Lloyd's List

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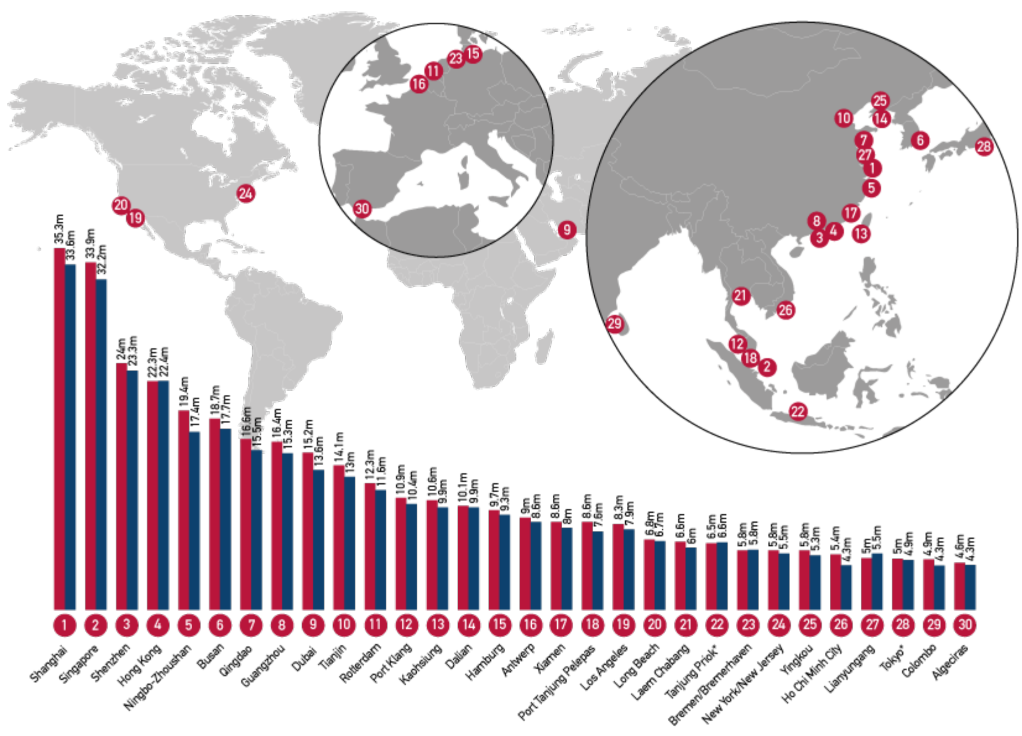
Top 30 ports handled 366 teu in 2014, more than half of world box-handling activity

Shanghai retain its premier ranking in Containerisation International survey of container throughput

TOP 30 CONTAINER PORTS IN TEU

Lloyd's List | *Graphic*



* Estimate

Source: Port Authorities, Government Agencies & terminal operating companies

LAST year, the world's leading ports posted a near 6% rise in their container throughput volumes and despite significant political and economic challenges, 2015 is expected to see another increase.

Containerisation International's latest survey of the globe's top 30 ports* reveals that in 2014, a total of approximately 366m teu was handled, equivalent to about 58% of world container-handling activity, and an increase of 5.6% on 2013's results.

Last year saw Shanghai retain its position at the head of the league table, posting a 5% rise in volumes to more than 35m teu. The port features in most schedules of ocean carriers serving eastern China, as it has both a strong local hinterland and control of the Yangtze river corridor.

This is the most important transport artery in China for moving cargo to/from the burgeoning industrial cities of the country's interior. Annually, approximately 8m teu is shipped along the river to/from ports including Nanjing, Wuhan, Wuhu and Chongqing.

Given this powerful position and Shanghai's ongoing terminal development programmes, its pole position in the world container traffic league is viewed as being unassailable for the foreseeable future.

Second-placed Singapore posted a much stronger performance in 2014 than it did in 2013, with volumes increasing just over 5% to 33.9m teu.

Tan Chong Meng, group chief executive of the PSA Group, believes consistent and sustainable growth is possible and that the demands for bigger and automated terminals are rising.

He plans to continue investing in its facilities, ultimately moving the port to a new location and developing facilities with the capacity to handle 60m teu a year.

Elsewhere in the upper quartile of the Top 30 table, Hong Kong experienced another difficult 12 months, with its box throughput declining 0.4%. The port, which less than a decade ago was number one in the world, is losing touch with the leading three and this situation will continue.

Shenzhen (in third place) and Guangzhou (in eighth position) will reap most of the benefits from Hong Kong's decline, with the latter port complex expected to continue its rise up the league.

Ningbo-Zhoushan is also marching upwards, as is Qingdao (+7.1%).

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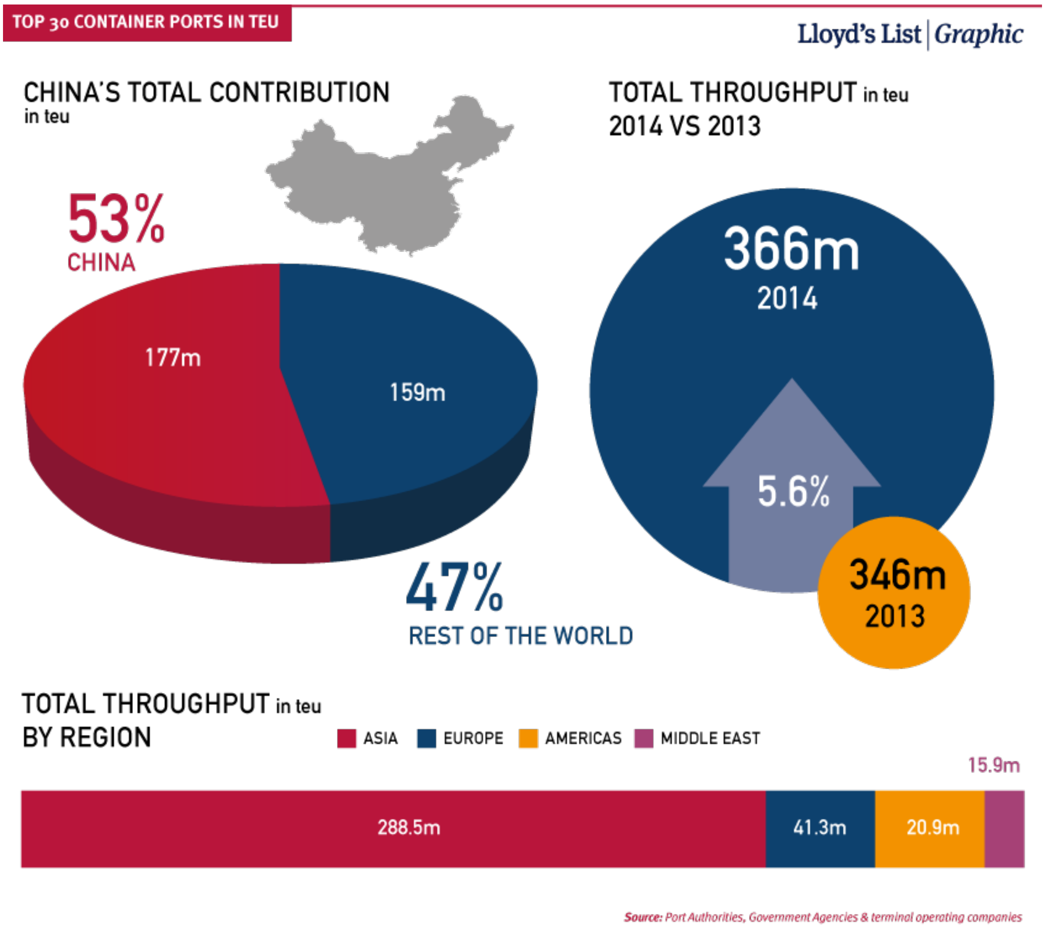

At Ningbo-Zhoushan, throughput rose more than 12% to over 19.4m teu. It was the fastest-growing of the leading Chinese ports last year and climbed one place in the league to fifth position.

Ningbo benefits from its strong local hinterland of export-focused industries in the electronics, technology and furniture sectors, a larger role in the faster-growing emerging markets trades than Shanghai and a growing involvement in the inland intermodal rail market.

Statistics published by Ningbo Port Corp for the January -November period revealed that on the Xinjiang-Ningbo (Beilun) Express train service alone, box volumes rose 17% to 105,300 teu. With Ningbo viewed as a key port in the Chinese Government's 21st century "New Silk Road Economic Belt" and "Maritime Silk Road" initiatives, the opportunities for future growth are considerable.

NPC is working closely with a number of rail and logistics companies, including Hangzhou Railway Container Transport, China Shipping Container Lines and Shangrong Logistics, to expand its intermodal rail network beyond its current Xi'an, Lanzhou and Xinjiang heartlands. This includes rail services to/from Europe.

Elsewhere in China, ports mainly posted growth rates ahead of the global average, with box throughput volumes at Guangzhou and Xiamen, for instance, rising in the 7% to 7.5% range.

However, last year was not a growth story for all of them. Lianyungang, which had registered several years of strong increases in its box traffic, posted declines of more than 8% in 2015. This was partly due to a slowdown in China landbridge traffic.

Despite a 5.5% rise in traffic volumes last year, Busan slipped to sixth place in the league. In 2014, the port's transhipment cargo surpassed imports/exports for the first time, increasing by 7.6% to 9.4m teu. Busan's total throughput for the year was 18.6m teu.

Despite intense competition from ports in north-eastern China and more ocean carriers offering direct calls to/from ports such as Dalian, particularly in emerging market trades, Busan Port Authority believes it is well placed to capitalise further on this sector of its business.

"Trade between Korea and China will increase rapidly," says Lim Ki-tack, president of BPA. "We plan to enhance our network with Chinese ports and Chinese shipping companies in order to grow and develop this business jointly."

Mr Lim thinks the deployment of ultra large container-carrying vessels by liner companies on the main east-west trades favour established ports such as Busan.

"We are investing in new terminals, equipment and systems and most important we are focused on improving our efficiency and helping carriers raise their productivity," he says.

Recently, Busan New Container Terminal took delivery of three twin-lift super post-panamax cranes with the ability to service ships loaded with 24 rows of containers across the weather deck. The new equipment will raise the facility's annual throughput capacity to about 2.5m teu, which is comfortably ahead of its current traffic levels of approximately 1.4m teu.

"Our expansion comes at the right time for Busan New Port, which continues to show strong growth in volumes and vessel calls," says John Elliot, chief executive of BNCT. "With no additional terminals planned to open in Busan until after 2019, we are the only container terminal able to provide the port with the major additional capacity needed, especially for mega-vessels."

The Asean bloc's free trade deal with China, which came into effect in 2010, has helped fuel development and propel traffic volumes at ports in Malaysia, Indonesia, Thailand and Vietnam. Last year was no exception. Port Klang (+5.8%), Port Tanjung Pelepas (PTP +12%) and Laem Chabang (+9%) were the fastest-growing of the top 30 ports located in this region and their prospects look encouraging.

Last year saw PTP bring Berths 13 and 14 come on stream and in the process raise handling capacity to 12.5m teu a year. With the largest vessels (18,000 teu to 19,000 teu) in the 2M alliance regularly calling at the port, Glen Hilton, chief executive of PTP, expects 2015 to register further strong growth.

"We are expecting the container market to grow primarily on the back of global shipping lines accessing our additional capacity," he says. "Hitting the 9m teu mark is our target for 2015 and this will certainly create another great milestone for PTP."

After a disappointing 2013, container traffic handled at northern European ports staged a recovery last year, with volumes at Rotterdam, Antwerp and Hamburg climbing by 5.8%, 4.7% and 4.6%, respectively. Bremerhaven, though, suffered a second year of decline. Its traffic eased almost 1% to 5.78m teu .

Bremerhaven's decline reflected the further transfer of some of Maersk Line's transhipment traffic to Jade Weser Port, Wilhelmshaven, and Gdansk in Poland.

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Allard Castelein, chief executive of the Port of Rotterdam Authority, wants to strengthen the port's leading position in Europe.

"We will put more focus on persuading shipping lines on the Asia trades to make Rotterdam both their first and last calls in Europe," he says. "We are also actively pursuing the further expansion of our rail connections with the European hinterland and want a bigger slice of the box business in southern Germany."

In the Mediterranean region, Algeciras (+4.7%) held its premier position, with volumes at about the same level as 2013. It also stretched its lead over its compatriot Valencia, whose volumes rose 2.6%. Valencia's main customer, MSC, transferred more of West African and Latin American transhipment business to Sines in 2014.

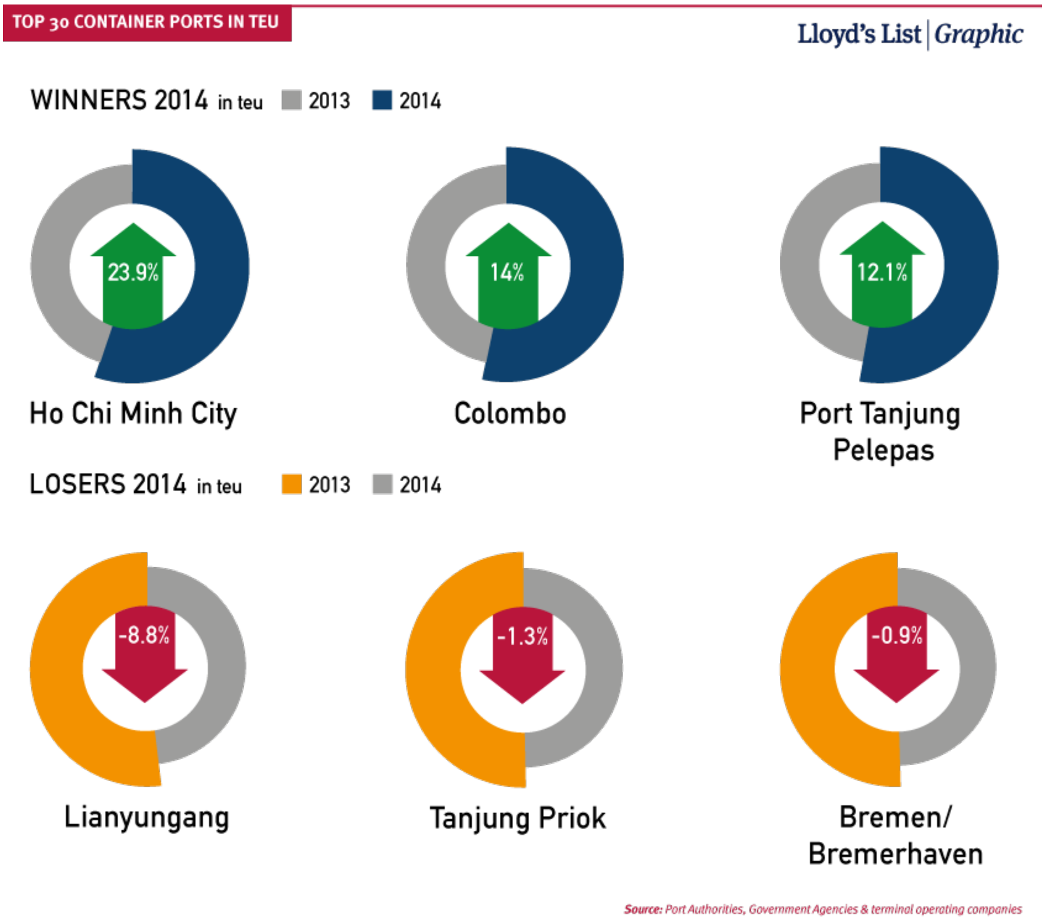
Both ports are being challenged by Tanger Med, Morocco, where traffic soared more than 20% to 3.1m teu. Although Tanger Med lies well outside of the "Top 30" league now, substantial amounts of new handling capacity are being added in the guise of Terminal 4 and demand for the port's facilities remains strong.

A position in the premier league is expected for Morocco's largest box port within the next four years, when its design capacity should be in excess of 8m teu a year.

Consolidating its position in ninth place was Dubai, one of just two Middle East/South Asian representatives in the top flight in 2014.

Colombo, which jumped from 32 position in 2013, entered the league in 29 place with more than 4.9m teu processed. "This growth has been driven on the back of Colombo International Container Terminals coming on stream to handle ULCC vessels," says Tissa Wickramasinghe, the facility's general manager commercial and marketing.

Controlled by China Merchant Holdings International, further investments are planned in Colombo. These include a $1.4bn new port city, which will have at least four berths for containerships and a capacity in excess of 2m teu. It is part of the Chinese government's Maritime Silk Road initiative.



Immediately outside of the "Top 30" was India's largest box port, Jawarhalal Nehru Port Trust. Its volumes rose 7.5% to almost 4.5m teu.

However, Saudi Arabia's Red Sea port of Jeddah dropped out of the league on account of a 7% decline in its throughput to 4.2m teu last year.

In the US, contrasting performances were registered by the west coast ports of Los Angeles and Long Beach. While the former's throughput rose a highly respectable 6% to 8.4m teu, Long Beach's box count increased by less than 2%, with 6.8m teu processed.

The results for both would have been much better had operating performances not been affected by work slowdowns and ocean carriers'/beneficial cargo owners' decisions to switch cargo to Pacific coast ports in Canada and Mexico and US ports on the eastern seaboard.

This activity resulted from the failure of the Pacific Maritime Association, the port, terminal and carrier employers' group, and the International Longshore and Warehouse Union to agree a new labour contract. The previous agreement ended in July, since when productivity levels in the ports have become a bigger issue, despite both sides agreeing to work normally.

On the east coast, the port complex of New York/New Jersey easily maintained its leading position, handing 5.8m teu in 2014. Several ports benefited from the problems in the west, with Savannah's traffic rising sharply. Its box throughput of 3.3m teu was 10% ahead of 2013's level.

At the neighbouring port of Charleston, volumes advanced even faster, with the near 1.8m teu handled in 2014 being up 12% on the previous year.

The future looks bright for US Atlantic seaboard ports as the opening of the third set of larger locks on the Panama Canal will result in bigger ships calling in the region. On Asia/US east coast services via the Panama Canal, for instance, carriers will replace existing tonnage of 4,500 teu to 5,000 teu capacity with vessels in the 12,000 teu to 13,000 teu size range.

Ports in the region are also expected to benefit from an eventual lifting of the trade embargo with Cuba and from increasing and ongoing containerisation of the banana trades with Central America.

Overall, container-handling activity will expand in 2015, with global throughput expected to reach close to 665m teu; 1bn teu could be being processed by 2020.

For most container ports and terminals, these are still good times.

**Some of the figures are estimates, as not all ports had published their year-end data by mid-February when this report was written. Figures have either been obtained from official port authority estimates or aggregated up, based on their 10- to 11-month trading performances.*

China makes it easier to arrest and auction off ships

World's top trading nation aims to unify practices in 10 Chinese maritime courts and improve legal efficiency

The Supreme People's Court, Beijing: More creditors are turning to the Chinese jurisdiction. *Rneches/Shutterstock.com*

THE Supreme People's Court of China has issued new provisions related to ship arrests and auctions to unify practices in the country's 10 maritime courts and improve legal efficiency, *writes Max Tingyao Lin*.

More creditors have turned to the Chinese jurisdiction to seize and sell the vessels of their debtors when facing defaults as China grows to become one of the world's top vessel destinations. The overarching guideline, which took effect from March 1, has been generally welcomed by Chinese lawyers as it could reduce uncertainties in maritime proceedings.

"The Supreme Court has drawn on the past practices... maritime courts across China had different legal practices in different periods, and the new provisions clarify the laws and bring about a uniform practice," said Leslie Shen, a Shanghai-based senior associate of Clyde & Co, told Lloyd's List.

"Overall the provisions have received relatively positive responses. The legal procedure is simplified, and that's a good thing for the shipping industry."

Among the main changes, the Provisions of the Supreme People's Court on Issues concerning the Application of Law in handling Ship Arrest and Judicial Sale stated more than one creditor can seize the same vessel simultaneously, a breakaway from conventional Chinese civil proceedings.

In the past, the second and latter creditors could only enforce their arrest orders when the creditor in front of them releases the ship, which might delay their efforts in claiming back debts.

"The latter creditors can now apply to auction the vessel [under detention] when those in front of them didn't do so," Wintell & Co's Shanghai-based associate Richard Zhang wrote in a note.

"This will speed up the auction process by a lot and reduce the vessel maintenance costs when the vessel is under arrest.

"Overall this will offer better protection of creditors' rights."

Moreover, the Supreme Court has now allowed vessels under bareboat charters to be auctioned upon applications of the charterers' creditors, which could increase counterparty risks of owners.

While some Chinese maritime courts had adhered to such practices before, some had only allowed creditors to seize the bareboat charterers' ships but not to sell them.

"A reminder to vessel owners is that they should pay more attention to the quality of their charterparties, so that they can reduce the risks of their ships being auctioned," Mr Zhang said.

Based on terms of bareboat charter contracts, owners generally would be entitled to seek compensation from charterers if their vessels are auctioned, but those rights could be hard to exercise in practice as such charterers could be in distress.

"Owners seek to exercise their rights in this regard might find it hard to do so," Mr Shen said.

A new provision also clearly define the amount of counter-security provided by claimants as the sum of all expenses that may incur during vessel detention, as well as defendants' potential losses and expenses in releasing ships.

Judges in the past often used their discretionary power to set counter-security amounts, which resulted in more uncertainty over the legal costs of both plaintiffs and defendants.

Also, maintenance, crew and supply costs during vessel detention are to be deducted from proceedings of ship sales before creditors take their portions, according to the Supreme Court.

Some debtors abandoned their ships on past occasions and creditors or third parties needed to take the responsibility of maintaining vessels before auctions, yet the statuses of their debts were not clear. The new provision offers a shield to companies that step in to keep ships in decent conditions, according to Mr Shen.

The Supreme Court also prioritises claims directly related to the ship under seizure over those are not, which, according to the lawyers, signals a shift from focus in persona to in rem.

In addition, some auctions rules are set to speed up the legal proceedings and protect creditors. Now, the period of public notice for the second auction has been shortened to seven days rather than 30, and maritime courts will only scrap floor prices when at least two-thirds of creditors agree to do so.

"In the past, some courts relinquished base prices in vessel auctions on their discretion when earlier auctions failed, without the two-thirds creditor threshold," Mr Shen said.

Tanker owners dazzled by newbuilds fail to see the light when it comes to 10-year-old ships

Paying $50m for a 10-year-old VLCC with plenty if life left offers better value, say industry players

TANKER owners are being blinded by the dazzle of newbuildings and are largely ignoring opportunities offered by investing in 10-year-old vessels, opting to expand their fleets in ways that pose more risk to them and the tanker market as a whole, *writes Hal Brown*.

Paying around $50m for a 10-year-old very large crude carrier, which would still have several years of trading life left, represents better value for money than splashing out almost $100m on a new VLCC, according to industry participants speaking to Lloyd's List.

A 10-year-old vessel would be guaranteed to earn well in today's robust spot market, while a newbuilding ordered today would be delivered onto the water in two years, into a market that could potentially have lost some of its shine.

Very large crude carriers stand out as a tanker segment that has seen very little sale and purchase activity involving 10-year-old vessels, owners instead tempted by newbuildings or much older vessels that can be picked up at bargain basement prices.

Since the start of 2013, only two VLCCs built in 2005 have been bought, according to data from shipbroker Clarksons.

In contrast, as many as 85 VLCC newbuildings have been ordered since 2013, highlighting the interest in expanding fleets with brand new tonnage.

Some 34 VLCCs built before 2004 have been sold since 2013, demonstrating the interest in cheap old vessels too, which raises concerns over quality and safety issues.

Owners evidently prefer to expand fleets with very old or very new ships, rather than much in between.

The situation also exists in the suezmax segment, though it is less pronounced.

Only four 2005-built suezmaxes have been sold since 2013, while 12 older suezmaxes built before 2004 were sold, and the newbuilding orderbook is growing with 56 new suezmaxes ordered since 2013 at the last count.

The situation is frustrating for some in the industry, given the advantages of investing in a 10-year-old vessel — or a vessel in the 8-12 year age range — set against the risks of ordering an expensive newbuilding.

A 10-year-old VLCC at today's price offered by Clarksons of $52m represents a "very competitive price", Karatzas Marine Advisors managing director Basil Karatzas told Lloyd's List.

"If you have cash you can drive a very hard bargain," he added.

These ships offer the best risk-reward profile because they still have considerable earning power in today's high demand market, and the outlay won't break the bank, he says.

In contrast, newbuilding VLCCs currently cost $96.5m, according to the latest price quoted by Clarksons — an amount that has led some to question the justification of such as investment.

A tanker ordered today would be delivered in two years, into a market that could potentially have lost some of its shine.

Too much risk

Mitsui OSK Lines tanker director Tsuneo Watanabe told Lloyd's List late last year that such a hefty investment was too much of a risk for the company, due to the traditionally volatile nature of the tanker freight market, despite robust spot earnings seen at the time.

Investing in new VLCCs is "taking too much risk", stresses Mr Karatzas.

Private investors in shipping are attracted by "shiny" new tonnage, which often explains the rush to cut new steel at the yards, he says.

However, returns on equity invested may not be "as rosy" as promised, he warns.

While VLCCs wield robust earning power now, at $40,000-$50,000 per day on the spot market, there are questions over how much higher earnings will actually go, and whether earnings can be sustained as new vessels join the global trading fleet in the coming years, competing for cargoes.

"Why would you enter this market with a brand new ship?" says Mr Karatzas, referring to private investors looking to invest in new tonnage.

Some owners order these expensive newbuildings to "look good on Wall Street", he says.

Alongside the risks to an owner's bottom line of ordering expensive newbuildings, the trend threatens the stability of the market.

Too many newbuildings will simply bloat the global trading fleet, forcing rates and earnings down as vessels compete for cargoes.

Great sense

Crude and product tanker owner Concordia Maritime believes secondhand vessels are being overlooked, at owners' and the market's peril.

"Secondhand makes great sense," Concordia Maritime chief executive Kim Ullman told Lloyd's List. "Ships are still good versatile workhorses and good value for money."

"My new slogan is 'earn more on less rather than less on more'," he said.

"Take financial responsibility and care of your current assets for longer than just a year or two."

He added: "The world is not short of [ship] supply.

"Owners need to caution themselves and stay away from ordering as soon as there are some positive signs.

"The tanker market is, and will always be, fragile with short windows of healthier markets."

In terms of its ratio of bad to good years, the tanker market should move from 5:2 to 2:5, adds Mr Ullman.

An owner who has ordered newbuilding tankers, and spoke to Lloyd's List on condition of anonymity, said his company focuses on quality ships built at quality shipyards at prices which are expected to make good investments.

EXCLUSIVE

Top ILWU official blames terminal managers for LA-Long Beach logjams

ILWU Local 13 president Bobby Olvera says management needs to drop antiquated practices and start hiring more workers if two ports are to operate at maximum efficiency

LONGSHORE workers in the vast Los Angeles-Long Beach complex are determined not to be blamed for the severe congestion and the acrimonious negotiations on a new labour contract that have brought the two ports into such disrepute in recent months, *writes Janet Porter*.

Instead, labour leaders say outdated cargo handling procedures and yard configurations are a big part of the problem.

Regarded by many as the root cause of the ship delays and cargo disruption that has cost the US economy countless billions of dollars, the International Longshore and Warehouse Union has responded to that perception with a stout defence of its position.

Bobby Olvera, president of ILWU Local 13, which represents some 6,300 registered longshore workers in LA and Long Beach, rejects any suggestion that his members deliberately disrupted port operations as a negotiating tactic during the talks between union leaders and the Pacific Maritime Association on new employment terms and conditions.

The two sides finally reached a tentative agreement on February 20, which was signed on March 3, but whether it is ratified will not be known for another two months.

If it is accepted on a majority vote, the new five-year contract will be backdated to July 1, 2014, when the last one expired.

But first, there will be an ILWU caucus later this month to discuss the proposed new contract which, if endorsed there by delegates, will be put to the rank and file for a vote in mid to late April. The final result of the ballot is likely a couple of weeks later.

Should the proposed agreement be rejected by ILWU members, the union and employers would have to return to the bargaining table, having spent nine months in negotiations already until US Labour Secretary Tom Perez brokered a deal on the arbitration process that had been blocking progress on a new contract for longshore workers at 29 US west coast ports from Seattle in the north, down to San Diego.

The outcome is not a foregone conclusion, but in the meantime LA and Long Beach are working hard to clear a backlog that has left 34 ships currently stranded in anchorages while waiting for an available berth.

Mr Olvera, though, argues that only a complete rethink about the way terminals in the harbour manage the vessel unloading, container stacking and cargo collection process will resolve the two ports' long-term challenges that have left them lagging behind the best in class.

LA and Long Beach are unique in the way they are structured with 13 individual container terminals, most of which are affiliated to international ocean carriers, each managed separately and handling some 15m teu between them. About of a third is thought to be discretionary cargo bound for the US heartlands that could move through rival ports in Canada, Mexico or on the US Gulf and Atlantic coasts.

Port employers are reluctant to consult the workforce on how to be more productive, says ILWU Local 13 president Bobby Olvera.

Premier destination

Mr Olvera does not believe the recent disruption will permanently harm LA and Long Beach which together form one of the largest container port complexes in the world.

"I think the west coast will remain the premier destination for cargo bound for the US," Mr Olvera told Lloyd's List. "The infrastructure, labour force, weather, water depth, terminal facilities — not withstanding all the problems that exist with management of those terminals — are still bar none the best in the nation as far as moving containers and cargo."

However, he says the terminals could be managed far better, a point seemingly endorsed last week by LA's executive director Gene Seroka who said that the theoretical capacity of the port was around 14m teu, yet it was gridlocked at 8.3m.

His opposite number at Long Beach, Jon Slangerup, also made it clear that recent problems could not be attributed just to labour productivity, and that the newly-formed container line alliances had created chaotic conditions in the container parks as each box was moved many more times within the port complex than in the past.

The much-publicised equipment shortages, a legacy of lines' decision to dispose of their chassis fleets, has added to the cargo delays. That problem is being tackled through a grey chassis fleet that was launched at the start of the month.

As the heads of landlord ports, neither Mr Seroka nor Mr Slangerup participated in the contract negotiations. Instead, it was their tenants, the terminal operators, plus stevedores and shipowners, who negotiated with the ILWU through the PMA, which has 72 members in total.

Mr Olvera says many of the difficulties experienced in recent months, as a number of separate factors came together to make an already bad situation worse, are down to poor management.

"The shipping lines and marine terminal operators

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have to operate their facilities and their vessels in a manner that's consistent with efficiency. Hopscotching around the vessel for containers is not efficient."

He argues, for example, that containers should be stowed in a more organised manner at ports around the Pacific rim so that they can be discharged according to the distribution centre or beneficial cargo owner. He welcomes the recently announced "peel-off" initiative by LA and the stevedore Pasha that will fast-track containers of high-volume shippers.

Employers reluctant

But while the ILWU has plenty of ideas about how to improve the velocity of cargo moving through the two ports, Mr Olvera says the employers are reluctant to consult the workforce on how to be more productive.

"All the parties in the supply chain will have to push the shipping lines and marine terminals," he says.

"As labour, we work as directed, but all too often we are directed to work in a manner that is not efficient, and that is not to the best interests of the industry. But unless we are asked, or unless the public and the industry itself pushes the marine terminals to change their antiquated way of thinking, and the antiquated way they are discharging cargo, we are still going to see problems."

Mr Olvera says the rest of the supply chain now recognises that terminals have a lot of work to do to modernise the way they conduct themselves.

He recalls how 25 years ago, when he joined the industry, superintendents and management were "born, bred and cut from the stevedoring industry and understood it".

Over the course of the past two decades, "those folks have disappeared and you have kids coming out of college who do not know the bow from the stern, do not understand the industry, and their prime objective is not to make the industry grow, but to make their careers grow — and that's unfortunate."

He now expects to see the same hangover that is always evident in the aftermath of difficult contract negotiations, where both parties will have a period of time to "lick their wounds".

But what follows after that depends on whether PMA members continue to regard labour as the problem, or part of the solution.

Additional dockworkers

In the meantime, Mr Olvera says LA and Long Beach require additional trained dockworkers to reach their full potential and ensure the smooth running of the complex.

"We have been requesting the hiring of new longshore men and women for at least five years — we have not had a hiring process since 2007 and now we are in need of anywhere from 600 to 1,000 members. That takes time. Once they are hired they have to be trained. We need to hire — it is absolutely long overdue," says Mr Olvera.

"If we had these 600 people already in and fully trained, we could work three shifts a day, seven days a week. Right now, we don't have the workforce to do that."

One lesson learned from the recent experience is that the marine terminal operators "have to be smarter and more diligent about how they operate their facilities, stow cargo, manage their gate operations and their equipment, and train their workforce".

The supply chain as a whole has learned that "you have to prepare for the cargo peak in terms of longshore workers, truckers, yard configuration", he says.

"I know that the union has always been prepared and continues to do all we can to move as much cargo as possible."

In a perfect world, says Mr Olvera, "management would stay in their offices and let longshore men and women do their job, and if they did that, they would find themselves in a better position in terms of efficiency, throughput and velocity".

Long Beach sends delegation to European lines to discuss congestion

Group that includes harbour commission president Doug Drummond and chief executive Jon Slangerup will visit Maersk Line, Mediterranean Shipping Co and CMA CGM

THE Port of Long Beach has sent a senior delegation, including the city's mayor, to visit the offices of leading European container lines as it continues its public relations campaign to show customers it is working to cut congestion, *writes Damian Brett*.

The Californian port said Long Beach mayor Robert Garcia would lead a delegation of port officials on a week-long business development trip this week to meet executives at the offices of Maersk Line, Mediterranean Shipping Co and CMA CGM.

"It's incredibly important that we let our customers know that despite the labour negotiation process and congestion, the Port of Long Beach is still the best place to do business on the west coast," said Mr Garcia.

The delegation, which also includes harbour commission president Doug Drummond, commission vice president Rich Dines, commissioner Lou Anne Bynum and chief executive Jon Slangerup, will discuss the tentative five-year dockworker labour agreement,

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Long Beach mayor Robert Garcia is to lead a delegation of port officials on a week-long business development trip.

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the US Federal Maritime Commission's decision to allow Long Beach and Los Angeles to work together on congestion easing projects and other measures taken to ease congestion.

The visit comes shortly after Maersk Line chief executive Søren Skou told Lloyd's List that it would be prepared to adjust its network to offer more east coast services after months of congestion at west coast ports.

"A lot of customers talk about the fact that they need more than one gateway, and want to hedge their bets," said Mr Skou during the Journal of Commerce's Trans-Pacific Maritime conference.

He added that there is every indication that some of the cargo that has shifted to Gulf or Atlantic coast ports "will stick", despite considerably higher freight rates on the trades between Asia and the US eastern seaboard.

The impact the congestion and contract negotiations has had on Long Beach and the wider west coast region is clear to see in port volume and shipping line data released so far this year.

Long Beach itself reported an 18.8% decline in container volumes in January on a year earlier to 429,490 teu.

The decline was even stronger at Californian neighbour Los Angeles where container throughput declined by 22.8% during the month 529,427 teu.

Meanwhile, shipping line data from Container Trades Statistics shows that containers heading to the Atlantic seaboard from Asia in January increased 4.6% on the same month last year to 544,755 teu while to the Pacific coast volumes were down 0.1% year on year to 607,737 teu.

East and Gulf coast ports now handle 47.3% of total volumes from Asia to the US compared with 46.1% a year ago. The east coast average for 2013 stood at just 37%.

Further north, volumes have switched to Canadian ports with Prince Rupert recording a 37.4% increase in box volumes in January and February.

Newbuild investment is one ice until charter rates warm up, says Danaos

Chief executive John Coustas tells Lloyd's List that current options for 18,000 teu-20,000 teu charter projects are unattractive and do not justify investment

GREECE-BASED containership owner Danaos Corp has felt its appetite for newbuilding investments curbed by weak charter rates across sectors despite low ship prices, according to chairman and chief executive John Coustas, *writes Max Tingyao Lin*.

The company, whose shares are listed in the New York Stock Exchange, has focused on large post-panamax vessels in terms of ship investments but found the recent 18,000 teu-20,000 teu charter projects unattractive.

"In terms of newbuildings, we do not want to speculate. We are going to order ships on the back of long-term charters," Dr Coustas told Lloyd's List in a phone interview.

"We've been looking at a couple of opportunities around but unfortunately... charter rates for these [18,000 teu-20,000 teu] shipping projects have been extremely low and do not justify an investment."

As container lines continue to pursue megaships to reduce unit cost, a number of 18,000 teu-20,000 teu charter projects have emerged over the past two years, drawing new players in this sector like BoComm Leasing, CSSC Shipping and Minsheng Financial Leasing from China and Quantum Scorpio Box.

Most recently, Shoei Kisen won contracts to charter a total of 13 giant vessels to Mitsui OSK Lines and Evergreen Line. While a long-standing player, the company effectively functions as the leasing arm of Imabari Shipbuilding and has different economics from pure containership lessors.

The emergence of new Chinese leasing firms, which are of a different breed from listed containership owners like Danaos, Seaspan and Costamare, can bring challenges as well as opportunities, said Dr Coustas.

"The good thing is, these companies can also offer financing to some of our projects," he said. "On one hand, they create competition. But they give us an additional source of capital."

The panamax sector, where charter rates have recovered from historical low levels, is another story.

Charter rates for 18,000 teu-20,000 teu shipping projects have been extremely low and do not justify an investment, says Dr Coustas

According to the VHSS New Contex assessments, 24-month charter rates for 4,250 teu ships have increased 36.7% this year to $16,053 per day as of Tuesday and those for 3,500 teu ships rose by 23.6% to $11,470.

The rates have been supported by unexpected demand from container lines that chartered in additional tonnage to maintain their schedules after some of their

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vessels are stuck in the US west coast congestion, according to various industry officials.

But the boost seems to be short-term as the labour disputes comes to an end. "We'll see the effect of all that possibly disappears when the backlog is cleared out," Dr Coustas said.

The long-term picture of panama boxships remains bearish due to overcapacity, despite emerging requirements from African and intra-Asian trades that increasingly use larger vessels, Dr Coustas said.

"You have so many panama vessels...[current] rates are [still] way below where one needs to justify newbuilding investment," he said.

When the expansion of Panama Canal is completed in 2016, carriers will deploy larger vessels in related trades and cascade out some 120 panamax ships to other markets, Dr Coustas estimated.

"Rates may go up seasonally a bit in the coming months. But long-term rates for these vessels will be relatively capped," he said.

Newbuilding prices to stay low for long

Without improvements in boxship charter markets, Danaos is in no hurry to place newbuilding orders even though ship prices remain weak.

That, in part, is because Dr Coustas expects overcapacity and offshore woes will continue to pressure newbuilding prices in the foreseeable future.

"Yard capacity is about 180% of what's required for normal replacement of all the tonnage in the world," Dr Coustas said.

Major South Korean shipbuilders have been turning attention to commercial ships from offshore shipbuilding markets, which they had focused on for the most part of this decade but have been in distress due to the collapse in oil price.

"We had indication from various major yards that they are shifting production mix to giving more focus on conventional shipping compared to offshore," Dr Coustas said.

"As you can imagine, this is going to create further pressure on prices."

Shipowners face added CO_2 reporting complexity as Brussels confirms dates for monitoring scheme

European MRV dates confirmed while separate deadline approaches for large businesses to report energy efficiency

There is a strong possibility that class societies will become EU member states' approved verification bodies for checking data.

SHIPOWNERS with vessels coming into European ports need to develop and have verified ship specific CO_2 monitoring plans by the summer of 2017, *writes Craig Eason*.

The European Union has developed a CO_2 monitoring and reporting system for the shipping industry, a precursor of a global system and perhaps of additional mandatory measures such as a fuel levy or emission trading scheme aimed at curbing shippings' emissions.

The European proposal, known as an MRV for monitoring, reporting and verification, has been approved by the European Council and is set to be rubber-stamped by the parliament next month. The regulation will come into force later in the year and formally herald in January 1, 2018 as the date when CO_2 emission data from ships on voyages to and from European ports must be collected, verified and reported on an annual basis.

A further complication for European shipping companies is a requirement for all large European companies to submit an energy efficiency report in December this year.

The EU Energy Efficiency Directive 2012/27/EU applies to businesses that employ more than 250 people and have annual revenues of over €50m ($52.8m). Owners will be expected to submit corporate-wide data, but with the multinational nature of shipowning, shipowners have expressed concern over the potential complexity of the requirement.

Ahead of the start of the MRV system for shipping, owners

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must decide on how they will be collecting the data and submit a monitoring plan, based on the now mandatory ship energy efficiency management plan, for verification.

Speaking at the annual Green Ship Technology event taking place this week in Copenhagen, European Commission spokesman Heiko Kunst confirmed that the European goal has been to push ahead with a regional monitoring system, but with the intention of adapting it, if and when a similar proposal under discussion at the International Maritime Organization is successfully developed. There is still the risk that shipping could get two competing systems should the IMO system not be robust enough for the Commission.

Brussels is also involved in discussions at the UN Framework Convention on Climate Change, where discussions on updating the Kyoto Protocol are nearing completion. A recent UNFCCC meeting saw texts that once again increased the risks of aviation and shipping being formally drawn into international targets. This could lead to any global measure for curbing shipping's CO_2 emissions being a source of funding for the global climate fund or other CO mitigation target.

Brussels' reporting system monitoring, reporting and verification relies on shipowners submitting annualised CO_2 data, possibly to the European Maritime Safety Agency.

There is a strong possibility that the classification societies will become the approved verification bodies of European member states for double checking ship owners' data.

This could lead to a problem, according to Andreas Chrystostomou, acting director of the Cyprus Department of Merchant Shipping. He said Cyprus is questioning whether there may be a legal conflict of interest for a class society to audit a ship that is on its own register.

Transatlantic volumes increase as US economy strengthens

Latest figures from Container Trades Statistics show an 11.4% increase in headhaul volumes on the transatlantic trade lane

THE Transatlantic trade lane continued to see a divergence in volume performance in the eastbound and westbound directions in January as the US economy strengthens, *writes Damian Brett*.

The latest figures from Container Trades Statistics show that in January container volumes from Europe to North America increased by 10.1% year on year to reach 288,300 teu.

Volumes from northern Europe led the growth, increasing by 11.4% compared with January 2014 to 198,611 teu.

From the Mediterranean to North America, volumes increased by 7.3% year on year in January to 89,719 teu.

The strong volume increases were enough to maintain the CTS headhaul rate index at 88 points. It has been at this level since September last year.

The news was not so good for carriers in the backhaul direction where January volumes decreased by 11.9% on last year to 187,200 teu.

The decrease was led by volumes heading to the Mediterranean, which were down 16.8% on January last year to 72,775 teu.

The CTS index for this direction declined on the back of the volume decreases to 86 points. The index is now at its lowest level since October 2009.

The volume increases come as the US economy continues to strengthen, while issues remain for the

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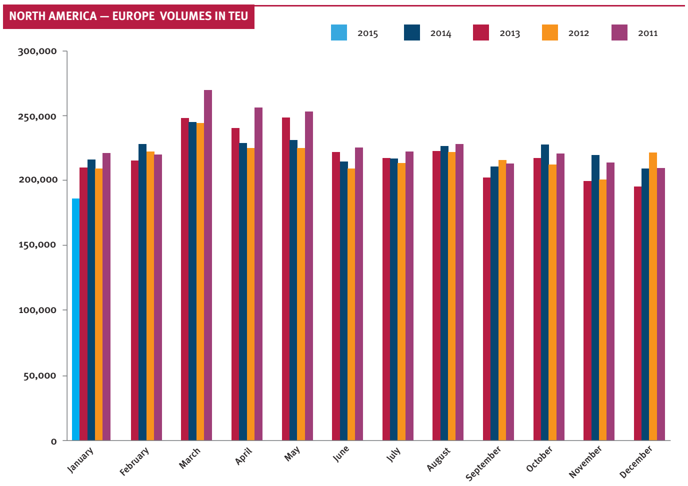
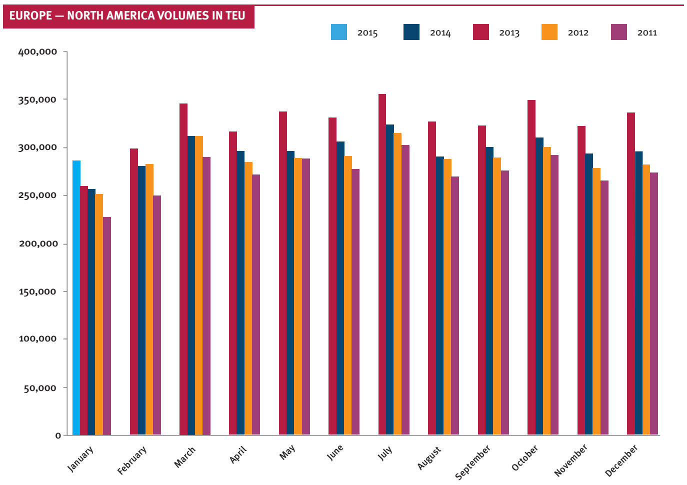
NORTH AMERICA — EUROPE VOLUMES IN TEU



Source: *Container Trade Statistics*

EUROPE — NORTH AMERICA VOLUMES IN TEU



Source: *Container Trade Statistics*

NORTH AMERICA — EUROPE PRICE INDEX

	January	February	March	April	May	June	July	August	September	October	November	December
2015	86											
2014	90	90	90	92	90	90	93	92	91	92	89	87
2013	95	95	96	95	96	96	96	96	94	94	93	91
2012	103	103	103	104	103	104	103	100	100	99	98	97
2011	107	106	105	107	110	110	110	109	109	108	107	105
2010	88	92	93	100	102	106	107	107	108	107	107	107
2009	95	89	86	82	80	77	80	80	83	86	86	88

Average 2008 rate = 100

Source: *Container Trade Statistics*

EUROPE — NORTH AMERICA PRICE INDEX

	January	February	March	April	May	June	July	August	September	October	November	December
2015	88											
2014	85	84	85	86	86	88	88	89	88	88	88	88
2013	90	88	90	91	90	90	90	89	88	87	88	87
2012	91	89	89	90	91	91	91	90	90	92	92	91
2011	87	88	87	88	88	89	89	89	88	88	89	91
2010	73	72	73	77	78	85	80	83	85	87	87	88
2009	82	76	73	70	67	65	67	66	65	69	70	71

Average 2008 rate = 100

Source: *Container Trade Statistics*

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In January container volumes from Europe to North America increased 10% year on year to reach 288,300 teu.

Eurozone as Greek bailout talks continue.

The US dollar also continues to strengthen against the Euro and the two currencies are now close to parity. As a result, European products become less expensive for North American consumers while the reverse is true for European consumers.

According to MDS Transmodal, the main commodity groups moved from Europe to North America are beverages, road vehicle parts and general industrial machinery.

In the opposite direction, the top three commodity groups moved are paper and paperboard, fruit and vegetables and electrical machinery.

Ultrabulk chief sees rough ride still ahead in dry bulk market

Better market conditions will only come from restoration in demand from China and economic improvement in India

ULTRABULK chief executive Per Lange has predicted a rough ride for the drybulk sector during 2015, suggesting it could prove worse than 2014, *writes David Sexton*.

But the respected Scandinavian shipping executive, who manages a company with large interests in the handysize, supramax and panamax vessel classes, also believes there are signs of a recovery, even if the industry may have to be patient to see them take effect.

In answer to a question from Lloyd's List Mr Lange said there were signs of slight improvement in March, but it could be limited.

"The dry bulk market hit an all-time low during February and we expect some recovery during March," Mr Lange told Lloyd's List.

"(But) the average market for 2015 as a whole will however suffer from this horrible start to the year and we expect 2015 to end up lower than 2014."

To give some context, the Baltic Drybulk Index, along with the Baltic Supramax and Handysize indices, are all around half, or even less, of where they were a year ago.

But on the plus side, he noted the US economic recovery was "well underway" and "we see improving signs in Europe as well".

"This will help the dry bulk market. But to really make a fundamental improvement we need to see China getting back in a higher gear and we need to see [Narendra] Modi's political drive to lift the Indian economy to a new plateau."

And while a low market can be challenge, one can still make money.

"It is possible to operate profitably in a low market, and we stay alert to new opportunities in the market," Mr Lange said, noting Ultrabulk's recent start-up of a steel parcelling service and a new MPP service between Europe and Africa.

Global demand for commodities in a stronger global economy would have to be balanced against vessel oversupply.

The increasing demand for commodities will give a more stable platform for dry bulk operators, despite the fact that it will take time for the increased demand to absorb the present vessel orderbook, Mr Lange said.

Another challenge for dry bulk operators to enter the equation last year was lower bunker prices and the Bunkworld Index on March 9 was 839 points, compared with around 1400 a year ago.

Lower freight rates

In theory this should mean cheaper fuel and be a nice little sweetener for hard-pressed owners. However, it would seem to be something of a wolf in a sheep's clothing. Some analysts have told Lloyd's List how low bunker costs do little for shipowners when the market is low; rather they lead to them accepting lower freight rates.

Mr Lange noted that lower bunker prices have eased the pain for owners and operators on cash requirements but "unfortunately on a longer [term] perspective we have lowered the market ceiling for when the ships will go back to full speed".

"This will mean that we will reach a resistance level for the market when it reaches some $9,000-$11,000 level."

Vessel oversupply should also see more scrapping.

"This market will call for increased scrapping which will certainly help — but to a limited degree," Mr Lange said.

"We also see conversions from bulk to tank which eases the squeeze in the longer term — unless of course we will see these orders replaced by new ones."

"As we see it right now there will be too many vessels delivered into the fleet in 2015, to allow for fundamental improvement."

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One factor that caused widespread grief in the industry last year was the Indonesian mineral export ban, with bauxite and nickel ore among the minerals previously shipped to China in substantial volumes.

Despite suggestions of a relaxation, the ban is still in place, while China appears to have worn down some of its inventories.

So is there scope for improvement, with more mineral commodities from the Philippines and Australia?

Well, possibly.

Importing from Australia would involve greater tonne-miles than was the case from Indonesia, while importing from the Philippines, a major alternative source, involves fewer tonne-miles.

"If the nickel ore trade revives it will help the supramax segment with immediate effect," Mr Lange said.

"For the bauxite imports to China to build up, we need to see an improved demand for the Chinese steel industry, which again requires a strong Chinese economy."

Maritime and insurance 'go-to' person Denzil Stuart dies

Respected journalist and PR man remained professionally active almost until his death, aged 83

MARINE and insurance journalism is mourning the passing of Denzil Stuart, onetime insurance correspondent to Lloyd's List and one of the most experienced and best informed journalists in these specialised fields, *writes Michael Grey*.

He was 83 and although suffering from poor health in recent years, he remained professionally active almost until his death. He had been a long-term contributor to many maritime and insurance publications worldwide and had a reputation for great reliability, with a lifetime of high-level contacts behind him.

Denzil spent some 10 years as a staff shipping journalist and freelance contributor to Fleet Street newspapers, in the days when maritime subjects were still properly covered by the general press. He also built up a substantial public relations business, Denzil Stuart Associates, representing over many years a large number of influential companies in the maritime and insurance spheres.

For the past 40 years or more, Denzil was the "go-to" person in some of the most important bodies in shipping and insurance, representing during his long career the Salvage Association, the Institute of London Underwriters and the Lloyd's Broking Group Stewart Smith, which would eventually become Stewart Wrightson.

He was the first press officer appointed by the giant P&O Group, consultant and press officer to the International Union of Marine Insurance and he represented the UK P&I Club. Other notable clients included World-Wide Shipping, the American P&I Club, the Strike Club, NITC, AXA Corporate Solutions and BMT.

Stuart: The most professional of people, well-informed and infinitely patient with young journalists.

Denzil was infinitely patient with young journalists cutting their teeth in the specialised world of shipping and insurance and there are few practitioners in these fields today who have not appreciated his generosity and encouragement.

He was the most professional of people, and always a delight to work with, no matter which hat he might have been wearing at the time. He will be very much missed.

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