



INTERNATIONAL FREIGHT MANAGEMENT SERVICES

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Plus

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FEBRUARY 2016 NEWSLETTER



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Welcome Message

Welcome to the February Newsletter for the clients and friends of SCI Australia. This newsletter is designed to be an informative source about the company and the general industry and includes news, forthcoming events and the lighter side of the people who work for SCI.

We hope that you find this newsletter beneficial and the information provided of great value and interest. We appreciate your suggestions and input for future issues.



The Major Transshipment Hub At Mundra Box Terminal

ADANI Ports and Special Economic Zone has entered into an agreement with Terminal Investment Limited, a subsidiary of Mediterranean Shipping Co, to expand its existing operations at Mundra port in the western Indian state of Gujarat, turning it into a major transshipment hub within South Asia.

Work on the expansion of the fifth terminal in Mundra, which will be commissioned in 15 months, have already started, Adani Ports said in a statement.

Following its expansion, the Adani International Container Terminal will emerge as India's largest container terminal, overtaking government-owned Jawaharlal Nehru port near Mumbai, which at present has the country's biggest container terminal.

The expanded terminal will have a total quay length of 1,460 m and cargo handling capacity of 3.1m teu. It will be equipped with 15 super-post panamax quay cranes capable of handling 18,000 teu container vessels.

"With this expansion, Mundra will emerge as a transshipment hub for the Middle East, South Asia and India," Adani Ports chief executive Karan Adani said in the statement. "It will help in achieving our vision of handling 200m metric tonnes of annual cargo by 2020," Mr Adani said.

Mundra port currently operates three terminals, one by Adani Ports itself, another by Dubai-based DP World and the third by an equal joint venture between Adani Ports and Geneva-based Mediterranean Shipping Co.

Additionally, a fourth terminal is being constructed by a joint venture between Adani Ports and French container line CMA CGM. That is likely to begin operations from May this year.

Last month, Adani Ports started work on a new container transshipment hub at Vizhinjam near Thiruvananthapuram in the southern Indian state of Kerala.

Source: **Lloyds List Australia**
<http://bit.ly/1IZorYb>



Carriers Idle More Capacity for Rates to Recover

CONTAINER shipping companies will have to idle vessels at a more substantial rate than in 2009 and most of such capacity will have to remain inactive to ensure a more sustainable recovery in freight rates, according to Denmark-based SealIntel Maritime Analysis. SealIntel said that current rate levels of the nine deepsea trades covered by the Shanghai Shipping Exchange's Shanghai Containerised Freight Index are below the levels seen during the 2009 financial crisis except for the transpacific rates.

When freight rates bottomed out in 2009, carriers sought to idle vessels in the range of 10%-15% of the global tonnage, according to the latest SealIntel Sunday Spotlight. As a result, rates surged in 2010 and the year saw the highest freight rates recorded for eight of the nine deepsea trades covered by the SCFI. That year also saw the biggest year-on-year increase in the average freight levels so far.

The SCFI tracks spot rates of shipping containers from Shanghai to 15 major destinations in the world. Sample data for SCFI calculation are collected from a panel of 41 liner companies and freight forwarding firms.

Massive overcapacity, weaker trade demand and low freight rates have plagued the global container shipping sector. Shipping lines have resorted to missed sailings and cost-cutting measures to address the downturn. Idling of vessels, however, has yet to be ramped up to 2009 levels.

The idle box fleet stands at 303 vessels, or 5.9% of the total fleet, representing 3.8%, or 746,014 teu, of total containership capacity, latest data from Lloyd's List Intelligence showed. "With 1.7m teu having been delivered in 2015 and global demand growth in the range of 0%, it is clear that more substantial idling of tonnage would be necessary to stage a recovery," SealIntel said. "If we were to see a resurgence of rates in 2016, this would have to be driven by a much more substantial idling of capacity post-Chinese New Year," SealIntel added. The Chinese Lunar New Year begins on February 8.

If carriers stage a rate recovery similar to 2010 by idling sufficient capacity, this would mean an additional combined revenue of \$13bn this year, SealIntel said, pointing out that the revenue gain projection was based on volume estimates from UK-based Container Trade Statistics.

SealIntel said that while the spot rates reported by the Shanghai Shipping Exchange and the contract rates included in the freight indices published by CTS are correlated, the latter only exhibit about 50% of the former's volatility. Hence, the potential revenue gain was derived by assuming that 50% of the spot rate increase will on average apply to every teu shipped on each of the nine deepsea trades. SealIntel, however, pointed out that the problem of carriers in 2009 was driven by demand while the present downturn has been primarily caused by supply.

"This means that in order to stage a more sustained recovery, a large part of the fleet would have to remain idled – something the carriers did not manage to do in 2010." According to Alphaliner, the idle containership fleet stood at 306 vessels representing 1.33m teu as of December 14, down 70,000 teu compared with a fortnight earlier. This marks the first decrease in the idle fleet since July.

Alphaliner said the recent rise in the number of ships sold for demolition and the general repairs of numerous large vessels led to the lower idle capacity figures and not because of an increase in demand. Drewry Maritime Research said in December that the size of the idle fleet swelled 52% to 900,000 teu in November 2015 from the previous month. The idle vessels accounted for 4.6% of the world's fleet as of November. Drewry said the idle fleet peaked in 2009 when as much as 1.4m teu worth of ship capacity, then representing 11% of the world fleet, was laid up.

Source: **Lloyds List Australia**
<http://bit.ly/1OLRhMh>



Ports America to Operate Intermodal Transfer Service at Seagirt Marine

PORTS America, the largest US terminal operator, will transfer operational responsibility for the intermodal container service at the Port of Baltimore from CSX Intermodal Terminals to Ports America Chesapeake.

The agreement with CXS aims to improve the port's competitiveness through consolidating management of the operation and strengthening service, according to a press release.

“With the expansion of the Panama Canal, we see tremendous growth opportunities at the Port of Baltimore,” Ports America chief executive and president Michael Hassing said in a statement.

Mr Hassing said that direct on-dock access to the rail service makes the port more competitive and enhances its attractiveness as one of only three east coast ports equipped to handle super-post-panamax ships.

Ports America Chesapeake in 2010 took operational control of the Seagirt Marine Terminal, located at the Port of Baltimore, through a public-private partnership with the Maryland Port Administration.

Ports America invested \$500m in the project and provided \$140m to the state fund for highway, bridge and tunnel projects near the port. “This agreement between CSX and Ports America Chesapeake is the first step in creating a business model that will work long term,” Maryland Port Administration executive director Jim White said in a statement.

“It provides the frequency needed and it's on-dock where it belongs. This also will help us become more competitive with attracting discretionary cargo destined for the Midwest,” Mr White said.

Source: **Lloyds List Australia**
<http://bit.ly/1RHsGZJ>



The Political Football of Environmental Wrangling (Pt.1)

CRITICS often condemn shipping, comparing it to an unregulated wild west; as if it is the last outpost of carefree buccaneers looking to make a fast dollar off a cheap ship. There is a desire by some, mostly these days the environmental lobby groups, to gloss over the long list of safety and environmental regulations that are already in place and to emphasise the need for more.

This was noticeable during the December climate meeting in Paris, where shipping was barely mentioned by official delegates, but the lobby groups seemed to think it should have been one of the main targets for CO2 regulations and even suggested there were no CO2 rules in place for shipping, when it has two, one related to ship operations and one to ship design. Shipping has a long list of environmental and safety rules. This explains why shipowners employ people with job titles such as head of regulatory affairs, and why fleet and newbuilding superintendents have long lists of certificates and inspections to worry about. While safety is less problematic — a casualty tends to lead to a new rule — anything to do with the environment is a political football, with some very judicious use of facts to score goals.

While the International Maritime Organization is supposed to be the technical body of the UN focused on shipping, it has become increasingly politicised, making its job all the more difficult. Representatives from member states fight their political corner, some to keep their ship registers profitable while others will use the IMO to make "sweetener" deals in some other arena where the global environment comes second to a diplomatic scorecard. This is likely to continue in 2016 as a number of key arrangements are developed.

The ballast water conundrum

The travesty of the ballast water convention is a case in point. The industry is now in the quite ludicrous position where it has to wait for the IMO to get updated fleet statistics to determine if a 12-year-old piece of regulation can come into force a few months later. And when it does, immediately amend it. Flag states, shipowner lobby groups and environmental lobby groups have been fighting over the regulation, leaving shipowners in a state of confusion at a time when they need to act. Shipowners and operators are now in the position where they should be scrambling to order and plan the installation of ballast water systems onto ships, despite there still being a huge question mark over whether the US will let that system be used in its waters.

At the end of 2015 the US announced that it would not allow a particular type of testing of some of the systems that have been put under scrutiny to achieve type-approval certification by the US Coast Guard. The method was being used by four manufacturers that use ultraviolet light to treat water. The problem arose because the US rules say organisms must be killed, while the IMO regulations in the ballast water convention, allow the treatment to neutralise organisms so they cannot reproduce (scientists use the expression viable/non-viable).

Some UV light systems neutralise microscopic organisms making them acceptable under international standards, but not under those of the US. The systems using UV that have suffered this set back were some of the earliest to be put forward for US approval, and the decision may reduce the number of systems that will be approved in 2016. Experts have told Lloyd's List that there will still be some systems gaining type approval in the coming 12 months; some of which are using UV, but have a testing process that is approved, and others that do not use UV as a treatment method at all.

As ballast water systems are expensive and take time to be fitted, companies such as Harris Pye and Goltens have been ramping up their engineering capabilities knowing owners will be rushing to meet their requirements, particularly when system prices start climbing as demand goes up. Most engineering firms advocate that owners do as much work ahead of the date they need to be compliant to ease their work load and reduce the risk of being hit by sudden price hikes as demand escalates.



The Political Football of Environmental Wrangling (Pt.2)

The NOx Clock

As of January 1 this year any ship that is ordered has to be compliant with tier III NOx regulations if it is going to trade in a known emission control area for NOx emissions. NOx emissions rules are also a political football match. In 2008 when the IMO's Marine Environment Protection Committee agreed the amendments to annex VI of the marine pollution regulations, there was no NOx emission control areas. Those ECAs that had been created were for sulphur emissions only. It was widely expected that the Baltic Sea would become the first NOx ECA as there had been a lot of work already undertaken to clean up the waters in the region.

However, shortly after the amendments were agreed the US and Canada announced the establishment of a North American emission control area which would cover both sulphur and NOx emissions, while Russia questioned the viability of the available technologies to meet the tier III requirements. The Baltic NOx ECA announcement was then postponed by Russia, which successfully gained support amongst other administrations for its doubts. This was despite the North American regulators saying they saw no problem in the tier III goals being met and the US ECA would be created as planned.

With Russia and the US never likely to see eye to eye on NOx emissions, a compromise had to be found at the IMO. Tier III is much more stringent than tier II. The actual level is determined by an equation using the power of a ship's engine, but roughly requires an 80% reduction on the tier I levels while tier II was a circa. 20% reduction.

Unless a newbuilding is fitted with certain gas-powered engines, Tier III requires the use of external technology application, either huge industrial versions of the selective catalytic reduction systems now common in cars and road transport, which requires urea, or exhaust gas recirculation, which puts some of the exhaust back into the engine to reduce combustion temperature and thus produce less NOx.

Both systems are large and expensive, but are already in use on ships despite the questions over viability. However, can an owner build a ship from January 1 2016 with a cheaper tier II engine, believing it will never trade in the US or Canada and be subject to tier III rules? If a vessel is built to tier II requirements, that will reduce its trading range as well as its resale potential.

Sulphur

While there is no additional regulation on curbing SOx from shipping in 2016, it is hoped that data from the IMO fuel availability study that will decide the date of the next rule change, will become available. The fuel availability study is a part of the requirements made when the IMO agreed on sulphur emission levels and dates when it amended annex VI of the marine pollution convention. It will determine if the global sulphur in fuel limit will drop from 3.5% to 0.5% on January 1, 2020 or January 1, 2025.

While the data may become available this year, the decision, on which date the next regulatory change is, must be made by the IMO by 2018. The decision will be made exclusively on availability, and not on price estimates. The growing use of natural gas, other hybrid bunker fuels and the level of uptake in exhaust gas scrubbers may also be factors taken into account in the study. Most experts suggest shipowners should prepare for a 2020 deadline. It is worth remembering that European rules are already in place stating sulphur in fuel limits of 0.5% in European waters, regardless of the IMO outcome.

In the sulphur ECAs the sulphur limit is now 0.1%. Furthermore, China has now entered the game with its own set of sulphur rules.

That has been on the cards since Hong Kong started assessing ways of curbing sulphur from shipping and introduced voluntary measures. The Chinese rules will be implemented in several stages. As of January 1, 2016 the restrictions in some of China's key ports will be voluntary, reducing the sulphur limit to 0.5%. The voluntary requirement will become mandatory 12 months later, and then expand to all ECA areas, not just the port waters by January 1 2019. A final stage could see the mandatory limit drop from 0.5% to 0.1% just as it has in the existing global ECAs.



The Political Football of Environmental Wrangling (Pt.3)

Pass the buck in 2016

Perhaps it is the CO2 discussions that are set to be the biggest political football once more in 2016. The decisions in Paris during the latest round of climate talks may not have directly touched on shipping or aviation, the two sectors that are outside the national targets of UN Framework Convention on Climate Change member countries, but it seems to have galvanised the shipowner and environmental lobby groups, as well as one or two UN member states.

The final whistle for CO2 regulatory decisions looks likely in 2020. By this time the IMO will have decided on the formation and structure of its global CO2 reporting system; the European Union system will be in place and the first results gathered; the UN's green climate fund will be fully operational and looking for continued sources of revenue; and the UNFCCC extension period of the Kyoto Protocol will come to an end, with the recent emission reduction targets agreed in Paris becoming the next goal.

For 2016 shipowners need to look at how they will gather their CO2 data for the European scheme which will be operational in 2018, and the IMO's MEPC will further debate the methods for collecting CO2 data, with the widely expected demand from some quarters for targets for curbing shipping's CO2 likely to resurface.

Policing the referees and other regulatory matches

The IMO has also noted other regulations that come into force as of the start of January 2016. Container lines, and particularly shippers, will need to be aware of the container weighing regulations that will come into force on July 1 this year. While this is a key challenge for shippers and ports as it threatens to cause bottlenecks, it will be a welcome change for ship operators keen to improve cargo knowledge to improve safe loading conditions.

Regulators also have their own regulations to adhere to as of January 1 this year as the IMO's mandatory audit schemes of its member states becomes active, in light of changes to the wording of some of the key regulations under the IMO.

Mandatory audits check that countries fulfil their responsibilities as flag and port states, by checking the level of implementation and enforcement of the rules. It is the IMO's way to try to raise the standards across all flags.

Source: **Lloyds List Australia**
<http://bit.ly/1IZplyH>



Singapore to Grant More Port Due Concessions to Box Ships

SINGAPORE will introduce an additional 10% concession on port dues for container vessels to help shipping lines cope with the difficult environment that saw box throughput at the Port of Singapore drop in 2015, its first annual decline in six years.

The Maritime and Port Authority of Singapore said it will grant from today (January 15) the additional 10% concession on port dues for container vessels calling at Singapore if they are carrying out cargo works with a port stay of not more than five days.

The additional concession will be in place for a year and will be granted on top of existing port dues concessions such as the Green Port Programme incentives and the 20% concession first introduced in 1996. In all, these concessions are expected to translate to more than S\$17m (\$11.9m) in annual savings for container lines. The announcement came as the Singapore port was reported as handling 8.7% fewer boxes in 2015 at 30.9m teu and cargo throughput fell 1.1% to 574.9m tonnes in 2015, based on preliminary estimates from the MPA.

The overall slump in Asia-Europe volumes, exacerbated by the rebalancing of volumes across shipping alliances agreements and an increase in direct sailings due to lower bunker prices, brought about the drop in container and cargo throughput, the MPA said.

The MPA said it and port operator PSA Corp have "proactively worked on a suite of help measures". PSA, for its part, will work with its customers to enhance vessel productivity at the port and optimise network planning activities such as service deployments and phasing in and out of vessels, with the aim of cutting their operational costs. PSA is also actively engaging with container lines that wish to establish a long-term strategic presence in the Port of Singapore.

Singapore Transport Minister and Co-ordinating Minister for Infrastructure Khaw Boon Wan said the measures were "another reflection of the government's commitment to stand with and help our partners through challenging times". Mr Khaw announced the measures at a Singapore Maritime Foundation event on Wednesday evening.

While Singapore's container and cargo throughput disappointed in 2015, vessel arrival tonnage grew 5.6% last year to 2.5bn gross tonnes, while Singapore remained the world's top bunkering port with a 6.5% increase in volume of bunkers sold at 45.2m tonnes in 2015, the MPA advance estimates showed. The Port of Singapore last posted an annual decline in container throughput in 2009, when it handled 25.9m teu from the 2008 volume of 29.9m teu, according to MPA data.

In December 2015, however, Singapore's port handled 2.5m teu, 4.6% more than the 2.4m teu in November but 13.5% less than the 2.9m teu in December 2014. Under the Green Port Programme, ocean-going ships calling at the Port of Singapore are granted a 25% reduction in port duties for the use of approved abatement/scrubber technology or if they burn clean fuel during their port stay of five days or less. The ships using approved abatement/scrubber technology or are burning clean fuel only at berth will be granted a 15% cut in port dues.

Source: **Lloyds List Australia**
<http://bit.ly/1lc181K>



The Terminal Call For Clarification

With less than six months to go until the implementation of amendments to the Safety of Life at Sea Convention requiring the verification of gross mass of all containers loaded on vessels, terminal operators are calling for weighing rules to be clarified at national levels.

The Federation of European Private Port Operators says national authorities need to develop guidelines that protect the efficiency of the logistics chain and do not create competitive distortions between member states.

“From July 1, 2016, all containers to be loaded on a vessel will need to be accompanied by a verified gross mass,” said Jasper Nagtegaal, chairman of Feport’s customs and logistics committee. “As of now, industry actors have released guidelines on the implementation of Solas requirement, but guidance from national authorities is still absent in many cases.”

A lack of national guidelines would ultimately lead to confusion in implementation and would have an adverse impact on operations and lead to possible competition distortion, Mr Nagtegaal added. Feport is asking member states to draft guidelines which adopt a pragmatic approach and do not lead to competition distortion. Verification of gross mass remains a contentious issue and time is running out for national authorities to implement structures.

Moreover, a recent study by Intra found that only 30% of cargo owners globally say they are ready to meet full compliance with new container weight rules. The International Maritime Organization has adopted amendments to Solas requiring every packed export container to have its weight verified before being loaded onto a ship. The rules come into force on July 1.

The IMO has specified that two methods of verifying weight are acceptable: either weighing the packed container using certified and calibrated equipment or using a calculated weight method, which involves summing the individual items separately, and adding the tare weight of the container and packing materials using an approved process.

The Solas revision requires that any apparatus utilised must be "calibrated and certified" in the particular jurisdiction in which it is used. TT Club risk management director Peregrine Storrs-Fox said: “The issue here is that, while weights and measures regulations will generally already exist, there is currently insufficient clarity as to whether, or to what extent, the Solas regulations fall under legal metrology control in individual states.

“This may discourage innovators faced by the potential of having to meet differing standards around the globe or even by protectionist barriers.” The capability of weighing equipment, whether in respect of Method 1 (the packed container) or Method 2 (the sum of all the constituent parts), has traditionally been more aligned towards safe working load requirements, that are far less exacting than what might be expected for "calibrated and certified" purposes.

In this regard, Method 2 shippers may be better placed to implement a certified methodology that can be approved in the relevant state.

Source: **Lloyds List Australia**
<http://bit.ly/1S4FyuV>



How Good is Your Trivia Knowledge

1. How many medals did Ian Thorpe win at the Sydney Olympics?
 - a) 2
 - b) 3
 - c) 5
 - d) 6
2. Who said, "It was a wise man who invented beer"?
3. What does the A in DNA stand for?
 - a) Acid
 - b) Acetone
 - c) Atomic
 - d) Azine
4. How high is Uluru in Metres?
 - a) 348
 - b) 359
 - c) 361
 - d) 362
5. What is the Chemical Symbol for Iron?
 - a) Ir
 - b) lo
 - c) Fe
 - d) Ne

1) c 2) Plato 3) a 4) a 5) c



Staff Spotlight

Our Staff Spotlight this month is Client Service Team Member, **Rai Guerra**

What's your favourite sports team?

Essendon Football Club, hard times ahead....

What's your ideal holiday?

A trip overseas to any country with a big cultural difference ie: India, China, Japan.

Any hobbies?

Playing Soccer, video games and going out with friends.

What is playing in your car right now?

Panic at the Disco and Kendrick Lamar.

Where have you travelled to?

Italy, France, South Pacific Islands and all over Australia.

If a genie gave you a wish what would it be?

The ability to fly, although I'm horrible with heights so I don't know how that would go...

Best advice anyone has ever given you?

Experiment all the time, try new things.

What would you like people to know about you?

That I'm super sociable and love a good chat/debate with anyone.





Feedback

Should you wish to discuss any of the issues contained in this newsletter please contact your CSO or any of the people listed below:

Mile' Jurcic' (Melbourne)

Mark Hingston (Brisbane)

Thank you for continued support.
SCI Australia Pty Ltd

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