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SET UP A string of brass-plate companies with silly names in any number of less than tightly regulated jurisdictions, and it is still possible to operate a major fleet while keeping ownership details hush-hush.

It's known as 'the corporate veil,' and remains the comfort zone default modus operandi of any number of big-name operators.

But gratuitous anonymity is not granted to myriad spotty teenagers registering their first mopeds or to the general public if it fails to pass the smell test.

It screams disreputable desire to shrug off liability for pollution, evade taxes, bust sanctions with impunity, ignore labour standards, and deposit thousands of tonnes of ammonium nitrate in warehouses in Beirut and then run away.

At a time when the industry is urging governments to act with alacrity on the crew change crisis and take responsibility for migrants rescued at sea, and is increasingly getting dragged into foreign policy bust-ups against its will, it no longer washes.

The good news is that in the era of Big Data it is harder and harder to get away with malpractice.

This week, for instance has seen the launch of the International Union of Marine Insurance's major claims database, which will hopefully prove a key pricing tool for underwriters.

More broadly, data analytics of the kind offered by Lloyd's List Intelligence and other platforms allows vessel movements to be traced in a manner that can frequently expose wrongdoing.

Most top tier shipping companies are now exemplary corporate citizens, committed to the goals 21st-century civil society expects from the private sector.

They pull their weight on environmental issues, run corporate social responsibility programmes, and are duly committed to diversity. And while they are not paying more tax than they absolutely have to, they are not paying any less, either.

The majority are in the middle. Small-c conservative family owners may still be bemused by what doughty founding generations would doubtless have regarded as woke virtue-signalling of the most effete order.

But chivvied by example, a promising proportion are moving in the right direction, motivated in some cases by a commendable desire to do the right thing.

Others are feeling the tightening noose of regulatory and financial control that restricts financing to those prepared to make the right decisions, or in more extreme circumstances, threatens sufficiently sturdy sanctions to aid the right calls.

At the very bottom, alas, we remain saddled with an intractable minority of irredeemable ne'er do wells.

Shipping's hole in the corner merchants are free-riders on the good guys, and it is in the common interest that they be subject to growing scrutiny.

The more anybody insists that the industry should be exempt from transparency, the easier it should be to see through that claim.

WHAT TO WATCH

Timing is key as Maersk restructuring puts spotlight on jobs

MAERSK has never been squeamish about job cuts. Whereas most leading container shipping companies like to make a point of retaining staff even when times are bad, the Danish line has fairly frequent culls. That is why so many former Maersk employees can now be found working for, or running, other maritime companies around the world.

Now, AP Moller Maersk is preparing another round of lay-offs, part of the recently announced restructuring as the Safmarine and Damco brands are phased out, and more back office activities of German subsidiary Hamburg Süd are combined with those of Maersk Line.

Maersk Ocean and Logistics chief executive Vincent Clerc said there would inevitably be redundancies as Maersk continues to evolve into an integrated container transport and logistics company.

That means eliminating duplicate jobs in different divisions as they are amalgamated, as well as axing positions that are no longer needed as more processes are automated, or digitalised.

But this will not be a hiring ban, with Maersk still recruiting IT experts and others with different skills from the traditional shipping company employee.

Up to one third of the company's 80,000-strong workforce could find themselves caught up in this latest shake-up, according to an unidentified spokeswoman quoted by Reuters. She was cited as saying between 26,000 and 27,000 staff will be affected by the reorganisation. The final headcount reduction is likely to be considerably smaller.

Around 4,000 staff went during the last round of job losses at Maersk Line, between 2015 and 2017 before the group integration process started.

These days, Maersk is a very different company, so the numbers will not necessarily be similar to then, and the final tally is still under consideration. The number of axed jobs will be known by the time of the third quarter results.

But why now? Those who know the company well believe it has picked the right moment to trim headcount. Container lines are making money right now despite weak cargo volumes, and much to the surprise of many pundits who had feared the industry would be plunged into the red as the impact of the pandemic hit the global economy.

And that is the time to move, say industry insiders, when things are going well, in order to do all it can to ensure the company is ahead of the competition and well prepared for the next inevitable downturn.

Shipping's niche operators offered 100% finance

NICHE vessel operators are being offered 100% finance via a London-based asset investor ready to pump equity of up to 30% into sale-and-leaseback deals.

Flexam Invest's biggest deal in the shipping space so far has been with Sweden's Northern Offshore Group, which last year signed up to a sale and leaseback arrangement on 27 crew transport vessels.

But Fabrice Fraikin, a partner with the firm, is now on the hunt for other specialist operators who could benefit from similar transactions, notably companies involved in LNG.

Flexam is also willing in principle to consider mainstream shipping segments, including boxships, bulkers and tankers, and to get involved in restructuring situations where vessels have guaranteed employment.

After earlier career stints with car manufacturer Renault, JP Morgan and Bain & Company, Mr Fraikin's initial involvement in transport asset finance was through container and railcar leasing on behalf of family offices.

Only around half the world's containers 35m are actually owned by carriers, with container lessors providing the remainder.

By 2016, Flexam had broadened into shipping, aviation, rolling stock and renewable energy.

"The difference with our offer, compared with banks, is that we offer 100% finance of the asset, with our capital and the support of senior lenders, so the operator does not have to invest even a dollar," said Mr Fraikin.

At the same time, Flexam is willing to be more flexible on covenants than bank lenders.

However, deal size is limited at present, to around the $100m mark. Margins also work out relatively pricey, at around 10%, although the overall cost of the deal generally works out cheaper than what is available elsewhere, Mr Fraikin insist.

ANALYSIS

Californian ports see throughput surge despite aggressive competition

CALIFORNIA's ports continue to record increasing containerised throughput volumes.

Oakland reported improved figures for August, much in line with Los Angeles and Long Beach, its neighbours to the south.

However, trade organisations continue to express concern over the chronic erosion of cargo from west coast ports to other destinations on the east and Gulf coasts as well as Canada.

The port of Oakland said its containerised import throughput increased for the third consecutive month, with volume rising 9% in August year on year. Exports were up 1.4%.

Port officials expressed encouragement over the uptick in figures at the onset of peak season, a period from August through October when retailers stock up before the November and December holiday shopping seasons.

Port of Oakland maritime director Bryan Brandes remains cautious due to uncertainty created by the impact of the pandemic. "We are waiting to see how coronavirus will affect our retail partners," he said.

Officials attributed the boost in imports to US retailers restocking their dwindling inventories as well as to pandemic-related supplies such as e-commerce goods, medical equipment and personal protective equipment.

They also said the gain in exports was due to fruit and beverage shipments doing slightly better compared to August 2019.

Oakland's year-to-date total cargo volume is down 5% from 2019 due primarily to a 25.3% drop in the return of empty cargo containers to origin destinations.

The San Pedro Bay ports of Los Angeles and Long Beach recorded a similarly encouraging second consecutive month of increased throughput of containerised imports in August.

Los Angeles' loaded imports for August increased by 18% to 516,286 teu compared with the year-earlier period. Loaded exports fell 10.2% to 131,429 teu while empty containers increased 13.3% to 314,118 teu.

Total volume increased 11.7% to 961,833 teu year on- year, but year to date, cargo has decreased 11.7% compared with 2019.

Across San Pedro Bay, Long Beach marked the best August in its 109-year history, moving 725,610 teu, a 9.3% increase over August 2019, with imports rising 13% to 364,792 teu while exports climbed 1% to 126,177 teu. Outbound empty containers rose 8.5% to 234,642 teu.

So far, Long Beach has moved 4.91m teu in the first eight months of 2020, down just 1.2% from the same period in 2019.

Port of Long Beach executive director Mario Cordero said August marked another "great month" for his facility, but that "we must remain vigilant about the global pandemic's lasting effects".

"Despite the recent surge in cargo, uncertainty remains in international trade and the national economy, given the ongoing coronavirus impacts," he said.

Even with the improvement in throughput figures, US west coast trade groups continue to express concern about what they see as the chronic loss of cargo to other ports along the US east and Gulf coasts, as well as Canada.

John McLaurin, president of the Pacific Merchant Shipping Association, which represents shipping lines and terminal operators along the west coast, is critical of California and Washington state government officials who, unlike their counterparts elsewhere, fail to promote the interests of their ports to other parts of the country.

He also criticised environmental legislation which adds costs but offers no measures that would enhance competitiveness at the same time.

Mr McLaurin's remarks this week coincided with the release of a report by the Pacific Maritime Association underlining the seriousness of cargo erosion from the US west coast ports to competitors such as New York-New Jersey, Norfolk-Portsmouth, Savannah, Houston and Mobile.

The report — prepared by Mercator International for the PMA, which handles labour relations for shipping lines and terminal operators along the US west coast — looked at "Intact Intermodal Asian import traffic" or import shipments that are moved through west coast ports by rail to interior markets in the marine containers in which they arrived.

It sees Intact Intermodal Asian import traffic as "a market segment which can be considered discretionary and for which non-USWC ports compete aggressively".

Mercator said that higher terminal-to-rail costs and higher land transport costs for the San Pedro Bay and Puget Sound ports are "the key factors" underpinning the route cost advantages that these other ports have vis-à-vis the USWC gateways for multiple inland destination markets.

"The US west coast ports continue to be the largest North American gateway for Asian imports, but that lead is being eroded not just by US ports in the Gulf and east coasts, but also by the two major ports in British Columbia," said PMA chief executive Jim McKenna.

A sign of that increased competitiveness emerged earlier this week when Maersk and Canadian Pacific Railroad announced the construction of a new transload facility in the port of Vancouver.

Omar Shamsie, president of Maersk Canada, said the agreement with CP "installs more agile supply chain options and capacity to and from Vancouver for our North American customers" — including those in markets long dominated by the US west coast ports.

MARKETS

Transpacific rates flatline in GRI absence

SPOT market freight rates on the transpacific trade made little change this week as carriers refrained from forcing through another round of general rate increases.

Transpacific carriers had planned to introduce further rate hikes for customers from September 15. However, with rates on the Shanghai Containerised Freight Index indicating only slight adjustments, it appears that carriers have bowed to the request of Chinese shipping and transport authorities to scale back on such aggressive pricing strategies.

China's transport ministry held a consultation with 14 container lines involved on the transpacific route in Shanghai this month with the aim of curbing skyrocketing spot rates by pulling the plug on planned GRIs, while injecting more capacity. Rates from China to the US have reached historical highs in recent weeks.

Ocean Alliance, comprising Chinese giant Cosco, CMA CGM and Evergreen, has since announced plans to reduce scheduled blank sailings next month in the post-Golden Week period, while Cosco too announced that it was withdrawing its planned GRI on the trade, effective September 15.

Other carriers were expected to follow Cosco's lead.

Dennis Zhou, chief executive of Zest Shipping Media, said Maersk, the world's largest carrier, had reduced its transpacific spot rates. Having previously quoted $4,200 per feu for the US west coast, and $5,000 per feu for the east coast, it had reduced prices to $3,900 and $4,700 per loaded 40 ft unit, respectively.

In the absence of GRIs, the SCFI shows only minor movements this week, while spot rates on the transpacific trade have climbed to record highs.

The Shanghai Shipping Exchange reported utilisation levels higher than 95% over the past week.

On the China-US west coast route, rates moved up 1.4% to $3,867 per feu, while on China-US east coast a further 2.2% rise saw rates increase to $4,634 per feu.

Although rates on the transpacific have been helped by a buoyant rebound in container volumes in recent months, they too have been helped by a disciplined approach to capacity management that has ensured the line industry has weathered the coronavirus storm far better than many predicted.

Carriers' second-quarter financial results were testament to how carriers have refrained from their old habit of chasing market share, rather to focus on profitability.

Capacity discipline, though, has been widespread and has not been a feature only on the transpacific, in a trend that continues to drive rate increases.

SeaIntelligence noted this week how five of the nine trade lanes measured by the SSE had rates at either all-time highs or reporting a record pace of rate increases.

Spot rates on the Asia-Europe trade, the second-largest mainline route after the transpacific, also continue to hold firm.

The latest SCFI shows gains on both the China-Northern Europe route (2.7%) and China-Mediterranean (6.5%), up to $1,082 and $1,188 per teu, respectively.

The recent resilience of spot rates has prompted analysts to point to an increase in contract rates upon renewal, particularly on the red-hot transpacific.

BIMCO's chief shipping analyst Peter Sand noted how the gap between short- and long-term contract freight rates on the transpacific trade lane has never been wider. He noted the gap had widened to about $2,400 per feu in August, referencing figures from the Xeneta Shipping Index.

"Now, more than ever, it is the carriers' market. Carriers have successfully pushed through eight consecutive general freight rate increases in just five and a half months," he said.

"The coming weeks and month are likely to see higher long-term freight rates when contracts are up for negotiations and renewal with cargo owners and shippers."

Southeast Asian dry bulk shipments driving growth

WHILE the coronavirus pandemic hit seaborne trade elsewhere, Southeast Asia's imports of dry bulk goods grew by more than 15% year on year during the first eight months of this year, according to a report by Braemar ACM.

Most of the shipments went into Vietnam, Thailand, Indonesia, Malaysia and the Philippines.

Coal volumes into the region rose by 27% on year over the same period to more than 117m tonnes, Braemar data shows, while iron ore imports grew by 47% to more than 21m tonnes.

Meanwhile, agribulk shipments into these countries increased by 5% year on year over January-August, while cement imports have grown by 28%.

"Many of these economies have not been hit by coronavirus as hard as the developed nations, and had already been on steep economic growth paths before the outbreak," Braemar analyst Nick Ristic said.

"Southeast Asia is the only region as a whole that is expected to see positive economic growth this year, according to the International Monetary Fund. We are not seeing the same kind of demand destruction that we have seen in other countries."

A Singapore-based dry bulk broker had similar thoughts and believes that "Southeast Asia is the new China for bulker owners".

"They are the ones on which we can rely going forward."

Growth in coal volumes seems to have been enjoyed mostly by the panamax and supramax segments.

Shipments on panamaxes so far this year have been 60% higher as compared with the year before, Braemar data confirms.

Post-panamaxes in particular have made the greatest gains, accounting for almost two-thirds of this year's panamax imports.

"We have recorded 63 post-panamax coal shipments into Vietnam so far this year, almost double compared with last year," the brokerage noted.

Apart from the surging appetite for coal, a strengthening steel sector has lifted iron ore imports, which is providing a welcome source of demand for capesizes.

Vietnam's iron ore receipts totalled 8m tonnes over January-August, 182% higher versus 2019 and almost five times higher than over the same period in 2018, with capes hauling the majority of these cargoes.

"While Vietnam serves as a good example of a country that is in the prime phase of economic growth for raw material demand growth, other nearby economies are also on the same track," Mr Ristic said.

Looking ahead, we expect to see continued growth in demand from this part of the world, he added.

Braemar predicts Southeast Asian coal imports reaching 175m tonnes by 2024, which marks a 40% increase on 2019.

IN OTHER NEWS

Foresight to develop compressed natural gas terminal in India

FORESIGHT Group, a London-based shipping and oil-drilling business, has received approval to develop a compressed natural gas terminal at the Bhavnagar port in Gujarat, India.

The project, with partners Royal Boskalis Westminster of the Netherlands and family-owned Padmanabh Mafatlal Group of India, is estimated to cost about $500m, Ravi Mehrotra's Foresight said in a statement.

The companies have been given the rights to build and operate the port for 30 years with an option to extend for a further 20 years, it said.

Felixstowe hit by congestion as demand surges

FELIXSTOWE, the UK's largest container terminal, is facing criticism from shippers and forwarders after announcing it would no longer accept empty containers due to congestion.

"The operational performance at Felixstowe has been very challenging for some time," said British International Freight Association director-general Robert Keen. "But over the last 24 hours the issues have escalated

to a level that could be disastrous for our members' businesses, which have already been hard hit by the impact of the pandemic.

"The latest initiative would appear to be an attempt to overcome the huge congestion that has developed at the port, which has led to significant haulage problems for our members whereby many containers can neither be collected, nor returned."

Regulation would help lower methane slip, WinGD says

REGULATION would help engine makers reduce methane slip pollution from gas-powered ships, according to Switzerland-headquartered engine developer Winterthur Gas & Diesel.

Volkmar Galke, the company's global sales director, said shipowners were unlikely to pay for the technological improvements needed to solve the problem without clear limits on methane emissions from ships.

Mr Galke noted owners would not have invested in scrubbers without the International Maritime Organization's sulphur cap, despite the environmental benefits. "If it's not regulated, it's just for the image of the shipowner," he said in an interview.

Industry says greener shipping needs collaboration

THE drive towards decarbonisation must be collaborative while any regulatory or levy-based solutions must be predictable and equitable, a panel at the Future of Shipping: Decarbonisation webinar jointly organised by the International Maritime Organization and Singapore said.

Andreas Sohmen-Pao, BW Group chairman and co-chair of Singapore's International Advisory Panel on Maritime Decarbonisation, said there were tremendous opportunities for new fuels to help the shipping industry reach its decarbonisation goals but it needs substantial investment and global regulation to help close the gaps as well as collaboration among players to succeed.

Emphasising that there are some solutions already available, Sembcorp Marine president and chief executive officer Wong Weng Sun said: "There is an opportunity to transform the industry through well co-ordinated, manageable and practical solutions that can accelerate decarbonisation."

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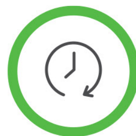

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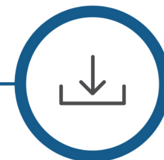

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