On the march Teamsters fight for rights

Teamsters general president Jim Hoffa and other Teamsters leaders held a rally for workers' rights at the Port of Los Angeles. The rally is part of the the March From Hollywood To The Docks, a three-day event to highlight "the struggle of hundreds of thousands of workers fighting to support their families and protect their jobs in an uncertain economy". AP

CTM in joint venture deal with China Navigation

Partners say Asia and Middle East offer potential

Neville Smith

SURGING dry bulk commodity demand has propelled Monaco-based CTM and Swire subsidiary China Navigation into a joint venture offering mobile transhipment services at draught-restricted ports.

Swire CTM Bulk Logistics will offer floating loading and buffer storage capacity at pinch points in the dry bulk supply chain where shippers need to load raw materials into ocean-going ships.

The partnership brings together Swire's transhipment expertise with CTM's commercial shipping experience. CTM chief executive Gary Weston said the company had received numerous requests from shippers looking for specialised services to allow them to load maximum cargo into the biggest size of vessel available.

"With very strong commodity prices, the pressure is on. Marginal supplies are getting pushed. People want extra throughput and all the resources they can get. It's now, now, now," he said.

The price bubble means producers are increasingly willing to exploit resources that are harder to handle.

The partners see business potential in east and south Asia and the Middle East. Many ports in emerging economies are draught-restricted or lack established loading facilities. At others, the cargo stream is too small to warrant dedicated port infrastructure.

An offshore transhipment terminal can also be brought onstream without the environmental approval process often required ashore.

"We are combining the existing strength of CTM with Swire's already proven track record in logistics to make a bigger fist of it and look for more international business," Mr Weston said.

Swire has been operating a similar system off Papua New Guinea for eight years, using self-propelled barges to feed a transloader which in turn loads copper concentrate into ocean-going ships.

"We have experience in that environment. The benefit of teaming up with CTM is the greater reach and wider international footprint in the bulk world," China Navigation managing director Richard Kendall told Lloyd's List.

The partners said that the need to minimise commodity cost per tonne and load a full cargo means that transhipment could be sold as a cost-saving service.

Nonetheless, CTM chief financial officer Luigi Pulcini said these bespoke loaders could cost up to $150m.

"But we can say that we are not adding cost but sharing part of the savings. It is a matter of how much the client is saving using this kind of system in terms of time and loading or discharge port or optimising vessel size," he said.

Every ship will be converted or built to order but Mr Weston said that while talks were ongoing he could not confirm which shippers were interested. "This isn't a transparent business. We are talking about bringing on new commodity streams. It's too sensitive," he said.

Both sides are contributing to the partnership. "Swire through its access to shipyards in Asia and CTM with [its]strong relationships with the big bulk players," said China Navigation commercial manager William Davies.

But transloading is not a new concept and its history is littered with complex attempts at moving cargo that failed to work. The Swire CTM Bulk Logistics concept uses a simple grab crane system to move cargo between ships.

"Sometimes the cargo interests and shippers get caught up in how to provide the service. Generally speaking, the more sophisticated you get, the more likely [it is that] it won't work," said Mr Weston.

The partners are working with consultant Logmarin and for now will stick to transhipment logistics. But Mr Weston said they might increasingly act as a just-in-time transport provider.

CTM has an overall managed fleet of 105 vessels with a total cargo volume in 2007 of about 60m tonnes. Its turnover last year was $1.8bn.

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Pacific lines hold firm on rates as high fuel costs hit profits

Janet Porter

TRANSPACIFIC carriers are taking a hard line with customers in the final few days before current service contracts expire, amid a deepening crisis on the world's biggest longhaul trade lane.

With both sides under extreme pressure as the US economy falters and fuel prices continue to soar, there appears to have been a reluctance to commit to contract terms for cargo moving from Asia to the US for the coming year.

In a progress update on negotiations between carriers and shippers, the Transpacific Stabilisation Agreement acknowledged that it had been "a relatively slow contracting season".

Most service contracts covering eastbound transpacific freight expire at the end of the month, but these are usually extended for a few weeks if renewal negotiations have not been concluded.

Not this year, though, with the TSA warning that member lines are prepared to take a tough stand. "Individual carriers have begun to advise customers that rate and surcharge provisions in current contracts are not sustainable, making it impossible to extend contracts beyond their April 30 expiry dates in order to complete negotiations or allow for additional shipments," said the TSA, which represents 15 major carriers.

"In those cases, cargo tendered by customers on or after May 1 will begin moving at tariff rate levels."

The outcome of this bargaining round will have repercussions worldwide, since the Pacific is the world's largest deepsea trade and the one on which the lines usually depend a great deal for a sizeable chunk of their profits.

But with volumes slipping and oil prices still at record highs, container lines collectively are losing a huge amount of money right now and urgently need to secure both higher rates and recover fuel costs.

"Shipping lines remain convinced of the need for meaningful revenue improvement and substantial fuel cost recovery through a full, floating bunker fuel surcharge adjusted monthly with fluctuations in world fuel prices," the TSA said.

APL chief executive Ron Widdows, who is also chairman of the TSA, admitted that in the past, carriers had sent mixed signals about whether they were truly serious in addressing revenue and cost issues.

"Understandably, shippers were holding back to see if this time we are serious. It has become apparent that our industry faces a financial crisis, that past concessions on rates and fuel surcharges have now come back to affect service levels and carrier viability and that, yes, this time — out of necessity — the lines are quite serious."

In addition to re-establishing full, floating bunker surcharges, TSA lines are seeking rate increases in their 2008-2009 contracts of $400 per 40 ft container to the US west coast and $600 per 40 ft container for intermodal and east coast all-water shipments.

Markets 'closed pools'

LAST year's decision to dissolve two dry bulk shipping pools was driven more by record-high markets than concern about the extension of European Commission powers to cover the tramp trades, *writes Janet Porter.*

The CTC capesize and CTP panamax pools, managed by Monaco-based CTM, have been reconfigured into single entities under the control of DryLog, a Ceres Shipping subsidiary.

Brussels is now seeking information on individual shipping pools as it builds up expertise in the non-liner sector and clarifies the law. As a result, some lawyers are advising their clients that pool membership is too risky because of the threat of an antitrust investigation.

Speaking to Lloyd's List last week, CTM chief executive Gary Weston acknowledged that the change in the regulatory environment "was one of the criteria" behind the move to end the two pools. Individual owners now charter their ships directly to CTM's owner. But trade conditions were a more important influence. Pools are most popular when markets are weak, whereas in a strong rate environment, owners are better able to maximise their returns by operating independently.

Mr Weston also believes that the dry bulk trades are less suited to pools than other sectors, because of the wider customer base.

Should Brussels decide to take a closer look at the pool system, Mr Weston anticipates that it will most probably focus on those partnerships that are "more sensitive to the consumer", such as agreements between tanker operators.

The CTM chief executive said he could see nothing wrong with any Brussels probe into pools to check whether any are engaged in illegal joint pricing.

Brussels has not raised any particular concerns about shipping pools, but only recently acquired the authority to enforce the law in the tramp trade.

Montreal unveils container expansion blueprint

CANADIAN industry officials have welcomed plans to plough C$2.5bn ($2.45bn) into an ambitious expansion of the Port of Montreal, *writes Leo Ryan in Montreal*.

The so-called Vision 2020 blueprint, unveiled last week, seeks to more than triple the port's 2007 throughput of 1.4m teu to 4.5m teu by 2020.

The four-phase initiative has been launched as part of an attempt to meet rising demand and to remain competitive with US rivals on the east coast of North America.

"It is encouraging to a see a progressive, visionary approach for building the port's future amidst serious competition on the US eastern seaboard," Montreal Gateway Terminals Partnership chief executive Kevin Doherty told Lloyd's List.

While some of the financing will come from the port's cash reserves, newly-installed president and chief executive of the Montreal Port Authority Patrice Pelletier has made it clear that the largest part would have to come from the federal government and the private sector. At the launch of the new initiative on last week, he expressed the hope that the Canadian authorities would contribute up to C$650m for an undertaking aimed at keeping Montreal in step with such US ports as New York/New Jersey, Hampton Roads (Virginia) and Savannah (Georgia) which are receiving billions of dollars in government support for infrastructure funding.

Phase one, to be completed by 2011, will focus on optimising existing container facilities to increase operational efficiency. Phase two, to be completed by 2013, aims at expanding the existing sites for maximum container and bulk storage.

Phase three, to be completed by 2016, will focus on the creation of new container infrastructures at sites located in the east end of Montreal or at Contrecoeur (40 km downstream on the St Lawrence River). This phase is slated to raise capacity to 3.5m teu.

Mr Pelletier noted that the Virginia Port Authority "benefits from investments of the state in a new railway corridor which will offer customers transit times to Chicago as short as ours. That is direct competition for us."

The US midwest and northeast markets currently accounts for more than half of Montreal's containerised cargo, dominated by the Atlantic and Mediterranean trades.

Mr Pelletier said the strategic plan was built within the context of continued growth in international maritime traffic and the creation of port terminals using a hub-and-spoke system such as that used by Freeport, Bahamas.