SHIPPING ASSOCIATION OF TRINIDAD & TOBAGO

"Voice of the Maritime Fraternity"

IN INTERNATIONAL SHIPPING

In International Shipping
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Is 2017 The Apex Of Shipping?

Well 2016 was quite a year for international shipping; the new ultra large locks of Panama Canal opened, the expanded Suez Canal went into high gear, one of the biggest container shipping lines in the world went bankrupt and national elections around the world delivered a distinct message (Brexit, Philippines, USA, Italy, etc.) And not to forget the great 'Technology (21st) Century' marches on.

The Present

'Container shipping, which moves 95% of all manufactured goods, is estimated by industry executives to be worth $1 Trillion a year. Traditionally controlled by sovereign-wealth funds and deep-pocketed individuals, it has been a fragmented industry over the past 30 years, with dozens of operators regularly undercutting each other on price.' 'While the bigger ships have caused friction among cargo owners, port operators and the shipping companies in recent years, most in the industry now accept that ports must be upgraded to accommodate them. The American Association of Port Authorities says close to $155 Billion will be invested by 2020 to expand U.S. ports to handled bigger vessels.

*Costas Paris WSJ Logistics Report (Jan 2, 2017)

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The Canal Effect

Most assumed that the expansion of the Panama Canal would have significant impacts on Pacific East-West trade, with the west coast American ports losing to the east and gulf coast ports. Although still early in the cycle, the final trade data for American ports in 2016 may belay that assumption. While not a formal survey, this writer enquired of several US ports and came to the conclusion that final trade figures for 2016 will indicate that most American ports (West, Gulf & East coast) along with the Panama and Suez canals ***all*** saw healthy increases in 'through tonnage' container trade. In spite of losing tonnage to east and gulf coast ports, west coast ports still saw gains in 2016, 'all boats rise with the tide?' The increases occurred in the face of a very turbulent year in a historically turbulent container shipping business (much of which is self-induced). Does any growth in world population and world GDP (by sheer size and scale) drive trade to ever higher through tonnages? Will container trade continue to grow as long as world GDP remains positive (in any measurable amount)?

Shipping and Finance

The Hanjin Bankruptcy was no laughing matter, one of the world's biggest shipping line failures in recent memory. Still, it was only one company and with all the overcapacity, consolidation has been expected. Does the failure of Hanjin, however, go deeper than just the container shipping business? I would remind the reader of the Lehman Brothers failure in 2008, which went far deeper than just the financial sector. The 21st century business world is very interconnected, whether the politicians want it or not. If we see more shipping failures before the industry can recover, what will be the effect on the key international banks that have been the source of loans for the building of Ultra Large ships? Is there future risk of some kind of mini 'Lehman Brothers' event?

Politics and Shipping

On Jan. 3, 2017, BIMCO came out with their shipping forecast and it is for lower growth in the coming years, thanks to overcapacity and national subsidies. 'Government support for any industry including shipping – which is feeling the heat of global competition, might seem like a good thing. But direct subsidies from governments in fact have a negative impact on the global shipping industry as they affect free trade.' In the United States, the incoming President and his team are already beating the drum regarding import tariffs and lopsided competition with China. Good news for world trade?

Technology, Trade, the Future, an Apex?

Shipping Podcast, a great new podcast out of London, had Kate D Adamson on for the 35th podcast. Ms. Adamson is a 'Blue Futurist' (maritime) and 'thought-leader in the maritime space'. As a crusty old sailor skeptical of 'thought leaders and futurists' (forgive me) I initially flinched but Ms. Adamson got my attention by the end of the podcast. Between the possibility of rising trade sanctions around the world, the maturing of China (a more 'Internal-trade' based nation) and 3D and 4D technologies, could the world see a reduction of trade via ships? Ms. Adamson says yes. 'As technology accelerates, the bureaucracies that regulate (i.e. IMO) are not growing in parallel', she refers to a future inflexion point, '*The bureaucratic singularity*'. The point at which individual nations will begin making laws regarding things like cyber security to the exclusion of international bureaucracies like the IMO. The risk, of course, being ships on the ocean trades will be forced to deal with multiple, different 'cyber security' requirements for entering a nation's ports. Good for the free flow of world trade?

Source: gCaptain

Sale of Hanjin-controlled US terminals approved

New Jersey — The sale of Hanjin Shipping's majority ownership of a company that operates two marine terminals — in Seattle and Long Beach — for $78 million can go ahead, a federal bankruptcy judge ruled Wednesday. Judge John K. Sherwood, sitting in U.S. Bankruptcy Court in Newark, backed the arguments of attorneys for the carrier who portrayed the sale of Total Terminals International, which operates the terminals, as the best deal possible under the circumstances, and one that wouldn't hurt US creditors.

Hanjin Shipping owns 54 percent of TTI and the remaining share of the company is owned by Terminal Investment Ltd., which is Mediterranean Shipping Co.'s terminal operating subsidiary and is the buyer under the deal approved by Sherwood. The deal requires TIL to pay $78 million, and forgive $54 million owed by Hanjin Shipping to TTI for accounts receivable. Witnesses testified in two hearings last week that TTI was awash in losses since Hanjin Shipping, its largest customer, filed for bankruptcy in a South Korean Court on Aug. 31, and the terminal operator may also have to file for bankruptcy if the sale did not go ahead.

"It seems like getting $78 million under these circumstances is a pretty good deal," Sherwood said. After Hanjin filed for bankruptcy, Sherwood approved the company's request for Chapter 15 status. That meant the South Korean case would be recognized by US courts, and any sales of Hanjin assets in the United States would have to be approved by a US court.

The judge backed the sale over heated opposition from creditors, who say they are collectively owed tens of millions of dollars and sought to paint the sale process as insufficiently thorough and executed too quickly. Sherwood said the creditors sought to paint the deal as a "sale to (an) insider." The creditors, mostly container or chassis lessors whose claims stem from services allegedly provided to Hanjin Shipping after it filed for bankruptcy in South Korea, also sought to persuade Sherwood to rule that the proceeds of the sale should remain in the United States for distribution to US creditors, suggesting that their rights may not be protected in South Korea.

Hanjin, however, said that the South Korean bankruptcy court had required as part of the sale that the funds be transferred to South Korea for distribution. And Sherwood said he had confirmed with a judge in the South Korean bankruptcy case that the transfer was required by that court. Witnesses that testified in court, mostly about the Long Beach terminal, said that because Hanjin provided about half the containers normally handled each year by the terminal, its volume dropped from about 1.3 million a year to 650,000 when the company filed for bankruptcy. As a result, the terminal operated at a loss at the end of 2016, with a full-year loss of $37 million in earnings before interest, tax, depreciation, and amortization, witnesses said.

TIL initially offered $25 million and then $50 million for the company, but the bid was not accepted, and Hanjin created a bid process. That drew interest from investment company Hahn & Co., which eventually withdrew without making a bid, and prompted TIL to increase its offer to $78 million. Sherwood said that having seen Korean court documents, and having spoken to the Korean judge, that creditors would be treated fairly in that court.

"I think they are protected and I think allowing their claims to be administered here in the US., and keeping the money here in the US, would amount more to favoritism than protectionism," the judge said, adding that that is not what the law is designed for. He said that while a better offer may have surfaced with a longer bid process, the carrier and its financial advisers clearly "decided to take the bird on the hand, which is $78 million of real money," in a "reasonable exercise of business judgement."

"Nobody knows what will happen. Maybe TTI will end up in bankruptcy and maybe these interests that are being sold today will not bring any value to Hanjin's estate," he said. "I would rather have $78 million in Korea than zero in the US."

Source: JOC.com

U.S. Freight Service New Rising Star

The new weekly service for equipment types of all sizes in addition to less-than-container load cargo will be supported by two container ships starting Thursday (January 26, 2017) departing from PortMiami, Florida with a five day transit to Castries, St. Lucia.

Stephen Bell, VP of Seaboard Marine's Caribbean Division, said: "This direct, weekly service enhancement gives our valued customers an early departure and the shortest available transit time to St. Lucia.

"With same day cargo availability at destination, we are confident we will bring increased efficiency to this market. With the combined capabilities of our PortMiami facility, our warehouse and our cross-dock operations in Miami, we have the necessary infrastructure to handle cargo of all varieties and from any origin within the United States."

Another weekly service started last week (January 15, 2017) from Callao, Peru to U.S. ports in Miami, Florida, Houston, Texas, Philadelphia, Pennsylvania, Brooklyn, New York and Newark, New Jersey.

These additional routes add to Seaboard Marine's success going into the New Year as last month (December 2016) its terminals at Miami and Houston became certified by U.S. Customs and Border Protection (CBP) as part of its new Marine Port Terminal Operator (MPTO) designation, known as the AQUA Lane program, which required Seaboard Marine's facilities to be vetted at PortMiami and Houston.

It has met and exceeded the security standards required under the program, which means it can apply for Advanced Qualified Unlading Approval to allow its vessels and cargo to be pre-cleared by CBP before the ships arrival.

Under AQUA Lane authority its PortMiami terminal and Jacintoport terminal in Houston can begin discharging and loading containers the moment the vessel reaches the terminal.

In addition to Seaboard Marine's Custom-Trade Partnership Against Terrorism (C-TPAT) program certification for ocean transport, the terminals also earn itself the C-TPAT certification.

Richard Rodriguez, VP of Terminal Operations, said: "The AQUA designation adds yet another layer of speed and efficiency to an already expeditious terminal operation.

"In some instances, the preclearance will shave hours off our unloading, thereby generally expanding our window to load export containers, a unique convenience for our customers."

Source: Port Technologies