SeaIntel: G6 struggles in schedule reliability

The G6 Alliance is performing abysmally compared with its competitors when it comes to schedule reliability, according to a new SeaIntel report.

Reliability of G6 Alliance membersSchedule reliability of G6 Alliance carriers generally improved from May to June.

The carriers of the G6 Alliance — APL, Hapag-Lloyd, Hyundai Merchant Marine, MOL, NYK Line and OOCL — have averaged a schedule reliability of only 41 percent in the past year, SeaIntel told JOC.com. Compare that to Maersk Line at 97 percent or “K” Line at 71 percent, and it shows the carriers in the G6 are having trouble making it to Europe as timely as their competition.

“The G6 carriers’ significant under-performance in Asia-North Europe is consistent over the past year, and must be of great concern for the G6 carriers themselves, in terms of offering their customers a satisfying service,” SeaIntel COO Alan Murphy said. “Additionally, it must also be a very costly affair for the G6 carriers, as they need to get their late vessels back on schedule, and that comes at a very high fuel cost.”

Only time will tell whether the G6 will be able to fix its reliability problems. After the alliance rolled out new schedules in late April, Drewry called the implementation a “messy process,” and noted that the carriers didn’t have their ships in the right places at the right times across the board.

June reliability numbers look promising: Only APL and MOL slipped backwards from their May on-time percentages.

“In these years where the carriers’ have a strong focus on reducing their costs, it seems significant cost reduction opportunities are present, if they were able to improve their on-time performance,” Murphy said. “With improved on-time performance shippers would receive a product more in line with what was promised, and that should hopefully also prove a significant driver, even in these troubling times.”

Global reliability and container delivery changed marginally between May and June in SeaIntel’s report, rising from 75.3 percent in May up to 75.6 per-
At this time last year, the industry reported a major dip in schedule reliability. SealIntel says the gap between this year and last has closed to 2.8 percentage points, down from 6.0 percentage points in May; the gap has been narrowing since February.

INTTRA data from SealIntel’s report showed container delivery timeliness increased slightly as well, from 55.5 percent in May to 55.7 percent in June.

Maersk Line, Hamburg Süd and Hanjin were the top three most reliable carriers in June on SealIntel’s Top 20 global ranking. Maersk Line reportedly arrived on time 87.2 percent of the time, with Hamburg Süd at 85.2 percent and Hanjin at 78.9 percent. Hanjin replaced CSAV in the top three, as CSAV slipped from 80.8 percent in May to 78.3 percent in June. Zim showed the best improvement among large container carriers with a reliability of 74.1 percent, higher than its May level of 68.3 percent.

Reliability percentages were down year-over-year on every major trade lane, Sealintel reported. Reliability percentages were down year over year on every major trade lane, Sealintel reported. On the trans-Pacific eastbound lane, ships arrived on time 75 percent of the time, down 7.5 percentage points year over year. Trans-Pacific westbound ships arrived at destinations on time 75.9 percent of the time, compared to 84.1 percent in June 2013. Trans-Atlantic eastbound ships registered a schedule reliability of 66.9 percent, 8.8 percent points lower than June of 2013 and trans-Atlantic westbound schedule reliability dropped 11.6 percent points year over year to 65.1 percent.

Source: Journal of Commerce
Terminal operators are responding to the tsunami of large vessels that have descended upon ports around the world by dramatically increasing their productivity in turning the mega-ships, the 2013 JOC Group’s Port Performance project has shown.

But the gains that were realized in 2013 compared to port and terminal performance in the 2012 survey are only a taste of what will be necessary when the next generation of vessels with capacities of 22,000 to 24,000 20-foot container units arrive on the scene by 2018, industry analysts Andrew Penfold and Dean Davison told a webinar Thursday sponsored by the JOC Group.

Penfold, project director at Ocean Shipping Consultants, and Davison, principal consultant at OCS, analyzed the second annual JOC Port Performance statistics that were recently published for ports and terminals in the Americas, Europe, the Middle East and Europe. Productivity as measured in the study is defined as total container moves per-vessel per-hour.

Ports and marine terminals around the world recorded significant gains in productivity, although the productivity of Asian and some Middle Eastern terminals greatly exceeded that of ports in the Americas and in Europe.

Shipping lines provided data for the project from 150,000 port calls at 483 ports and 771 container terminals.

The productivity range of the top 10 ports in the Americas in 2013 increased to 68 to 91 container moves per-vessel per-hour from 51 to 74 in the 2012 study, Davison said. The top ports in Europe and the Middle East in 2013 improved to 71 to 119 from 41 to 81 in 2012. The top 10 Asian ports were all above 100 container moves per-vessel per-hour in 2013. Their range was 104 to 130, compared with 73 to 96 in 2012.

Performance by some individual terminals was even higher than the numbers on a portwide basis. APM Terminals in Yokohama, Japan, for example, registered 163 moves per-vessel per-hour.

A number of factors contributed to the strong improvement in productivity in 2013 from 2012, Penfold said. Ships are getting bigger. Longer ships allow terminals to work more cranes against the vessel, and this contributes to improved productivity, he said.

In addition, terminal operators around the world are feeling the pressure to improve productivity or they will lose business. “Those that don’t improve will see market share decline,” Penfold said.

Vessels with a capacity of 8,000 TEUs, which several years ago were considered huge, are now commonplace, and much larger ships are on the way. Marine architects say “there are no effective technical limits” to increased vessel sizes of 22,000 TEUs or greater, Penfold said.

He predicted that orders for such vessels will be placed in the next 18 months to two years, and deliveries could begin in 2018. The biggest ships will be introduced into the Asia-Europe trades, but they will set off a rapid cascading of vessels in
the 12,000- to 14,000-TEU range to North America, with the vessels arriving first on the West Coast, he said. Davison added that the economies of scale are too compelling for carriers to ignore. At-sea slot costs for a 24,000-TEU vessel are 23.1 percent lower than for a 12,500-TEU ship and 17.4 percent less than for a 16,000-TEU ship. With total vessel costs per day ranging from $150,000 to more than $225,000, those savings will drive investments in bigger ships, he added.

Total costs for a vessel at berth are also huge, ranging from $60,000 to more than $100,000 per day, so ports and terminals are under great pressure to work the vessels faster and more efficiently. “Terminals will be judged on their productivity,” Davison said.

Carriers, especially those operating in alliances, have no choice but to deploy their largest vessels at fewer ports in order to reduce their costs and offset the time that is lost as vessels “slow-steam” to reduce fuel consumption and cut harmful diesel emissions. This adds to the pressure terminals experience to efficiently turn the vessels, Davison said.

However, the surge of containers on and off of the big ships is playing havoc with yard and gate operations at ports ranging from Rotterdam to New York-New Jersey to Los Angeles-Long Beach and Port Metro Vancouver.

Not long ago, 1,000 container moves per vessel call was considered challenging for a marine terminal. Today in Los Angeles-Long Beach, where the biggest ships in the North American trades call, 5,000 moves per vessel call is common, and the 14,000-TEU ships now calling in Southern California can generate 10,000 moves. Davison said the 24,000-TEU vessels will generate as many as 16,000 container moves per vessel call.

To accommodate the big ships, there must be greater alignment of the stakeholders in the supply chain, beginning with the vessel operator in providing better stowage plans and including the marine terminal operator and the labor force working at the terminal, Penfold said.

One reason Asian terminals far surpass their counterparts in Europe and the Americas in productivity is that they have built modern terminals that deploy the latest technologies, and terminal operators are not subject to legacy labor union work rules and practices that terminals in Europe and North America are subject to, he added.

Terminals should move toward a global standard of shift patterns to improve planning, and incorporate a system of gain sharing in which vessel operators, terminals and labor all share in the rewards of more efficient operations, Penfold said.

Source: Journal of Commerce
Diversions from the West Coast to avoid longshore labor negotiations are creating delays of up to two to three weeks for some ocean cargo moving from Asia to the U.S. East Coast, according to a freight forwarder.

Nelson Cabrera, business development manager at Lilly and Associates International, said the company has informed customers of delays on cargo moving to all U.S. East Coast ports. The cause is an artificial peak season attributable to cargo diversions from the West Coast to avoid longshore labor negotiations between the Pacific Maritime Association and the International Longshore and Warehouse Union, Cabrera said.

“Rates are through the roof, and on top of that carriers aren’t always honoring their contract rates,” Cabrera said. “They didn’t anticipate the surge in volume, so their negotiated rates don’t match the volumes they are seeing.”

With contract rates are lower, most of the time one of two things can happen. First, carriers may choose not to honor the contract rates and quote higher spot rates. Or lower-priced cargo can sit at the port in Asia as higher-priced cargo gets loaded on the ship, because carriers are trying to maximize profit for every voyage when capacity is tight.

For beneficial cargo owners, or BCOs, if they only have contracts with one or two carriers, the road can be harder to navigate, Cabrera said. Freight forwarders and 3PLs typically have 10 different contracts and can search for better prices and capacity availability, whereas shippers can find themselves backed into a corner and have to deal with the rates they are given, or play the spot market at higher rates.

SCFI to U.S. East Coast

Spot rates from Shanghai to the U.S. East Coast as tracked by the Shanghai Containerized Freight Index have risen 9.7 percent since April.

Spot rates from Shanghai to the U.S. East Coast as tracked by the Shanghai Containerized Freight Index have risen 9.7 percent since April. This week’s index number showed rates per 40-foot container, or FEU, at $3,578, 8.7 percent higher than the same week in 2013. In July, the U.S. East Coast was the only one of several trade lanes tracked by the SCFI that held on to general rate increases.

Most East Coast ports have seen year-over-year volume gains in May and June, as well. Containerized imports to the U.S. East Coast, compiled by PIERS, the data division of JOC Group, rose 3.6 percent year over year in May and 3 percent in June.

Some ports have performed better. Containerized imports into Boston were up 10.7 percent in May. Charleston saw major gains in both May and June, at 9.9 percent and 16.7 percent respectively. At Port Everglades, May volume was up 17.5 percent year over year in May and 12.7 percent in June. At Savannah, containerized imports surged 17.5 percent in May and 3.1 percent in June. The Port Authority of New York and New Jersey said port terminals handled record container lifts during the first half of 2014.

Lilly and Associates advised customers to ship early and allow an additional two weeks on most cargo shipments, but Cabrera said the delays could lead to bigger congestion problems.

“With the tightening capacity and added volumes, there are delays, but then comes the bottlenecks,” Cabrera said. “Then comes the problems at terminals and drayage yards. The delays impact the entire shipping industry’s infrastructure. That’s what comes next.”

Source: Journal of Commerce
Nicaragua canal route choice fails to convince

Many questions and doubts hover over the Nicaragua Canal plan, ranging from viability of the announced route to a need for much more information.

There is still no clarity on how the mega project would be financed, and prospective German investors say they need “much more” information.

The route of the inter-oceanic canal of Nicaragua should be optimized and subject to further feasibility studies, despite HKND Group presenting route number four, a proposal originally made by the administration of former Nicaraguan President Enrique Bolaños, reported the Nicaraguan newspaper, La Prensa.

The presentation of the design plan was made by Dong Yunsong, chief engineer of construction management for the HKND Group, who said that “route four passes through the mouth of the Brito River in southern Rivas, North Tule, and has an inlet near the mouth of the river Punta Gorda.”

Telemachus Talavera, president of the National Council of Universities Committees and a member of the Grand Canal project, said route four should be subjected to a study of the environmental and social impact issues to determine its final route.

The route selection was based on studies conducted by Environmental Resources Management (ERM), a firm that analyzed a Dutch company study during the government of Enrique Bolaños.

According to Dong Yunsong, although route three (starting at Isla del Venado on the Caribbean and ending at Brito, on the Pacific) has “improved water sources and water supplies and involves an investment of three percent less than the project route four,” when selecting route four, the environmental and social impacts are minimized.

According to the project, the deepwater ports are “on each side of the canal.” One would be in Brito, with an annual capacity of 2.8 million tonnes of petroleum products and 1.95 million containers. The other would be at Punta Aguila on the Southern Caribbean, with annual capacity exceeding Brito regarding petroleum products and with a projected 2.65 million containers.

In addition, other subprojects, such as creating an artificial lake, creating a free trade area in Brito, a resort and an airport north of Rivas are contemplated.

La Prensa also reports that on the question of investments, Germans put the record straight by stating that to think about investing in the Grand Canal of Nicaragua, much more information is required than is currently available.

“The German ambassador in Nicaragua, Karl Otto Konig, said that his country’s investors need more information to assess their participation in the future construction of a canal in the country.”

Source: The Bulletin Panama