# Global Maritime Weekly Digest

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*The **Global Maritime Weekly Digest**, based at **Southampton Solent University**, provides a regular flow of maritime news and analysis, of significance in a global context. Topics covered include shipping fleets and management, seaborne trade, ports, shipbuilding, ship recycling, maritime policy and regulations, and seafarers' labour.*

## *Contents*



## *Editorial comments*

- The pace of global **ship recycling** has accelerated in the first 5 months of this year, and the annual total looks set to greatly exceed last year's high level, as shown by the graph in item 5.
- Among ships sold for demolition **bulk carriers**, operating in a depressed market, are contributing the greatest proportion, but there has been a pick up in container ships being scrapped, also a reflection of a weak market for these vessels.
- In stark contrast to the virtual absence of **orders for new bulk carriers** in recent months, China has ordered from shipbuilders 30 of the gigantic 'valemax' ore carriers, each with a carrying capacity of 400,000 deadweight tonnes (item 3).
- Looking at the world's **biggest shipowning countries**, it is evident that in many cases shipowning activity is not proportional to the country's participation in global seaborne trade (item 2).
- One example of a '**mismatch**', where the ship ownership share of the world total is much higher than the country's share of global seaborne trade is Greece. For China the relationship is reversed: the seaborne trade percentage is much higher than the country's proportion of the world fleet.

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(1) Hellenic Shipping News, 17 June 2016/  Seafarers Week

# Seafarers UK calls on both the Government and the UK shipping industry to invest in training of British Merchant Navy officers…

This year, their 'Seafarers Awareness Week' (20-26 June) has the specific theme of promoting 'Maritime Jobs for Future Generations'.
A recent report from the International Chamber of Shipping has revealed a current shortfall of 16,500 deck and engineer officers. The forecast global shortage of maritime officers is alarming; 92,000 by 2020 and 147,500 by 2025.
The demand for officers has increased by 24% from 2010. But since then the number being trained in the UK has hardly changed. Less than 1,000 British cadets each year commence training for Merchant Navy careers.
Seafarers UK's Director General, Commodore Barry Bryant, said: 'There is an urgent need for serious investment in our young people who want to work at sea, both from the Government by allocating more funds for training, and from the shipping industry by ensuring that all British cadets are guaranteed time at sea to become qualified. Without increased investment in the UK's maritime skills base, we will face a serious shortage of men and women who in due course will move from seafaring to shore-based roles, such as port operations, crew manning services, ship broking, chartering and insurance. A large part of the nation's and the City of London's maritime competence will rely on these future UK seafarers'
The UK maritime industry directly contributes at least £11 billion a year to the UK economy, while supporting over 113,000 jobs.
Seafarers UK provides bursaries for cadets who are keen to work at sea but are prevented from doing so by financial constraints. The charity believes that what is required now is a fresh and joined-up approach to making young people aware of our great maritime heritage, the huge importance of the sea to our island nation, and the consequent career opportunities for training to work in the UK's maritime growth areas, including:
Workboats – servicing our offshore windfarms
Superyachts – where the UK has an impressive reputation for yacht design, building and crewing
Cruise ships – getting bigger every year, requiring hundreds of crew members across a huge range of disciplines from deck officers to the hospitality industry
Commodore Bryant continued: 'By promoting Maritime Jobs for Future Generations we want to make more young people aware of the exciting career choices at sea and ashore, and to make them aware before they choose alternative employment options that receive more publicity in schools and from careers advisers. 'No one in our island nation lives more than 70 miles from the coast. And the UK has more ports and harbours than anywhere else in Europe. 95% of everything we import comes by ship, including half the food we eat. That is not going to change, and the global shipping industry will continue to grow.'
As an organisation that has been supporting seafarers for 99 years, Seafarers UK wants to see more British officers in the world's ships. But for that to happen more money must be allocated for training, and more berths are required on ships so cadets can gain the essential sea-time they need to become qualified as officers.

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(2) Clarksons Research, 17 June 2016

# Floating Like Butterflies, With Power In Their Sting?

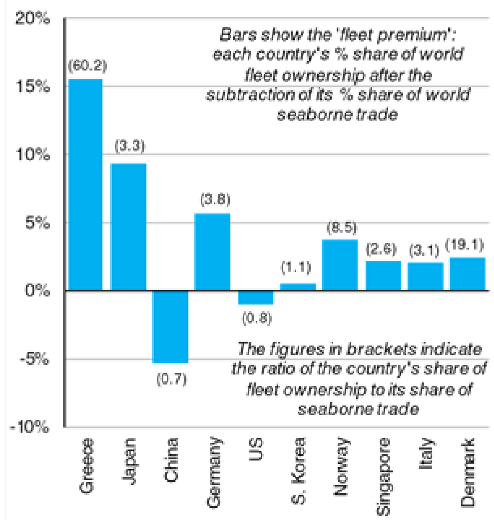
In the recent passing away of Muhammad Ali, the world lost perhaps its greatest ever heavyweight boxer. Amongst his many famous catchphrases was "Float like a butterfly, sting like a bee!". This week's

Analysis takes a look at something else that floats – the world's major shipping fleets. How do the largest shipowning nations perform when it comes to punching above their weight?

## Graph of the Week

### So Who's Punching Well Above Their Weight Today?

The bars on the graph show the difference between each country's percentage share of ownership of the world fleet in GT terms and its percentage share of world seaborne trade in tonnes (the 'fleet premium'). Positive numbers indicate a larger share of the world fleet than of seaborne trade and negative numbers the opposite. The figures in brackets indicate the ratio of the share of world fleet ownership to the share of world seaborne trade for each country. Seaborne trade calculated on the basis of estimated imports and exports combined for each country.




**Source : Clarksons Research**

**Greeks Bearing Goods**
SIW 1223 pointed out that Greek owners as a whole command a powerful 'sting' when one compares their share of the world fleet to their country's share of global seaborne trade. Greek owners, the classic 'cross-traders', punch substantially above their weight, accounting for 16% of the tonnage (in GT terms) in the world fleet whilst Greece accounts for below 1% of world seaborne trade. And as a whole, the top 10 owner nations are highly potent, accounting for 70% of global tonnage, twice as much as their estimated share of world seaborne trade in tonnes (35%). Stinging like a bee indeed!

**Heavy Hitters**
Aside from the Greek owners, the top 10 contains a couple of other owner nations who hit particularly hard. In GT terms, Norwegian owners are the world's seventh largest with about 4% of the fleet. This is about 8 times more than Norway's share of world seaborne trade. Not far away, Danish owners (with one very prominent owner in particular) account for 3% of all tonnage, whilst Denmark accounts for less than 1% of trade.

**Powerful Punchers**
But these owner nations aren't the only power punchers. A number of shipping's other traditional big hitters also punch well above their weight. Japan accounts for 4% of world seaborne trade but as the second largest owner nation, 13% of the fleet (a ratio of 3.3). Meanwhile, German owners account for 8% of the fleet and Germany 2% of seaborne trade (a ratio of 3.8). Italian and Singaporean owners also seem to punch above the trading weight of their respective countries.

**Down The Weights**
But not everyone in the heavyweight division offers such a stinging punch. China, the ultimate trading powerhouse, accounts for 16% of seaborne trade, but despite being the world's third largest owner nation, accounts for only 11% of the world fleet (a ratio of 0.7). The US accounts for 5% of world tonnage but 6% of trade (a ratio of 0.8), while South Korean owners only just punch their weight with 4% of the world fleet and Korea accounting for 4% of volumes.

**Tale Of The Tape**
Nevertheless, despite the fact that three of the world's largest owner countries don't hit too far above their weight, as a whole the top shipowning nations account for twice as much of global tonnage ownership as they do in terms of total world seaborne trade. The modern seaborne transportation system, the framework of asset ownership and the global nature of the shipping industry has afforded owning communities this opportunity. If you want to pick a fight in terms of ship ownership, be careful to watch out for the weight of the punch of your opponent! Have a nice day.

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(3) **Article for GMWD by Richard Scott, GMWD editor, 20 June 2016**

# China warmly welcomes more giant ships

Contracting activity for new ships ordered at shipbuilding yards around the world has been very subdued in recent months, a reflection of (mostly) weak shipping markets. In the bulk carrier sector this lack of enthusiasm for arranging new capacity has been especially conspicuous, amid low freight rates and, for many shipowners, trading losses.

But there has been one notable exception to the general trend. Three Chinese shipowners placed multiple orders for giant new vessels, ore carriers, which will be employed in the iron ore import trades into China. Many of the ships currently employed in this activity are elderly converted tankers which will not last for ever, and so the new ships will be greatly needed.

During March and April this year 30 massive ore carriers, each with a 400,000 dwt carrying capacity, of a type which has become known as 'valemax', were contacted. These will be built at shipbuilding yards in China and are scheduled to be delivered in 2018 and 2019. They will augment 34 existing similar vessels delivered between 2011 and 2015 (that number will rise to 35 when one final unit still under construction is completed).

Designed primarily for employment in the long-haul Brazil to China iron ore trade, where the Brazilian mining company Vale has huge involvement, the valemaxes are the leviathans of bulk shipping. With a length of 360 metres, beam of 65 metres and draft of 23 metres, they are restricted to a limited range of ports in China and a few other countries. The 400,000 dwt carrying capacity for iron ore is over twice the volume which can be transported by standard capesize bulk carriers often used in this commodity trade.

The valemax strategy was conceived by Vale to strengthen the competitiveness of Brazil's iron ore in Asia, especially China, the dominant market. Australia, the main competitor supplier, has a great advantage in this market: lower transport costs, reflecting a typical distance of about one-third of Brazil's haul length. That disadvantage for Brazil is particularly evident when freight rates are high, such as during the global freight market boom which ended in 2008.

By achieving economies of scale from the new ships, assisted by outright ownership or long term lifetime-of-vessel contracts of affreightment with several independent owners, Vale's intention was to drive down freight costs. In the past few years this benefit has been eroded by the subdued freight market. Also, until a ban on direct shipments to Chinese ports was eventually lifted early in 2015, extra costs were incurred for transhipping ore into smaller ships for the final leg of the journey to discharge terminals in China.

Since the ban was lifted, Chinese owners have firmly embraced the valemax giant ore carrier concept. Three companies have purchased from Vale a total of twelve vessels in the past year. China Ore Shipping, China VLOC (China Merchants) and ICBC Leasing each bought four valemaxes. Earlier, Shandong Shipping had leased four of these ships.

The recent newbuilding ordering spree involving the same major operators participating in secondhand purchases was an even more dramatic episode. Each agreed contracts for 10 ships with a number of Chinese shipbuilders. China Merchants and ICBC Leasing have just decided to merge their ore carrier business. By 2020, consequently, there will be sixty five of these enormous ships operating.

***A more detailed article by the author about this topic, entitled 'Giant ore carriers set to play a bigger role in the global shipping fleet: China embraces valemaxes', published by Hellenic Shipping News, 26 May 2016 is available at:***

http://www.hellenicshippingnews.com/giant-ore-carriers-set-to-play-a-bigger-role-in-the-global-shipping-fleet-china-embraces-valemaxes/

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(4) Hellenic Shipping News, 7 June 2016/ Shanghai Daily

# Run aground, China shipbuilders nervously await the next high tide

Along the sprawling coastline of the eastern provinces of Jiangsu and Zhejiang, the once bustling maritime industry is slowly turning from traditional shipbuilding to ocean engineering to salvage the bottom line as demand for bulk carriers wanes.
Three subsidiaries of China Shipbuilding Industry Corp went bankrupt last year, forcing the company to seek investors for a major restructuring. State-owned giant Sainty Marine Co is also in dry-dock for restructuring after suffering two consecutive years of losses.
Last year, Chinese shipbuilders turned out carriers with total deadweight capacity of 41.8 million tons, though orders for ships showed only 31.3 million tons of demand.
"Excess capacity is the current dilemma in the Chinese ship industry," said Xue Yingchun, manager of a shipping agent and former head of a state-owned shipyard 20 years ago.
The industry is in need of a complete retooling to update technology and position itself in specialty segments that show prospects for growth.
Hudong-Zhonghua Shipbuilding Co is a "poster child" for that transformation.
Annual production at Hudong has been growing by an average 3.4 percent in the last five years.
It has upgraded its technologies to join the digital age and moved heavily into ocean engineering. It has become a leader in supplying the needs of liquefied natural gas transport. On April 29, Hudong delivered a LNG carrier named Kumul to clients Exxon Mobil Corp and Mitsui O.S.K. Lines.
The decline of traditional shipbuilding began in 2008, when China plowed 4 trillion yuan (US$608 billion) into its industrial base to soften the effects of the global financial crisis.

Shipyards were among the activists in rapidly expanding production.
According to one insider who declined to be identified, some shipyards were actively building ships for which they had no buyers.
Some inevitable bankruptcies took years or never happened at all. Bankruptcy laws in China are complicated and time-consuming. Large shipbuilders with insolvent subsidiaries and government backing simply masked the financial losses.
"Quite a lot of major shipyards were encumbered in this way," Xue lamented.
The government is now trying to orchestrate a new order in the industry and encourage it along a more profitable path. The one thing the government can't control is global demand.
Xue said he remains pessimistic about long-term trends and the need for traditional bulk carriers amid a global economic slowdown.
Is diversification into ocean engineering the answer to the industry's woes?
The government's "Made in China 2025" initiative for industrial transformation emphasizes support for ocean engineering, including deep-sea drilling and offshore floating facility technologies.
The Ministry of Industry and Information Technology said it expects offshore activities to generate revenue of more than 4 trillion yuan by 2025, up from 2 trillion yuan last year. It is targeting a 35 percent global market share for ocean engineering, compared with 20 percent in 2015.
Waigaoqiao shipyard is among the companies taking a lead in the transition. Since 2014, the Shanghai-based company has been expanding work in construction of offshore structures to serve large crude carriers, container ships, and oil and gas drilling platforms. Waigaoqiao's conventional shipbuilding operations have been suspended for two years in favor of ocean engineering activity.
The shift echoes China's growing demand for cleaner energy, with liquefied natural gas emerging as the best alternative to oil and coal. Indeed, China is aiming for coal use to drop below 50 percent of energy consumption from about 65 percent at present.
Gu Anzhong, secretary-general of the China LNG Association, told Shanghai Daily that the energy industry is a bright spot, both in terms of offshore drilling and in transport of LNG from abroad.
Bright but not without problems. Global oil prices have plummeted. In 2015 across the globe, 44 mobile offshore drilling units were dismantled, more than the total number in the past 20 years.
China National Offshore Oil Corp, commonly called CNOOC, reported a two-thirds drop in profit last year, its weakest performance in a decade. The largest China operator of offshore platforms blamed low oil prices.
The maritime and energy industries still rely heavily on overseas technology and on imports of gas and oil from abroad, according to industry analysts. These industries must adapt to new technologies in order to meet the challenges of a changing world.
MARITIME prospects expected to improve
TORGEIR Sterri is China regional manager for Norwegian-based DNV GL, which provides vehicle classification and technical services to the maritime, oil and gas, and energy industries.
In an e-mail interview with Shanghai Daily, Sterri shared his perspective on China's maritime industry.
Q: How do you evaluate trends in the Chinese maritime industry?
A: The Chinese industry has changed substantially in the last 15 years. It has been one of the main drivers behind demand for seaborne transportation. Its shipbuilding industry has managed to diversify its portfolio from building bulkers to orders for tankers, container ships and offshore vessels.
We have seen ports development, world-class ship design, a focus on Arctic shipping and deployment of drill ships for subsea geological research. China is becoming a global maritime powerhouse.
We have had a presence in China since 1888, and have been working for a number of years with international companies on projects in China to support the fast development of the maritime industry there.
Q: In terms of oil and gas drilling, how do global clients rate Chinese equipment?
A: The offshore market is in a multiyear downtown, putting pressure on all equipment manufacturers worldwide. China still has to prove to foreign owners that its equipment is of quality and competitive in price. This is a conservative industry where perceptions can be hard to change. But many Chinese equipment manufacturers have the capability to offer products at an international standard.
Q: Plunging oil prices have hurt the maritime industry. How bad is it?
A: The low oil price has been a silver lining for the tanker market. There has been massive stockpiling, mainly in Asia. That has increased demand for transport, resulting in a shortage of ships. More than 60 VLCC carriers were ordered in 2015. On the other hand, the offshore market has taken a deep dive as

the entire industry shifted into defensive mode. Exploration and production spending was cut by 23 percent last year and we expect a decline of 20 percent this year.
Q: Many shipyards in China have gone bankrupt. How do you see that playing out?
A: That is correct. Shipbuilding in China is likely to continue facing tough times. The decline in the price of steel has bottomed out, and wages at Chinese shipyards have risen substantially. All that greatly adds to cost pressures in Chinese shipbuilding. Retaining qualified works is also an increasing problem. Many yards find access to needed working capital difficult.
Q: What does the industry need to recover?
A: We estimate there won't be full capacity utilization at state-owned yard, and even lower for smaller yards. The options are: slower production, government contracts, consolidation, a focus on diversification and ship repair, and innovative technology projects.
The current state of the market is pushing the industry toward a stronger focus on research and development, new technologies, new designs and new products.
We believe that digitalization will have a profound impact on shipping over the next decade. The long-term prospects for shipping and shipbuilding remain positive. Shipping will be still at the heart of global trade.
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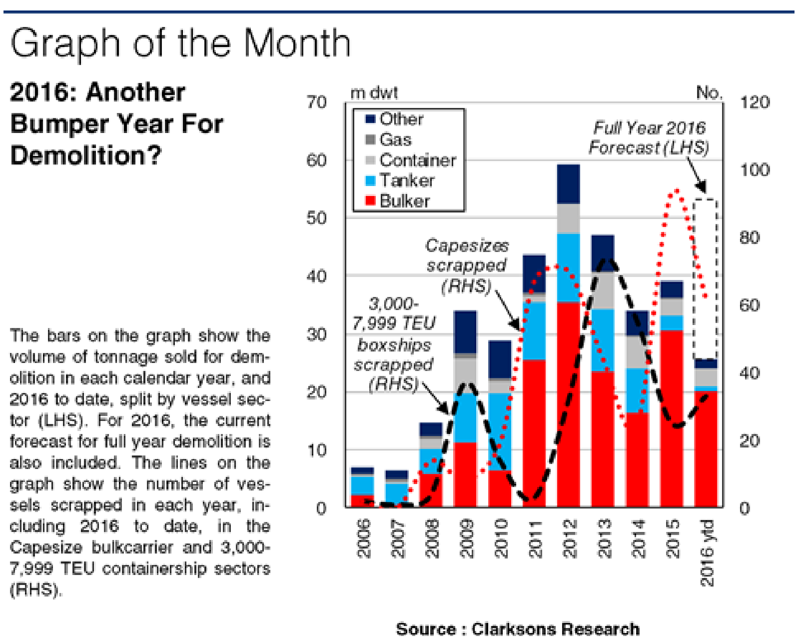
(5) Clarksons Research, 14 June 2016

# Demolition: A Spring Clean For The Fleet?

As summer approaches in the northern hemisphere, scrapping activity has been continuing at a firm pace, and appears set to come close to record levels in full year 2016. With earnings suffering in the bulkcarrier and containership sectors, owners have looked to 'clean out' a large volume of older tonnage, while the upcoming Panama Canal expansion has added another interesting dimension.




**Time For A Tidy**

After slowing down in the second half of 2015, overall scrapping activity has returned to a rapid pace in 2016, and 457 vessels of a combined 25.8m dwt have been reported demolished in the year so far. The majority of this tonnage has been in the bulkcarrier sector, particularly in the larger sizes, while boxship scrapping has also been considerable, as earnings in these sectors continue to languish.

**Brushing Away The Bulkers**
In the bulkcarrier sector, firm scrapping activity in 2015 has continued this year, and 262 bulkers of a combined 20.2m dwt have been demolished in 2016 so far. This accounts for 79% of total scrapping in dwt terms, the same proportion as in full year 2015. At the larger end of the sector, demolition activity has been particularly strong. In the year to date 62 Capesizes have been demolished, following firm scrapping of 93 vessels in 2015. 72 Panamaxes have also been reported sold for demolition, with older designs of c.70-75,000 dwt making up the majority

**Cleaning Up In Containers**
Meanwhile, containership demolition has also picked up in the year so far, with 70 boxships totalling c.217,000 TEU and 3.0m dwt reported scrapped. Boxships account for 11% of total tonnage scrapped in 2016 so far, up from 7% in 2015. As well as facing weak earnings on the back of limited demand growth, owners have also been motivated to scrap vessels by the upcoming opening of the expanded Panama Canal. Boxships of up to c.13,500 TEU will be able to transit the new locks, with old Panamax designs expected to suffer from reduced deployment opportunities. However, interestingly it has been Post-Panamax vessels in the 3,000-7,999 TEU range that have seen the greatest increase in recycling activity in the year to date, with 12 ships scrapped, up from just two in 2015. Meanwhile, 21 Panamaxes have been reported demolished, a threefold increase year-on-year, and similar to 2014 levels
.
**Recycling The Rest?**
Outside of these two sectors, demolition activity has been relatively subdued in the year so far. Just 23 tankers of 1.1m dwt have been reported sold for scrap, following very limited recycling of 2.4m dwt last year. Elsewhere, offshore vessel demolition has been steady, but lower than some might have expected given the struggling market, perhaps reflecting the low cost of layup in many segments.
Once again, bulkers remain the focus of scrapping in 2016 so far, and a considerable volume of boxship tonnage has also been sent to breakers' yards. With earnings showing little sign of improvement across both sectors yet, this pattern appears likely to continue, and total demolition volumes are expected to come close to record levels by the end of the year.
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(6) Lloyd's List, 16 June 2016

# Show me the money: Forwarders at sea and up in the air

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- by Alastair Hill

**Competition in the forwarding sector is intense and forwarders have had to become ever more innovative.**

Logistics providers need to keep one step ahead of ocean carriers to make further inroads into their business

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AT FIRST glance, the casual observer could think the forwarding sector to be a beneficiary of the remarkable slump in ocean freight rates and a similar decline in airfreight rates.

However, it is clear that forwarders too have had to pass on much of the direct cost savings to cargo owners in just the same way as the liner companies have done. Competition is intense and forwarders have had to become ever more innovative in maintaining customers, seeking ways to both add value and to become integral components of customers’ operations, thereby ensuring continuity of business in a tough environment.

The forwarding market is dominated by mainly European operators who all offer ocean freight, air freight and logistics/supply chain services. Latest available estimates of the forwarders' global ocean and airfreight volumes suggest that in 2014 they controlled 49m teu in the ocean freight market, perhaps around one third of the entire market, and 22m tonnes in airfreight.

DHL led the airfreight market with 2.3m tonnes followed by Kühne & Nagel, 1.2m tonnes, DB Schenker, 1.1m tonnes and then Panalpina, 860,000 tonnes. Kühne & Nagel led the way in ocean freight with 3.8m teu, then DHL, 2.9m teu, DB Schenker, 2m teu, and Panalpina, 1.6m teu.

For 2015, the airfreight market was sluggish with no discernible fourth quarter peak season and meagre growth of 2.2%, pushing load factors to near six-year lows. Recovery in 2016 looks to be fragile.

Despite slight growth in ocean freight volumes, low rates, especially on the key Asia-Europe trade, depressed profitability last year and for 2016 the outlook is gloomy.

For all forwarders, their business success depends on delivering cost effective services to their diverse customer base including among others retail and fashion, automotive, pharmaceuticals, food and beverages and electronics.

Service can include simple freight booking with transport suppliers to complex packaging and repackaging solutions, dealing with returned and/or defective goods, warehousing, road transport, customs brokerage, export documentation, consolidation of supplies and deliveries and building long-term relationships by becoming an integral part of customers’ global operations. Being part of a customer’s daily operation affords a degree of contract security if all goes well.

The traditionally low barriers to entry have meant that new forwarders come and go, eroding the overall customer base with every defection. However, the need for global coverage and IT investment have made this less of a problem than in the past.

Global coverage characterises forwarders’ operations, with some boasting over 200 global locations where sales and operations meet the demands of the client base. Attention to detail and slick and comprehensive IT and systems are prerequisites for success in order to adapt to customers’ changing needs.

Table 1 represents an estimate of the leading players’ positions on a global basis based on disclosed volumes and turnover.

*Table 1:* **Global forwarders rankings (2014)**

| | | Gross revenue ($m) | Teu moved | Air freight tonnes moved |
|---|---|---|---|---|
| DHL | Germany | 31,432 | 2,807,000 | 2,215,000 |
| Kühne & Nagel | Switzerland | 22,587 | 3,578,000 | 1,134,000 |
| DB Schenker | Germany | 19,732 | 1,891,000 | 1,092,000 |
| Panalpina | Switzerland | 7,293 | 1,495,000 | 825,000 |
| Sinotrans | China | 7,738 | n/a | 396,000 |
| Nippon Express | Japan | 17,317 | 777,000 | 668,000 |
| Expeditors | USA | 6,080 | 916,000 | 764,000 |
| SDV | France | 7,263 | 790,000 | 522,000 |
| CEVA | USA | 8,517 | 730,000 | 513,000 |
| DSV | Denmark | 8,140 | 772,000 | 259,000 |

For the selected leading forwarders their results reveal mixed fortunes.

DHL, founded in 1969 and finally owned by Deutsche Post since 2002, saw its 2015 airfreight revenues fall 2.4% to €5bn ($5.5bn) but ocean freight rise 3% to €3.7bn. However, the  2015 fourth-quarter figures show significant falls of 11.6% and 4.9% respectively over 2014, mirroring the ocean carriers' own experience in the same period.

Volumes for 2015 fell 8.3% in airfreight to 3.7 tonnes and were flat at 2.9m teu, but the final quarter saw a decline of 11.8% and 1.2% in air and ocean freight respectively.

The outlook for 2016 is for the airfreight business to be broadly similar to 2015 but with moderate growth expected in ocean freight and the road division.

DHL reportedly suffered major IT and system setbacks in the past year and continues to seek solutions.

DB Schenker, founded in 1872, had a shadowy history as part of German railways until privatised in 1991 and then repurchased from Stinnes by Deutsche Bundesbahn in 2002. It experienced a fall of 2.1% in ocean volumes to 1.94m teu but a rise in airfreight of 1.4% to 1.1 tonnes. Land and air transport were therefore positive in 2015 but the ocean arm fell slightly in the face of "intense competition".

K+N, founded in 1890 in Bremen and 53.3% owned by Kühne family interests in Switzerland, suffered from continued volatility and overcapacity in its ocean freight business with a fall in net revenue of 5% to SFr6.4bn ($6.5bn) but posted a rise in earnings before interest and tax of 15% to SFr459m.

Volume remained steady at 3.8m teu. Airfreight revenue fell nearly 4% to SwFr3.4bn but ebit climbed 11% to SFr459m as freight rose nearly 5% to 1.2 tonnes. The first quarter of 2016 was also positive, seeing volume grow to 943,000 teu but airfreight remaining virtually unchanged at 303,000 tonnes.

In line with the ocean carriers, cost control remains a priority and recent performance is encouraging.

Panalpina, Switzerland-based and with pre-war origins in Rhine river traffic and more focused on the US and Europe, suffered a near 13% fall in 2015 turnover to SFr5.9bn, with ocean revenue declining 8.2% to SFr2.6bn and airfreight nearly 16% to SFr2.6bn; overall ebit remained flat at SFr140.5m compared with SFr142.1m.

Both ocean and air volumes were down on 2014, by 13,000 teu to 1.6m teu and 18,000 tonnes to 836,000 tonnes respectively. The company faced a sharp fall in ocean revenue from its oil and gas customer base and sees a similar picture for 2016, when its declared priority is to implement the successful upgrade of its IT systems.

Damco, part of the Maersk group via its P&O Nedlloyd acquisition in 2005 and headquartered in The Hague, saw a 13% fall in 2015 revenue to $2.7bn compared with 2014 but a recovery in ebit to $40m from a 2014 deficit of $241m. Significantly , in the first quarter of 2016 registered airfreight volume rose 8% but ocean fell 3% and revenue fell 13% with a surplus of just $2m, with a strong bias to ocean freight it reported 2.9m teu carried and 180,000 tonnes of airfreight.

Many of the other major global forwarders including Pantos of Korea; Nippon Express, Japan; Sinotrans, China; Hellmann, Germany; Expeditors, the US; and the logistics arms of other major lines do not disclose detailed breakdowns of volumes or results, but their experience will undoubtedly reflect that of the other majors.

Clearly K+N has kept its position as one of the more successful operators and for those forwarders for whom 2015 presented challenges they can be expected to bounce back, despite continuing difficulties in their primary markets and with volatility in procurement matters.

**Higher added-value services**

As for future developments, ocean carriers are looking to gain access to wider aspects of the supply chain and the opportunity to enhance the dismal earnings from liner shipping by delivering higher added-value services to customers.

APL built its logistics arm before selling out to Kintetsu World Express for over $1bn. Maersk has Damco and many other lines have developed or are in the process of developing logistics arms to tap into this market. The same is likely true for the airfreight segment.

Liner companies know the cargoes they carry and the origin and destination ports of the cargoes. Equally, where they haul the export and/or import containers, they know costs borne and the precise pick-up and destination address as well as the volume and frequency of the cargo, together with the ocean freight cost. With so much information it is increasingly tempting for the lines to reverse the disintermediation achieved by the forwarders and control more of customers' supply chains. However, forwarders do control significant volumes and there would be a risk of retaliatory action and losing forwarder support.

So where does this leave the traditional forwarders? They should be experienced enough and sufficiently well-established to keep one step ahead of any moves by the liner companies to make significant inroads into their business but that might not be enough if the lines took real steps to seize the opportunity, perhaps through a major acquisition to achieve scale. The airfreight side would need close study by the shipping lines in order to compensate for their lack of exposure to this part of the business and the same would be true for airlines in regard to ocean traffic. IT would become ever more important in a service-dominated industry and without the necessary sophisticated support customer acquisition and retention would present difficulties.

Similarly, forwarders might seek protection through mergers and acquisitions to strengthen their position as major customers of the lines and airlines and therefore become too big to upset.

There will be some significant changes over the coming years as the ocean transport market in particular wrestles with continuing overcapacity and falling freight rates and seeks to move its service beyond being a mere commodity and achieving scale becomes imperative, most likely through consolidation.

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