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Less pain but not much gain for dry bulk market in 2017 says MSI

The surge in spot earnings at the end of 2016 was welcome, but MSI warns not to rely on a continuation of this short term strength

London, January 16, 2017. The dry bulk market's strong end to 2016 is unlikely to last long into 2017, according to the latest research from Maritime Strategies International. In its latest quarterly dry bulk market report*, MSI predicts a depressed year for rates in 2017, a year marked by multiple risks to recovery.

Stronger freight markets in Q4 2016 had been broadly expected by MSI, albeit for slightly different reasons. While iron ore trade undershot its expectations, coal trade overshot them with geographical imbalances playing a key role.

However, MSI believes the short term support factors will have unwound in a matter of weeks. Chartering of Capesize vessels for iron ore out of Brazil and Australia for January loading had slowed before year-end, dragging down spot rates. French nuclear power capacity is set to resume output in January, placing downwards pressure on Panamax coal demand, coinciding with a slowdown in grains trade from the US Gulf.

Will Fray, Senior Analyst at MSI says a combination of factors will continue to shape the market during 2017, but in general, rates will remain depressed.

"In our Base Case there is little to suggest any significant changes to the market through the remainder of 2017 and it is MSI's view that freight rates will remain depressed. Overall, we forecast deadweight demand growth will broadly match supply growth at around 3-3.5% year on year. On this basis we see little reason for freight rates to move meaningfully, other than for short-lived or localised spikes."

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MSI is marginally more positive for smaller geared bulkers, but marginally more negative for the larger vessels than earlier forecasts, based on year to date earnings data.

“In the longer-term, our forecasts for 2018 and beyond are still positive but have come down since our last update, mainly as a result of a slightly more bearish view of Chinese steel production, iron ore imports and European coal imports,” adds Fray. “We see very little room for supply-side adjustments to compensate given our already-weak contracting and strong scrapping Base Case forecasts. On average we have lowered our 2018-20 timecharter rate forecasts by 8-10% from our Q3 report.”

MSI highlights a strong potential for 2017 coal trade to deviate from its Base Case forecast due to uncertainty over Chinese and Indian imports. It also identifies Chinese iron ore imports as a key risk for the Capesize market, due to uncertainty over the timing of the peak of steel production and how quickly Chinese domestic iron ore production falls – or if it stops falling should iron ore prices surprise to the upside.

Source: Hellenic News

DP World Creates New Competition

The port is positioned to serve the needs of shippers and receivers in New England, Eastern Canada and the Midwest as it is situated 68 miles from the U.S. border.

Curtis Doiron, Terminal General Manager, DP World Saint John, said: “We are pleased to commence operations in Saint John and look forward to working with the Saint John Port Authority, [International Longshoremen’s Association] ILA Local 273, rail partners, and all other port stakeholders in positioning DP World Saint John as the premium alternative to more congested and less efficient ports in Eastern Canada and the U.S. Northeast.

"We believe the infrastructure in place, the keen and productive workforce, coupled with the Port Authority’s expansion plans are aligned with our vision to offer a creative supply chain solution to the market place.”

The terminal’s connections to the Canadian National Railway (CN), a daily rail service and a multi-purpose facility with on-dock bonded warehousing, manufacturing, and cargo handling infrastructure, is expected to benefit customers through less congestion, lower costs, fast and efficient rail connections, along with direct highway access to New England and Eastern Canada.

DP World is working in partnership with Port Saint John and the governments of Canada and New Brunswick to complete a $205 million infrastructure modernisation program by 2021, after which, DP World Saint John will continue for its lease for a further 30 years.

The Port of Saint John is the only Atlantic Canada port that is served by the country’s Class I railways, Canada National Railway (CN) and Canada Pacific Railway (CP), along with access to Class I rail providers in the United States connected to the PanAm Rail network.

Sultan Ahmed Bin Sulayem, Group Chairman and CEO, DP World, said: “We believe that future growth prospects for the port are strong and we are excited to be participating with the Saint John Port Authority in their expansion plans.”

“Our investments and commitment to Canada are for the long term, contributing to trade and the development of its national and local economies as well as providing employment for people with a leader of world trade. Our international experience and expertise will be further enhanced with this project.”

The multi-purpose terminal offers year-round, ice-free access, with a deep draft and no air draft restrictions, allowing it to handle all types of cargo, including containers, breakbulk, heavy-lift and vehicles.

With the Port Authority’s completion of the expansion works, a 350 metre deep-water berth will be created, an enhanced stacking area and a 12,000 foot intermodal rail yard capable of handling a full train.

DP World Saint John will begin operations implementing DP World’s own Zodiac Terminal Operating System (TOS). Zodiac provides an integrated platform to track vessel, yard, gate and rail movements equipped with advance optimisation modules.

It is expected to enhance terminal productivity as different functionalities are incorporated during operation and will support future growth due to its increased scalability.

With the October 2016 arrival of two new quay cranes, DP World Saint John is adding new terminal cargo handling equipment to deliver exceptional customer service and further expand capacity and productivity.

The new cranes will be modified with a range of features:

- Capability to work a 16 container-wide, 6,500 TEU capacity vessel, substantially larger than the average 3,000 TEU vessels currently serviced
- An ability to handle larger vessels through all loading and tidal conditions. Saint John has some of the largest tides in the world and being able to continuously work a vessel through a 7.7m tidal cycle improves current operational capabilities
- The cranes are equipped with modern drives and controls that deliver precise and reliable handling, ensuring a high productivity level

Upgrades will also be made to the existing Rodney Terminal wharf infrastructure toprepare for the arrival of the larger cranes

Source: Port Technologies

CMA CGM builds on NOL takeover with Singapore ops centre

CMA CGM has opened its navigation and port operations centre in Singapore, following through on its pledge to strengthen the group's presence in the city-state after acquiring state-owned Neptune Orient Lines and its container shipping division, APL, last year.

The operations centre is based in APL's corporate headquarters in Singapore and is a navigation support unit of the carrier's vessel operations in the Asian time zones. CMA CGM's two other centres — located in the French line's corporate headquarters in Marseille, and its regional office in Miami in the US — handle Europe and Americas.

The navigation command centre in Singapore will help the Marseille and Miami offices manage CMA CGM's combined fleet of more than 500 container vessels. Based on live analytics of the vessels' operating speeds, ocean currents, weather forecasts and high traffic areas, each centre will track and examine the nautical, meteorological and geographic information in real-time, 24 hours a day, seven days a week. Accurate guidance and alerts will be provided to deck officers on how vessel routes, speeds and fuel consumption can be optimized across its fleet, while ensuring the safety of its crews and vessels. Before the CMA CGM acquisition, Singapore's state investment arm Temasek was NOL's majority shareholder and during the acquisition process CMA CGM committed to expanding both its footprint in the city and the container throughput of the Southeast Asian transshipment hub port in Singapore.

In fact, before the NOL deal was even finalized, CMA CGM announced a joint venture with Temasek-owned terminal operator PSA International to lease and operate four container berths in the port of Singapore. The French line will own 49 percent of the JV and Temasek will control 51 percent. With an estimated annual handling capacity of over 3 million 20-foot-equivalent units, the JV facilities will be used as a dedicated container terminal for CMA CGM and its liner shipping affiliates, according to Alphaliner.

The move by Temasek is a strategic one as it will bring in two of the Ocean Alliance members, Evergreen Line and Cosco Shipping. Third member Orient Overseas Container Line already uses PSA Singapore as its primary Southeast Asian hub.

CMA CGM is currently the biggest customer at Malaysia's Port Klang, accounting for more than 20 percent of terminal operator Westports' 2015 volume of some 9.1 million TEUs. While it is not expected to shift its entire operation to Singapore, substantial volume will move to the PSA terminals.

China's Cosco Shipping has signed a deal to shift its operations from Port Klang to a PSA facility in Singapore in 2017, and Alphaliner said Evergreen, which currently uses Tanjung Pelepas, will switch to the JV facility in Singapore when it joins CMA CGM, Cosco and OOCL in the Ocean Alliance that launches in April.

The battle for regional transshipment traffic is critical for PSA as Southeast Asia is the largest transshipment market in the world, with volume totaling 42.5 million TEUs in 2015. Singapore throughput was basically flat in 2016 year-on-year, although that was a large improvement on the 8.7 percent decline in volume recorded in 2015. PSA CEO Tan Chong Meng said he expects the tough business environment experienced in 2016 to continue into 2017.

"2016 served up another difficult year for the port and shipping industry," he said. "We had to grapple with sluggish global trade, weak demand for container shipment, sustained excess shipping capacity, and depressed freight rates."

Source: JOC.com

Asia-Europe carriers gain bargaining edge

Asia-Europe container carriers and shippers are bracing for an uncertain year, with consolidation thrown into the traditional mix of traffic volumes and freight rates. The carriers are breathing a sigh of relief as traffic edged higher in 2016, despite another dull peak season, reversing the previous year's slump. The upward movement in spot freight rates has strengthened carriers' hand in annual contract negotiations with big-ticket shippers.

Most carriers are set to close the year with significant losses in their Asia-Europe operations, but the outlook for 2017 — while uncertain — is more optimistic than it was 12 months ago. And that has to count as a major boost for the industry because the Asia-North Europe route, along with the trans-Pacific trade, has the biggest impact on carrier balance sheets. As the sole home of ultra-large container ships capable of carrying up to 20,000 20-foot-equivalent units, the Asia-Europe trade also is the key driver of profit — and loss — for most major carriers.

The upturn isn't anything to shout about, however. Traffic from Asia to North Europe increased just 1 percent in the first 10 months of 2016, but it's a strong signal that the market has bottomed out following 2015's unprecedented decline in traffic. The spot market also has maintained recent gains with a Shanghai-North Europe rate of $775 per TEU at the beginning of December, up 40 percent from $554 a year earlier.

The market remains imbalanced as Europe imports twice as much from China as it exports to its biggest trading partner. The Shanghai-Rotterdam rate was $1,556 per 40-foot container compared with $601 for the return leg going into December, a difference carriers have long lived with and have factored into their accounts. With traffic and rates stabilizing, attention has turned to the potential impact of the two new alliances — the THE and the Ocean — that will launch in April and compete with the dominant 2M partnership between Maersk Line and Mediterranean Shipping Co.

The consolidation in 2016 following several mergers and acquisitions — coupled with the collapse of South Korea's Hanjin Shipping — has reshaped the industry and strengthened its bargaining power with shippers, whose ability to play off one carrier against another has been curbed. And there's more to come when Japan's top three carriers — NYK Line, MOL and "K" Line — merge their container activities. "The new J Lines entity will not start operating until April 2018, but in the minds of many shippers, the field for selection has now been whittled down to just 10 carriers, the more so as the three Japanese carriers will be operating within the same alliance already from next April," Drewry Shipping Consultants said recently.

There have been ongoing shifts in trade patterns on the Asia-North Europe route, with UK imports rising 3 percent in the third quarter, while inbound volumes into Germany, the continent's top economy, were up just 0.3 percent. Traffic to Poland continues to strengthen, surging 13 percent in the third quarter, making the country the fifth-largest market in the trade, having overtaken France, Europe's second-largest economy. Meanwhile, Hanjin's demise has failed to rectify the Asia-Mediterranean trade's supply-demand imbalance with head-haul vessel utilization lower than on other major east-west markets, according to Drewry. "The Asia-Mediterranean trade remains overtonnaged, and the new alliance schedules for next year do nothing to address this issue," it said.

Despite sluggish growth, modestly rising contract and spot rates, persistent overcapacity and the steady deployment of larger ships, carriers are confident they're in a better place than they were a year ago. So is Drewry, which predicted in mid-December that 2016-17 contract rates in the main east-west trades would rise for the first time since 2010.

Source: JOC.com

Panama Canal to Reduce Booking Slots Due to Transit Delay

The Panama Canal Authority (ACP) plans to temporarily reduce the number of booking slots for supers in the third period to 5, for a total of 15 slots, due to *"an unusual delay"* in transits for non-booked vessels.

The reduction will become effective on January 20, 2017, and will be maintained until further notice, according to the ACP.

The measure is being introduced in response to *"growing concerns"* of shippers regarding the extended waiting period currently experienced by their vessels, the ACP said.

Applications for reserved transits under these terms will be received commencing on January 17, 2017. The booking slots available through the auction process will continue to be offered and the limits by direction and restriction will remain unchanged, the ACP added.

Earlier in January, the East lane of the Gatun Locks was out of service for three days as the ACP performed *"unforeseen repairs"* on the northeast approach wall.

Source: World Maritime News