of the year because of global lockdowns.

China's central bank has introduced a string of monetary easing measures since the outbreak struck, including two targeted reserved requirement ratio cuts for designated banks releasing a total of Yuan 950bn in liquidity, along with a relending and rediscount quota of Yuan1.8trn to support bank loans.

But this clearly is not reinvigorating the economy and triggering the V-shaped recovery widely anticipated by markets, as these steps only help to mitigate the negative impact of the pandemic, but are unlikely to be sufficient to offset a shock of this magnitude on the economy.

Going forward, if the government prioritises its GDP growth target for the year, then its most likely response will be an infrastructure- and therefore commodity-heavy stimulus which would boost the demand for shipping. But for now, the V-Shaped recovery looks elusive.

In the longer-term, coronavirus will lead to a deeper reconfiguration of supply chains as manufacturers look to mitigate a perceived over-reliance on Chinese manufacturing, especially if delays persist due to supply chain disruptions or China is not perceived as having generated a strong enough recovery in the second half of the year.

ANALYSIS

Port of Hueneme badly hit as coronavirus stalls auto production and sales

THE Port of Hueneme, located about 70 miles to the northwest of Los Angeles, has been hard-hit by the coronavirus outbreak and its prospects, as with much of the US, remain uncertain.

"About 60% of the port authority's revenue comes from automotive and around 30% plus comes from fruit," said port chief executive and director Kristin Decas. "So there is a real impact."

Ms Decas is referring to the adverse impact of the coronavirus outbreak on the global automotive industry, shutting off both supply and demand as factories and markets closed.

"Really, you are looking at two punches. One is that the auto producers have shut down. So there is a supply shortage. But on the other side you've got the showrooms shut. So there's a demand shortage as well."

Ms Decas told Lloyd's List that the double hit would be unnoticed by any visitors to the port. "It might appear to be business as usual and that is because all of the cargo is really still in the pipeline."

But the problem is visible in other ways, she said. "We're seeing an inventory back load and having to find areas to park vehicles for storage as opposed to business."

The port has had to find temporary homes for some 30,000 vehicles that have been coming through the pipeline, but finding nowhere to go as a result of the demand destruction wrought by the stay-at-home mandates of government at the local, state and federal levels.

The same orders have however opened up a temporary solution as schools and colleges have also closed, providing plenty of extra space for cars at empty car parks.

"Our local community colleges are stepping up and helping us find homes to store all these vehicles, while we wait for business to come back online," she said.

Quite when that will be, no one knows.

"We've never walked this path. Even during the recession, you didn't have a halt, a complete halt about production of the commodity," she said. "So, we are in a completely new environment and trying to quantify and measure the results."

Right now, she said, "100% of our customers have closed their manufacturing plants, both on the export and the import side of what we do. So, we're expecting a desert in two weeks on the automotive side".

By that, she meant that "we are not going to see many ro-ro ships coming to the port of Hueneme for some time until they really come back to normalise production on the automotive business side".

As to automobile factory closures, she said "they vary" with some indefinite and others coming back online "in early May". But she underscored the time lag involved in even the optimistic scenario of an early May start-up in production.

"Even if they come back in early May, I think the earliest we would see an auto from that plant would likely be mid-summer, the July/August timeframe," said Ms Decas.

"We are expecting a dry spell in automotive cargo flows to the port of Hueneme for an uncertain period that we're trying to quantify," she says, referring to automotive forecasting methodologies.

She said there is a "wide spectrum" of possible outcomes.

"So, if you look at certain forecasts that are going out there, if this goes on just a couple of months, they're anticipating automobile sales could recover in a year to 18 months.

"If the situation goes on for a year or more, you may not see that automotive consumer demand recover for a full decade? So there is a wide spectrum of what could happen."

While the port has been hard-hit in the automotive sector, it is still doing well with the other 30% or so of its business in the fruit sector since, as she put it, "everyone's demanding bananas right now".

"However, some of the higher-end commodities, such as pineapples and melons, tend to be more expensive, and they're not seeing as high demand in the grocery store," said Ms Decas.

Still, the port is counting on the demand in fruit to continue despite the ups and downs of the economy, "as most individuals will eat a banana in a recession or in a thriving economic climate".

The port of Hueneme has another thing going for it as well: substantial cash reserves to help it weather the uncertainties ahead.

"We've been able to build up our reserves to a very healthy position for the port authority so that we can endure the storm for quite some time," she said. Still, "it depends how long this dry spell goes and how long our reserves can absorb any serious dips in revenues".

In the end, it comes down to the return of supply and demand. For the port of Hueneme, the resumption of automobile manufacturing and sales cannot come soon enough. When that happens, the ro-ro ships will return.

Why is Japan holding back its entrepreneurs?

JAPAN's huge corporate enterprises have historically driven maritime innovation. However, unlike in North America and Europe, where innovation is carried forward by start-ups, it has a very small start-up ecosystem.

If Japan is to unlock the growth potential of the maritime technology sector there must be better support for local entrepreneurs and innovators, according to a report released by Thetius, a UK-based source of intelligence and research on emerging technologies in the supply chain, with the support of satellite communications business Inmarsat.

Entitled A Quiet Revolution, it notes that Japan's maritime information technology market was expected to generate revenue of $8.8bn this year, rising to $15.8bn in 2030, a much faster rate of growth than for the maritime sector as a whole.

The information technology sector covers software, hardware, communication equipment, and related services across shipownership and management, shipbuilding and ship machinery manufacture.

Despite its solid record of innovation over the past 150 years, "the dearth of start-ups in Japan as a whole, but particularly in the shipping industry, is a serious weakness in the sector", the report said.

Understanding why this is the case is key. However much they prioritise innovation, large corporations cannot compete with start-ups when it comes to speed, cost, and agility.

Working with start-ups outside Japan has proved beneficial, but engaging across international boundaries can be expensive, and there are cultural, legal, and language barriers to overcome.

Technological expertise is strong both in Japan's large corporations and small and medium-sized enterprises, but cultural pressure on young Japanese to join large corporations rather than set up on their own and a lack of easily available venture funding have combined to discourage local entrepreneurs.

There is no shortage of new ideas focused on maritime coming from Japanese businesses, large and small, the report observes. These ideas often draw on early examples of innovation "which often involves combining established technologies or disciplines to create entirely new categories", whereas in Europe and America "innovation is often viewed through the lens of creating breakthrough moments in individual, cutting-edge technologies".

As an illustration of this, the authors cite the development of the Nintendo Game Boy in 1989, which was simpler, less sophisticated, and considerably cheaper than its American rival. The Game Boy sold an estimated 118m units before it was withdrawn in 2003, compared with the rival's 3m units. The same philosophy of understanding the relationships between the physical and cyber worlds led to the development of robots and fibre optics broadband.

This thinking "perfectly suits an industry that still depends on technology that is hundreds of years old", the report concludes. It helps shipping to embrace machine learning and computer vision, while respecting the role seafarers play in vessel operations.

Even so, the economic make-up that supports corporate innovation in Japan is holding entrepreneurs back, in spite of research that shows that in the "lost decade" of prolonged economic stagnation, most jobs were created by foreign enterprises, small businesses and entrepreneurs.

There is much that is right about Japan's embracing of new technology and there is much that could and should be improved. And although the reports' authors believe Japan could create a force for innovation that be unmatched anywhere in the world, there are still cultural hurdles to overcome that run deep in the Japanese psyche.

From the home front: Reaching across the globe from Italys coronavirus hotspot

SHI.E.L.D. Services chief executive Corrado Cuccurullo has arguably held one of the toughest positions of any executive dealing with the coronavirus outbreak as he steers the helm at the head of a global bulk commodity transhipment company headquartered in Milan, but with operations in far-flung, difficult-to-access parts of the world.

Echoing a common refrain among organisations that have successfully overcome the challenges of the pandemic, Mr Cuccurullo emphasises that decisive action was the key.

He does acknowledge, nevertheless, that it has been a difficult process, noting that the Lombardy region, where Shi.E.L.D.'s head office is based, has seen almost as many cases as all the other Italian regions altogether.

"Even though Milan is one of the cities in Italy with the highest number of cases, we continue to provide our services," says Mr Cuccurullo while emphasising that flexibility is among the key strengths of the company.

"We are not a big organisation and we can take decisions very quickly that can be put in place in a very short time," he says, while revealing that Shi.E.L.D. did not actually have a specific prior plan for this situation.

For example, colleagues who travel from outside downtown Milan were quickly asked to work from home as soon as the company realised things were getting bad, even pre-empting the directives of the Italian government. "We did not have a plan for this specific case but we took immediate action as soon as we realised that the situation was going to get worse," says Mr Cuccurullo.

These steps were easily put in place because Shi.E.L.D.'s employees are used to frequent site visits and working from remote locations. The company's IT infrastructure had also been set up to enable remote access, so working from soft copies was not an issue.

Preparations were also immediately made at the operational level, with colleagues in its Indonesia branch office facilitating service on vessels under management where necessary.

They were also amply prepared for the situation, and procedures were put in place on board the vessels to ensure the safety of the crew, who were supplied with the necessary personal protective equipment, such as gloves and masks. Additionally, stores and food provisions on board were increased so they would be prepared in case of lockdowns at the ports from which they operated.

Shi.E.L.D., a transhipment logistics specialist spun off when the Coeclerici Group got out of the coal transhipment business in 2018, has projects in Indonesia and Guinea and offices in Milan, Jakarta and Dalian.

Looking back, Mr Cuccurullo says that while it is not unusual for Shi.E.L.D.'s employees to work from remote locations because of the nature of the job, which requires frequent and sometimes long trips in different parts of the world, this is first time that a situation such as this has happened and for such a long duration.

"We believe that flexibility is the key to success; this is true in general and not only for extreme cases like this one," he says.

The market requires flexibility Mr Cuccurullo says. Only by being able to quickly react and respond to its changes can clients be served.

Likewise, he believes that flexibility will help the commodities sector to quickly adapt to sudden changes such as the current coronavirus outbreak and will be able to thrive if all market players do their part.

MARKETS

Second wave of blankings could disrupt European exports

DEEPSEA networks are set to see further blank sailings in the coming weeks, which could coincide with a resumption of some business activity in Europe and put pressure on the continent's exporters.

"We think that at least some of the blank sailings that we are seeing are not just suspended sailings, that is services being suspended or merged, so these may stay with us for some time," said TIM Consult analyst Clemens Schapeler.

Moveover, moves by some carriers to reroute backhaul voyages to Asia around the Cape of Good Hope, thereby saving money on Suez Canal fees at a time of low bunker prices, is adding seven to 10 days for shippers exporting to Asia.

"Capacity is improving as we are moving out of the first wave of blankings, but it is almost certain that the second wave will hit us in approximately two weeks, which will bring about a further period of constrained capacity, lasting about four weeks, before we return to a new normal," Mr Schapeler said in a webinar.

But that new normal would leave capacity at only around 90% of what it had previously been.

"The risk for shippers is that any recovery in Europe may be unfortunately timed as the second wave of capacity cuts comes into effect," he said. "That could be an operational challenge. There are still some issues with empty equipment."

Not all industries in Europe had been affected by the lockdowns designed to prevent the spread of coronavirus, added Mr Schapeler. "For example, paper manufacturers are still at full capacity. There could be serious struggles for European exporters."

Asia-Europe westbound sailings will have seen a 12% reduction in capacity in April, according to Simon Sundboell, chief executive of Danish analyst eeSea.

The first-half reductions amount to a drop in deployed capacity of 17% to 9.5m teu compared with 11.2m teu in the same period a year earlier.

But this reduction in capacity had been critical in helping carriers maintain "relatively stable" freight rates, Mr Sundboell told Lloyd's List.

"They've managed to take out 17% capacity in Asia–Europe headhaul, which has an impact on rates. We still don't know whether, volume-wise, they are now sailing at better load factors. The fact that they have managed to take out capacity is a positive sign for lines, but I'd be surprised if the volume drop was only 17%."

Container freight spot rates recorded by the Shanghai Shipping Exchange picked up slightly this week, with the Asia-Europe rate rising by 3.2% to $753 per teu, after last week falling to $725 per teu.

"According to the latest import and export data released by Chinese customs, the total value of China's imports and exports to the EU in the first quarter of 2020 was Yuan875.9bn ($123.7bn), a year-on-year decrease of 10.4%," the SSE said.

Figures from Drewry also indicated the impact on volumes of the coronavirus pandemic. Its port throughput index fell to 108 points in February, 15.6% down month on month and 4.4% down year on year. It was the largest monthly fall since the index launched in 2012.

Europe's throughput index was down 2.7% compared with the previous month and reached 116.5 in February, although the annual fall was much lower at 1.4%, with the first wave Chinese supply-side impact expected to be most evident in the March figures.

"We expect the European downturn to accelerate in the next few months with the spread of the coronavirus into Europe supressing demand," Drewry said.

IN OTHER NEWS

UK funds ferry routes to keep supply chains open

THE UK is to provide £17m ($21m) in funding to safeguard five ferry routes between Britain and Northern Ireland.

Transport Secretary Grant Shapps said tens of millions of pounds in further funding would be made available to support more UK routes, subject to discussions with operators.

"Essential supplies are continuing to flow well, but operators are facing challenges as fewer people travelling means less capacity to move goods," Mr Shapps said in a statement.

MISC unit completes VLCC sale

AET, a unit of Malaysia's energy shipping giant MISC, is in the final stages of selling its 2006-built very large crude carrier *Bunga Kasturi Tiga*.

"AET evaluates all commercial offers on their own merits and the sale of this asset fits with our longer-term agenda of rejuvenating and maintaining a fleet of eco-efficient vessels", such as liquefied natural gas dual-fuelled VLCCs, the company said in an emailed statement.

The vessel has a carrying capacity of 300,398 dwt. The sale price was not disclosed for commercial reasons, nor was the buyer identified.

Global Container Terminals files injunction to prevent Maersk leaving

GLOBAL Container Terminals is seeking an emergency court order to stop container lines Maersk and its subsidiary Hamburg Süd from switching their business from GCT's Staten Island, New York, terminal to a rival facility at Port Elizabeth, New Jersey.

"On Monday, April 20, GCT filed for immediate injunctive relief in the federal court in New York to prohibit Maersk from leaving the GCT New York terminal until the earliest contracted expiry date of December 2021," a GCT spokesman told Lloyd's List.

"We fully intend to enforce all legal rights and remedies to protect our business and the integrity of the contractual commitments by our customers," he said.

Alfa Laval reports declining scrubber orders

ALFA Laval says its scrubber order intake has fallen significantly amid coronavirus uncertainty and low fuel prices.

In a filing, the Swedish engineering group said general uncertainty around retrofit yard slot availability, the long-term availability and price of fuels, and freight rates contributed to lower demand for scrubber technologies, compared with the first quarter of last year.

But its marine division reported substantially higher net sales year-on-year, mainly driven by deliveries of scrubbers and ballast water systems.

UK copes with high volumes of container imports

UK CONTAINER ports appeared to have dodged a bullet that was expected this week and have not suffered from any undue congestion.

Fears had been raised that a "long tail" of goods ordered before the coronavirus mitigation measures came into effect in the UK, but which were not due to arrive from China until now, would overwhelm the UK supply chain now that demand for those goods had all but disappeared.

But British Ports Association chief executive Richard Ballantyne said that while ports were busy, there were few issues.

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