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Breakbulk, project cargo slump being approached constructively

By Paul Scott Abbott, AJOT

The breakbulk and project cargo industry downturn doesn't mean supply chain players – from ports to shippers – haven't stayed busy. Nor does it mean they've turned entirely pessimistic.

Roger Guenther, executive director of the Port of Houston Authority, welcomes attendees to Breakbulk Americas. (Photo by Paul Scott Abbott, AJOT)

That message rung true in late September as some 5,000 industry leaders gathered at the George R. Brown Convention Center in Houston for the 27th edition of Breakbulk Americas.

Not only was the exhibit hall floor bustling with activity, with nearly 500 exhibitors, but many of the speakers in Sept. 28-29 business sessions found ways to put a positive spin on the slump.

The Port of Houston, the No. 1 U.S. tonnage port, is using the down time for project and breakbulk cargo business, including depressed steel volumes, to concentrate on advancing infrastructure projects, according to Roger Guenther, executive director of the Port of Houston Authority.

"We use these times to strategically invest in our facilities, because we know growth is ahead," Guenther said in welcoming attendees.

Speaking on a panel of shippers, Gary Sostack, administrator of the logistics and services division at Aramco Services Co., the U.S. arm of Saudi Arabia's state-owned oil company, said his firm is taking advantage of the down time to accelerate implementation of radio-frequency identification, or RFID, in a commitment to satisfy demand for end-to-end supply chain visibility.

"A wise man said, 'Never let a good crisis go to waste,'" Sostack said, paraphrasing quotes attributed to such political leaders as British statesman Sir Winston Churchill, Chicago Mayor Rahm Emanuel and U.S. Democratic presidential

*(**SLUMP** – continued on page 3)*

Offering views from a shipper perspective are, from left, Pascal Ochquee, global director of international logistics for the Halliburton Co.; Lee Tipton, corporate logistics specialist at FMC Technologies Inc.; Bill Keyes, logistics director for Houston and the Americas at Fluor Corp.; Gary Sostack, administrator of the logistics and services division at Aramco Services Co. (Photo by Paul Scott Abbott, AJOT)

Why you should stop worrying about 'peak trade'

Are trade volumes — the bedrock of globalization — on life support?

The Brexit vote, the rise of Donald Trump, and shifting economic sands have fed fears that protectionist sentiment will intensify the five-year slowdown in worldwide trade. The precarious outlook for globalization was a hot topic at the Bloomberg Markets Most Influential summit in New York last week. Karthik Sankaran, head of global strategy at Eurasia Group, brought attention to the fact that Trump "led the first 30 minutes" of the first presidential debate on the negative impact of free trade for U.S. workers, reflecting how protectionist sentiment has risen to the top of the political agenda.

"This year for the first time in decades trade will probably grow more slowly than GDP worldwide," added Princeton University Economics Professor Alan Krueger, "and that's a sign, I think, of moderation," he said when addressing the question of whether globalization was losing steam.

Last month, the World Trade Organization forecast that global trade will expand at its slowest pace since the financial crisis this year, also downgrading its projections for 2017, in part due this creeping wave of protectionism. It predicted inflation-adjusted growth in GDP, known as real GDP expansion, would be 2.2 percent in 2016.

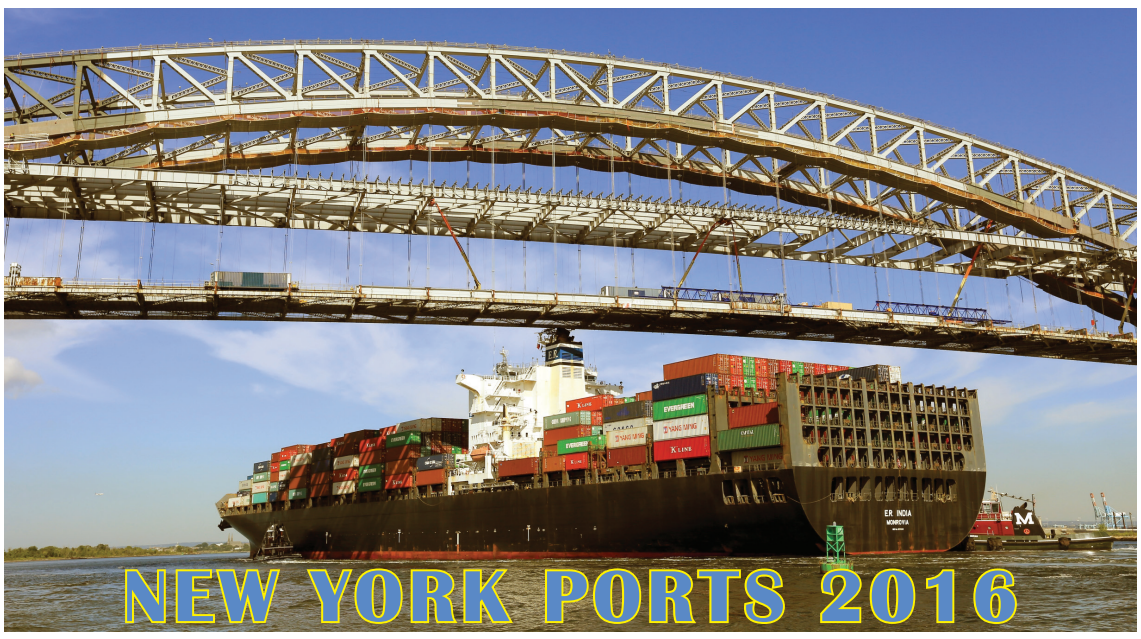
The weak data embolden those who worry the global trade slump is structural rather than cyclical, and who believe trade volumes could stay depressed even once the global economy stages a spirited recovery from the financial crisis.

Not so fast, warn economists at Goldman Sachs Group Inc. They say that trade volumes today shouldn't be compared to their 2002-2008 heyday, which they call an historic outlier, but mapped against a longer-term trend against which current volumes look somewhat less alarming.

The Goldman economists also argue that there's little evidence that the forces that have driven an increase in cross-country trade links in the post-war era have materially weakened.

"The global trade slowdown does not appear to be the beginning (or the middle) of an ongoing, downward deviation from a 70-year trend of globalization, but instead marks the abrupt end of a decade-long upward deviation from this long-run trend — the trade boom of the 2000s," Goldman analysts, led by Ian Tomb, wrote in a research report last week.

*(**PEAK** – continued on page 12)*



China Ocean Shipping Co.'s 6,000-TEU E.R. India passes under the Bayonne Bridge as crews work above to raise the roadbed to accommodate passage of larger container vessels.

Port of New York & New Jersey advancing toward goal of nation's No. 1 containerport

By Paul Scott Abbott, AJOT

Molly Campbell has been an executive of the busiest U.S. containerport before, and she's looking to hold that distinction again – now at the Port of New York & New Jersey.

The goal would appear to be a tall order but in reach. In calendar 2015, the Port of New York & New Jersey had a total containerized cargo throughput of 6.37 million 20-foot-equivalent units, trailing only the Port of Long Beach, at 7.19 million TEUs, and Campbell's former bailiwick, the Port of Los Angeles, in the No. 1 spot with 8.16 million TEUs.

Indeed Campbell, who came aboard as director of the Port of New York & New Jersey in July 2015 after 15 years at the Port of Los Angeles, including as deputy executive director, is confident major infrastructure enhancements will literally and figuratively clear the way, propelled by a long-term roadmap, productive partnerships and dedicated staff of the freshly remonikered Port Department.

*(**GOAL** – continued on page 4)*

Port of New York/New Jersey is meeting tomorrow's challenges

The Port of NY/NJ has challenges, which will require planning for handling a generation of ships yet to be built and cargoes to be borne.

By Matt Guasco, AJOT

Port Industry Day raised some interesting issues that need to be explored further if the Port of New York/New Jersey is to survive the onslaught of the mega-ships. PANYNJ is gearing up for one of the biggest challenges it will face in the modern age of containerization. In the past, the problem of discharging a heavy-laden ship could be solved by spreading containers over more land. Working a larger ship simply meant hiring more casual labor. Today, backland, if available at all, is at a premium. The labor required to handle these mega-ships has to be skilled in working with semi-automated equipment and understanding the logistics of loading, discharging and handling the larger volume of containers associated with these behemoths.

The Dynamics of Big Ship Handling

Many challenges face the port as larger vessels come into the harbor. Not the least of which is maneuverability. Wind and wave action is compounded when handling mega-ships and they don't turn quite as smartly as today's 8,500s, so there is a learning curve. Capt. Schoenlank, president of the Sandy Hook Pilots, noted that they are constantly reviewing how bigger ships move through our local waterways. Simulations are run with various size vessels in order to prepare for the mega-ships to come.

The Kill Van Kull is the principle strait through which all cargo ships enter Port Elizabeth and Port Newark. Robbins Reef Light marks the entrance to the channel, which spans 3 miles to Bergen Point, just under the Bayonne Bridge. At its widest point it is 0.5 miles. The Kill's four doglegs are of particular interest to harbor pilots. A

*(**TOMORROW** – continued on page 10)*

*(**SLUMP** – continued from page 1)*

nominee Hillary Clinton.

Sostack added that, after enduring the roller coaster of four downturns and subsequent rebounds, he has learned the importance of meeting in the early stages of declines with vendors to establish cost reductions.

Pascal Ochquee, global director of international logistics for the Halliburton Co., a Dallas-based global oilfield services firm, said the latest drop-off in business came much faster than expected, as did demands for lower costs.

"Everyone is expecting you to bring your costs down almost immediately," Ochquee said.

Bill Keyes, logistics director for Houston and the Americas at Irving, Texas-based multinational engineering and construction firm Fluor Corp., said the downturn has allowed his company to focus on its processes, including leveraging offshore engineering and cementing partnerships with logistics providers.

"We see this marketplace as an opportunity," Keyes said. "I think it's actually making us stronger as an industry... You bring your 'A game' every day."

Lee Tipton, corporate logistics specialist at Houston-based energy equipment and services provider FMC Technologies Inc., said honing processes during down times is critical to being able to handle more freight when recovery occurs, adding that, like Ochquee, her company has reduced its supplier base while fortifying its relationships with remaining partners.

Speaking on a risk management panel, Dennis Mottola, manager of the global logistics unit of San Francisco-based Bechtel Corp., the largest U.S. construction and civil engineering company, said solid relationships with trusted supply chain partners have become increasingly imperative.

"The big point is knowing who you're doing business with," Mottola said, also citing the importance of strong contract documents.

Mottola said Bechtel annually conducts full financial analyses of carriers with which it does business, adding that evaluation of providers focuses on their demonstration of a value proposition and showing evidence of ability to be trusted to perform as sold.

Dennis Devlin, senior director and head of business development for North American global projects for oil and gas at Germany-based integrated logistics provider DB Schenker, said he tries to avoid booking with disponent bare-boat charterers – parties with operational control of a vessel without actual legal title – commenting, "We try to book with owners – and owners whom we know."

Dennis Mottola, manager of the global logistics unit of Bechtel Corp., center, emphasizes the importance of knowing carriers to Sune Thorliefsson, head of projects for SAL Heavy Lift, left, and Dennis Devlin, senior director and head of business development for North American global projects for oil and gas at DB Schenker, on the right. (Photo by Paul Scott Abbott, *AJOT*)

Sune Thorliefsson, head of projects for SAL Heavy Lift, the Germany-based project cargo carrier unit of the "K" Line Group, interjected, "Shippers have to be much more careful with whom they are making contracts."

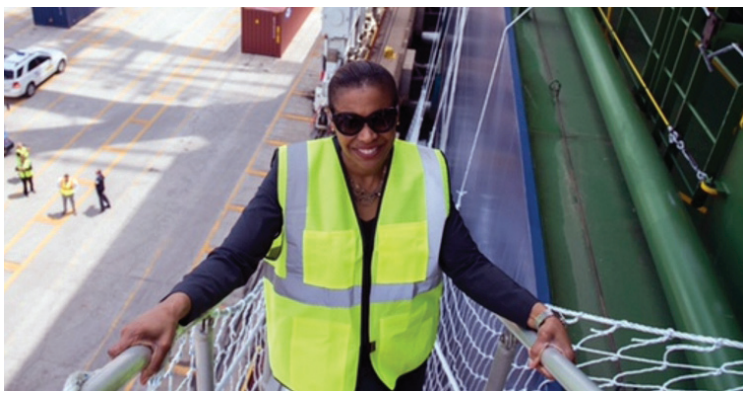
Offering his views in a discussion centered on the Great Lakes St. Lawrence Seaway System, Robert Drew, global logistics manager for Tata International Ltd., part of an India-based conglomerate with interests in metals, minerals, vehicles and leather goods, said historically low freight rates have actually led to increased inquiries from some sectors, including for shipping steel into the Great Lakes from Southeast Asia, "that previous market conditions and rates would have made cost-prohibitive."

On the same panel, Ed Bastian, director of global sales for Germany-based BBC Chartering, operator of the world's largest multipurpose and heavylift fleet, said opportunities exist for bringing "generally decent-paying cargos" into the Great Lakes, but shipping into the region presents challenges associated not only with seasonal waterway closings but also comparatively high piloting and stevedoring costs.

Suzanne Bleau-Myrand,

*(**SLUMP** – continued on page 11)*

Ed Bastian, director of global sales for BBC Chartering, left, shares thoughts on the Great Lakes St. Lawrence Seaway System with Suzanne Bleau-Myrand, director of marketing for Fednav Ltd. (Photo by Paul Scott Abbott, *AJOT*)



Since coming aboard as director of the Port of New York & New Jersey in July 2015, Molly Campbell has been impressed with the capabilities and enthusiasm of her new colleagues.

(**GOAL** – *continued from page 2*)

In an interview with the *American Journal of Transportation*, Campbell enthusiastically shared her thoughts on the recently finished deepening of the port's harbor to 50 feet, the soon-to-be-completed raising of the Bayonne Bridge roadbed, the just-inked agreement to bring the port its first-ever comprehensive master plan and the possibility of extended gate hours by late next year.

While already largely big-ship ready, once both the harbor and bridge projects are done, the Port of New York & New Jersey should be able to fully accommodate the heftier, deeper-draft containerships now able to transit the post-expansion Panama Canal, bringing more containers from Asia to reach U.S. consumers via the Gotham gateway as opposed to by way of Southern California.

"We've got two major infrastructure programs that are really extremely topical as far as positioning us into the future," Campbell said, citing the harbor and bridge projects. "I think it's a major opportunity."

The $1.6 billion 50-foot harbor project, completed in conjunction with the U.S. Army Corps of Engineers in late summer, "after 26 years before I started," Campbell said, "puts us in a really great position."

The second key component of making the port more fully big-ship ready, the $1.3 billion raising of the Bayonne Bridge roadbed, is progressing to meet a revised completion date in fourth quarter of 2017, with Campbell commenting, "I'm happy to report that it's on track.

"This critical project is going to allow us to have an air draft under the bridge to accommodate the larger class of vessels coming in," she said, noting the benefit of an additional 64 feet of clearance in going to 215 feet from 151 feet over the Kill Van Kull between Staten Island, New York, and Bayonne, New Jersey.

The port, under its $4 billion-plus capital program, supported by additional investments from other public- and private-sector entities, also is enhancing rail and roadway links, including looking to replace the Goethals Bridge that crosses the Arthur Kill just below the GCT New York container terminal at Howland Hook on Staten Island.

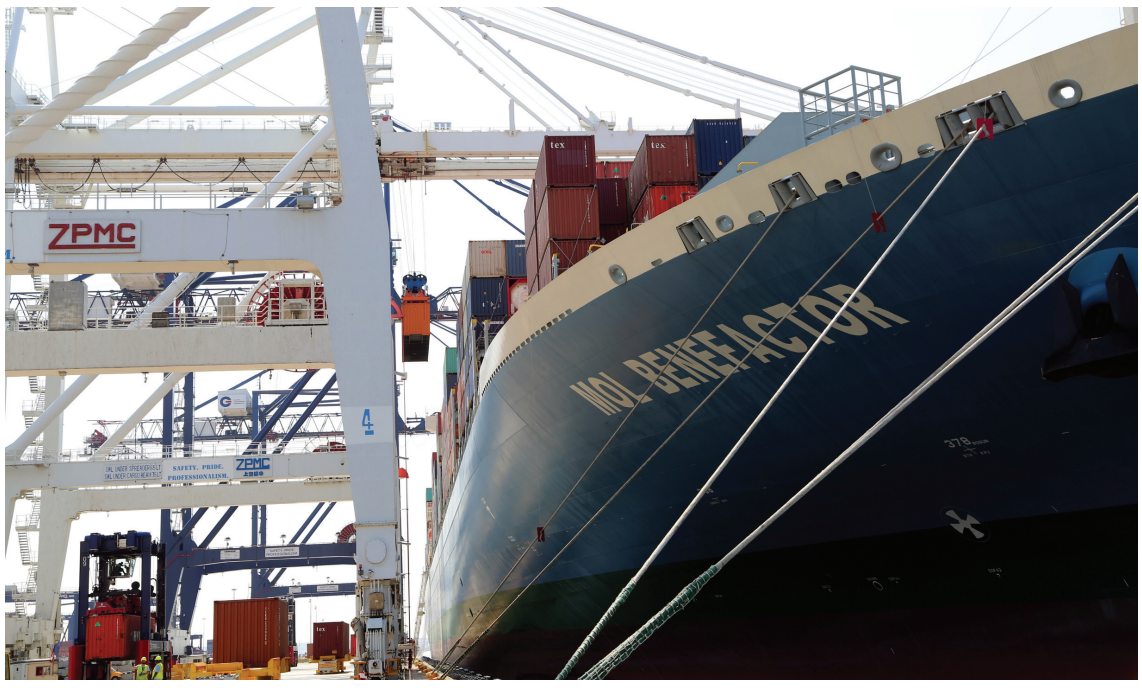
Meanwhile, recently announced private-sector investments include APM Terminals' $70 million expansion and modernization of its Port Elizabeth terminal, to give that facility's annual capacity a boost of more than 50 percent, to 2.3 million TEUs from its current 1.5 million TEUs.

Peering further into the future, the Port Authority of New York & New Jersey commissioners just approved on Sept. 22 a $3.4 million contract with Hatch Associates Consultants Inc. of New York for planning services to develop a comprehensive, long-range master plan for the port's more than 3,000 acres of cargo facilities.

"The port has not historically had a master plan in place," Campbell said. "We're going to take a long-term look – 25 years-plus – in terms of all of our maritime facilities and projects and programs and just really have a real good roadmap in terms of what the port would look like, currently and then over a 25-year-plus horizon.

"Nothing like this has ever been done before, in terms of this magnitude and scope, in terms of a big, broad look at our entire operation," she said. "So we're excited about this."

(**GOAL** – *continued on page 8*)



Mitsui O.S.K. Lines Ltd.'s 10,000-TEU-capacity *MOL Benefactor*, the first neo-Panamax containership to transit the expanded Panama Canal, is worked at the GCT Bayonne terminal, outside the Bayonne Bridge, near the harbor entrance of the Port of New York & New Jersey.

Council on port performance creates workforce development team

At the Port of New York and New Jersey, a workforce of 190,000 handles record cargo volumes in key areas such as warehousing/distribution, customs brokers and freight forwarders, freight railroads, banking and insurance, trucking, government inspections, terminal management, ocean carriers, container crane operators, and longshoremen. Short term industry projections cite a strong need for experienced truck drivers, warehousemen, and logistics professionals.

The WDIT plans to collaborate with the TLD Talent Development Center (TLD TDC) at Union County College. The TLD TDC is funded by a $900,000 grant from the New Jersey Office of Labor and Workforce Development. Its mission is to develop and deliver training programs for incumbent TLD workers at employers throughout the Garden State, and to deliver training programs that will provide skills to unemployed or displaced workers and prepare them for entry into TLD jobs.

Recently, the TLD TDC offered industry-specific training in Supply Chain Management as part of a consortium of twelve colleges and universities across the country. It maintains an ongoing course of eight training modules related to the TLD industry: Supply Chain Management Principles, Warehousing Operations, Transportation Operations, Customer Service Operations, Demand Planning, Manufacturing Service Operations, Inventory Management and Supply Management, and Procurement.

The TLD TDC assists individuals looking for jobs in the TLD sector, and offers training for existing workers onsite for employer partners. Trainees earn industry recognized certifications from the Council of Supply Chain Management Professionals (CSCMP) upon successfully passing an exam.

Barge service initiated between PNCT and Red Hook

On September 15, the first of approximately 100 containers of waste paper were loaded on a barge at the Red Hook Container Terminal (RHCT), Brooklyn.

Later that day, the 300-foot-long, tug-pulled barge made the trip across the Upper Bay, through the Kill Van Kull, and up Newark Bay to Port Newark Container Terminal (PNCT) in 90 minutes.

The cargo was then loaded onto Mediterranean Shipping Co.'s (MSC) 8,000 TEU ship, the MSC Anzu, on Sunday, September 18, and shipped to China.

This new container-on-barge service between New York and New Jersey is the culmination of two years' planning and obtaining approvals.

In 2014, RHCT signed an agreement with MSC and PNCT to expand barge service between PNCT and RHCT. When import volumes warrant it, MSC will provide a bill of lading with a Brooklyn port of discharge for shippers with cargo destined to east-of-Hudson markets.

An agreement was also reached with U.S. Customs and Border Protection so that cargo arriving at PNCT will be able to clear Customs' inspection in Brooklyn rather than New Jersey. This added service will reduce the number of "touches," thereby streamlining operations and reducing the cost of moving containers.

When import loads are included, MSC's service should handle an additional 400 loaded containers (680 TEUs) one-way per week. As more shippers learn of the barge service, the "intra-terminal" barge model strengthens and more partnerships may emerge.

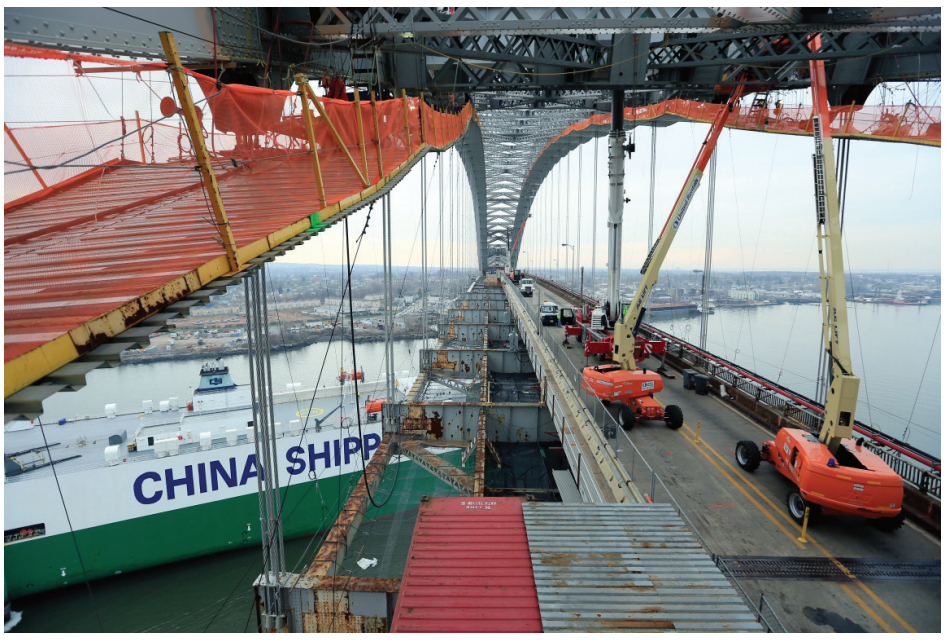
The barge service's utilization rate and cost competitiveness with trucks should help maintain its long-term viability as the business grows.

Container volumes hit highest August on record, second highest month ever

August container volumes at the Port of New York and New Jersey reached 335,537 lifts (585,327 TEUs). This represents an increase of 2.0 percent over August 2015, the highest August on record, and the second highest month the port has ever logged.

August volumes historically average 288,000 total lifts. But August 2016 saw 174,419 import containers loaded, an increase of 6.6 percent over the same category in August 2015. Loaded export containers totaled 66,042 units, an increase of 2.9 percent over the previous year, while export empty containers fell by 6.2 percent at 93,737 units.

Year-to-date volumes totaling 2,400,981 units (4,159,051 TEUs) fell behind 2015 by 2.1 percent. Import loads totaling 1,225,092 units fell 1.4 percent compared to 2015, while export loads totaling 506,000 units fell 3.6 percent. Export empties totaling 658,559 units fell 2.1 percent over 2015.



The project to raise the roadbed of the Bayonne Bridge to bring air draft to 215 feet from 151 feet is moving toward slated completion in the fourth quarter of 2017.

*(**GOAL** – continued from page 4)*

The Port of New York & New Jersey also is making progress in increasing productivity, with its truck appointment management system having reached the final testing phase following implementation of the port's Terminal Information Portal System, or TIPS, to ease container pick-ups and deliveries.

Following completion of a pilot program of the truck appointment management system at the GCT Bayonne container terminal – a facility with access not constrained by the Bayonne Bridge roadbed – the system is expected to be swiftly implemented portwide, Campbell said, commenting, "I think the other terminals are going to jump onboard rather quickly."

The port's productive partnerships include with the New York Shipping Association and the Sandy Hook Pilots Association on a simulation study that, at least preliminarily, shows "absolutely no issue" with the port, after the bridge roadbed is raised, being able to receive vessels with capacities of as many as 14,000 TEUs, according to Campbell. She added that 18,000-TEU vessels will be able to be accommodated "with some operational restrictions."

The port also is working with trucking industry partners and distribution center and real estate leaders, as well as terminal operators, in investigating longer hours of operation.

"The idea is to collaborate with the container terminals to move more cargo during off-peak times," Campbell said. "This would include weekends and potential evenings."

She said extended hours of operation likely are still several months away, adding, "We're hoping to have something in place before the bridge (project) is completed."

Campbell said decisions as to any possible off-peak incentives, such as those under the PierPASS program in Southern California, have yet to be made.

"We haven't looked that far," she said. "At this point, we're just seeing what's feasible and having discussions with the partners that would be affected. Certainly, the savings or any kind of incentives would be something you look at as a second step. The driver right now is to see what is possible and how we would do it."

And port officials are actively engaged with community partners as well, Campbell pointed out, such as discussions with the New York mayor's office on topics from hiring practices to environmental concerns.

Campbell takes pride in emphasizing the port's collaborations, commenting, "As a landlord port, partnerships with our private-sector partners are key. It's especially true for the terminal operators that we work with."

So are partnerships with ocean carriers, particularly at a stressful time for that industry, and Campbell noted her recent return from a business trip to Europe during which she met with several executives of global lines headquartered there.

"It's important for us to actually visit the people who make the decisions as to where the ships are going," she said. "So those were very positive discussions.

"The shipping industry itself, as you know, is going through a lot of significant transformation," Campbell continued. "A lot of it has to do with mergers and acquisitions and some of it is forced consolidation or the recent Hanjin Shipping receivership announcement.

"So this industry is going through significant changes very rapidly, and it's going to look entirely different six months from now, as it will five years from now," she said. "Being in front of our customers is really an important thing that we have to do with all of these changes."

Campbell also cited the Port of New York & New Jersey's Council on Port Performance, initiated in 2013, to bring all industry stakeholders together to address port issues. That cooperative effort for collective change has since been duplicated at numerous other ports.

"Everyone recognizes that you have to be collaborative," she said. "This task force has been very instrumental in some of the recommendations that we've been working on to improve some of the efficiencies."

Now more than 14 months on the job at the Port Authority of New York & New Jersey, Campbell said she has been extremely impressed with the agency and its people.

"This agency is amazing," she said. "There's no other agency like it that I'm aware of in the country or the world that moves the type of transportation-type infrastructure that this agency moves, and the port's one piece of it."

Noting that the authority encompasses multiple airports, bridge and tunnels, as well as PATH trains running under the Hudson River, plus the new World Trade Center, Campbell said, "There are consumers – or the

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*(**TOMORROW** – continued from page 2)*

starboard turn must also be negotiated after clearing the bridge between Bergen Point and Shooters Island, a span of 0.65 mi in order to reach the container terminals in Newark Bay. The MSC Beryl with a 12,400 TEU capacity has a length of over 12,000 feet and a beam of nearly 159 feet. She draws 50.85-feet of water. As a result of her size, the ship will have to await high tide to transit through the Kill Van Kull. It's been said that big ships act like giant sails. With minimal water under her keel and a 15-knot wind, a ship like the MSC Beryl will require skillful navigating to transit from the Upper New York Bay to Newark Bay.

Mega-Ships Change Terminal Handling Forever

Hypothetically an 8,000 TEU ship discharging 70% of her cargo at a particular terminal would generate 5,600 TEUs. The PANYNJ is anticipating the arrival of 13,000 TEU vessels through the Panama Canal. A ship that large would off load 9,100 TEUs. That's 1.14% of the 8,000 TEU's capacity. Two 13,000 TEU vessels working simultaneously would yield 7,000 more boxes than two 8000 TEU ships. The time needed to discharge a vessel is directly related to the manpower put against the ship. If a crane operator were capable of achieving 40 lifts per hour then it would require 9.5 days to unload 9,100 containers (9,100 /40 = 228 hrs / 24 = 9.5). Each additional crane would increase the rate of discharge. Four cranes capable of handling the vessel could accomplish the discharge in 2.4 days (9100/160 = 57 hrs / 24 = 2.4). While labor and management are negotiating faster rates of discharge, currently terminal operators in the port are not achieving 40 lifts per hour. Any reduction in discharge rate adds hours to the time needed to work the vessel. To maintain productivity you either increase your discharge rate or add an additional crane.

Who can handle the larger vessels?

Air draft at the Bayonne Bridge (that is the height from the waterline to the roadbed) will be raised from 151 to 215 feet. Completion of the project has been pushed back until late 2017. In effect only Global Container Terminal, which lies in Upper New York Bay, can handle Neo-Panamax vessels calling at this time. By example, the CMA CGM Cassiopeia at 8,100 TEUs has eighteen containers across her beam, while the MSC Fabiola has twenty. Global's cranes are capable of discharging ships of this size. The terminal has two Liebherr Super Post Panamax Cranes with a height of 141 feet and an outreach of 203 feet and two ZPMC Post Panamax Cranes with a height of 131 feet and an outreach of 185 feet. Terminals in the inner harbor are similarly equipped, most notably PNCT with two ZPMC cranes at a height of 219 feet and an outreach of 167 feet. With the new roadbed in place the port will be able to receive Neo-Panamax vessels up to 12,500 to 13,000 TEUs.

Getting Out of the Gate

While the port's facilities will be able to receive the latest round of mega-ships, it will be up to terminal operators to maximize work flow and land use. Productivity is measured not only by how

*(**TOMORROW** – continued on page 11)*

*(**GOAL** – continued from page 8)*

day-to-day public – that has a reason to touch all of them.

"So there are lots of people who actually see those facilities and touch those facilities," she said. "The port, though, the cargo side of the business, is not as obvious. It's there. It impacts your life. You go to the store and whatever you want to purchase is sitting on a shelf, but no one ever really thinks about how it gets there. Since cargo doesn't speak, we as a department want to make sure we are speaking for the economic vitality and the moving of cargo."

These days, those consumer items and more are coming by way of facilities under the aegis not of the Port Commerce Department of the Port Authority of New York & New Jersey but rather simply the Port Department of the authority.

Campbell announced the change July 28, a year and a day after taking the helm at the port.

"I think it's just more reflective of who we are and what we do," she said of the new name for her part of the massive bistate agency.

In the same announcement, Campbell shared the department's new organizational chart, with staff delineated in three key areas: operations, finance, administration and infrastructure and capital; port business development and commercial; and strategy and innovation.

"This organization structure allows us to focus resources to manage the concerns of today, tomorrow and the future and be guided by the core beliefs of partnership, collaboration, communication, transparency and action oriented," she said in an internal e-memo. "We believe this structure will better streamline our business to be more operationally efficient and ensure that we are ready and able to manage the next chapter of the port's evolution as a premier global gateway."

The people to whom that memo was addressed have totally wowed Campbell.

"I work with a talented group of professionals," she said. "But I guess they've exceeded my expectations in terms of everyone's ability to roll up their sleeves and just get the job done. It's a stellar and professional staff, both within the Port Department and the Port Authority itself.

"That's important, because it's the people who make a difference in getting our jobs done," Campbell continued. "I think it comes down to the people implementing the things that are going to make a difference. I think it comes down to the people recognizing that we've got our intermodal cargo that we're fighting for. We've got rail capacity of over a million lifts (a year), and we're only using maybe a bit more than a third of it.

"It's the people who come down to say, 'What can we do to do that better?'" she added. "It's the people who came up with the idea to say, 'We've got a draft restriction in terms of accommodating the big vessels. What can we do about it?' and looked at a whole bunch of stuff before I came to even come up with a creative way of solving the Bayonne Bridge.

"So I do think the people are poised to come up with a lot of solutions for some of the challenges that are here," she said, "and I think they get excited about it."

Campbell certainly does.

*(**TOMORROW** – continued from page 10)*

quickly a ship can be handled but also by how long containers remain on the tarmac. Also know as dwell time, facilities calculate how long it takes containers to clear their gates. Automation can play a key role in organizing containers for loading and delivery out. Smart container stackers can pick boxes for handoff to waiting truckers. We see facilities on the West Coast headed in that direction while terminals in the PANYNJ are only beginning to test semi automated equipment.

Truck turnaround times have been an issue over the last few years. Working groups like the Council on Port Performance have brought together stakeholders to discuss bottlenecks in the system. The Port Truck Pass, an RFID tag, allows vehicles that meet certain environmental and safety codes to streamline gate entry. Further use of RFID technology could enhance the exchange of containers between truckers and the port.

Other issues regarding the interchange of equipment also need further analysis. As Global Container Terminal begins testing an appointment system, no port wide program has been setup thus far. Discussion of standardize late gates has also yielded no results to date. These will need continued review as more containers hit the ground in years to come.

A Master Plan emerges

Ocean carriers feel that 8,500 to 10,000 TEU ships will become the workhorses of Panama Canal Traffic going forward. It remains to be seen whether growth in the Asian trade will warrant the continued influx of ships over 10,000 TEUs into the U.S. East Coast. With the raising of the Bayonne Bridge, ships in that class can be worked at all of the port's facilities by 2017. By the same analogy as above, the additional volume generated by a 10,000 TEU vessel is only 25% more than the 8,500s seen at area terminals today. Those 1,400 boxes could be integrated into current operations with some improvement in lifts per hour and better control of container stacking and retrieval. That said the port would be remiss if it didn't plan for the onslaught of 12,500 to 13,000 TEU ships.

The port commerce department has commissioned Hatch Associates to survey the current infrastructure and develop a master plan for growth and development through the next 25 years.

*(**SLUMP** – continued from page 3)*

director of marketing for Montréal-based Fednav Ltd., Canada's largest oceangoing dry bulk shipping company, said her firm stays busy bringing in steel from Europe and shipping out grain and other bulk exports via the waterway, as it proves more efficient than truck or rail, but added that the firm is actively fighting high pilotage rates.

"The biggest challenge is keeping costs to a minimum," Bleau-Myrand said.

The importance of a strong Export-Import Bank of the United States was the focus of another panel discussion, moderated by Capt. William G. Schubert, former administrator of the U.S. Maritime Administration and now president of Pinehurst, Texas-based consultancy International Trade & Transportation Inc.

Citing the need for congressional reauthorization of the Ex-Im Bank, which saw its full strength lapse in 2015, Schubert said the United States already lags behind the United Kingdom, Japan, India, Italy, France, Germany and, most notably, China in official export credits needed to spur cargo activity as well as jobs.

"There is a solution, but we need it sooner than later," Schubert said, urging conference attendees to write to elected representatives in support of Ex-Im Bank charter renewal.

Will Terrill, vice president of U.S. flag services for project and breakbulk carrier Intermarine LLC, said his firm has lost cargo volumes due to the lack of a full-force Ex-Im Bank, commenting, "One thing that's incredibly important that Ex-Im provides is cargo... All U.S. business interests benefit from Ex-Im."

Steve Drugan, regional vice president for the Americas of Houston-based project freight forwarder Deugro (USA) Inc., and John Masterson, director of financial derivatives for CB&I, a major engineering, procurement and construction company headquartered in The Woodlands, Texas, both said key projects will continue to get financing, but the backing will come from other countries that have stronger export credit agencies than the United States.

Scott Mogavero, global logistics and planning manager for Schenectady, New York-based GE Power, said the largest industrial business unit of the General Electric Co. has shifted some of its production of such items as wind energy turbines to non-U.S. factories, stating, "We continue to move our supply chain where the numbers are." *(For Breakbulk Americas reception photos see page 22.)*

Steve Drugan, regional vice president for the Americas at Deugro (USA) Inc., left, listens to Will Terrill, vice president of U.S. flag services for Intermarine LLC, express support for a strong Export-Import Bank of the United States. (Photo by Paul Scott Abbott, *AJOT*)

A CSX train departs an intermodal terminal in Salaberry-de-Valleyfield, Québec, 40 miles southwest of Montréal.

CSX views in full

The *American Journal of Transportation* sincerely regrets that, due to a production error, a portion of the CSX views in the intermodal rail article in the Sept. 26-Oct. 9 edition did not appear in print.

Below are the full comments of Wesley Ann Barton, director of intermodal marketing at Jacksonville, Florida-based CSX Transportation:

The latest: "CSX's strategy combines the efficiency of corridors for high-density lanes with a hub-and-spoke model anchored by our Northwest Ohio Intermodal Terminal, which creates capacity and enables greater flexibility and connectivity."

Wesley Ann Barton, director of intermodal marketing, CSX Transportation

CSX is investing in the hub-and-spoke model by building a second hub, the $270 million-plus Carolina Connector, in Rocky Mount, North Carolina, providing increased local service as well as expansive connectivity across the CSXT-served intermodal network.

CSX also is building the Pittsburgh Intermodal Rail Terminal for Midwest-bound freight entering East Coast ports and linking Western Pennsylvania shippers with global markets.

Corridor-wise, CSX just introduced faster service along its I-95 corridor between the Atlanta market and the Northeast. The new truck-competitive service offers third-day morning availability along the corridor.

"Infrastructure investment is also improving cross-border shipping. The only steel-wheel intermodal service between Montréal and the U.S. is further streamlined by on-site customs inspections at the CSXT-served intermodal terminal in Salaberry-de-Valleyfield, Québec."

Panama Canal: "Expanding Panama Canal capacity is unlocking improved, big-vessel efficiencies for steamship lines. Significant infrastructure development is under way at East Coast ports, and efficient rail connectivity will be a key to success. CSX's broad, flexible network supports customer supply chain diversity and changes at both West and East coast ports."

The future: "CSX is building the intermodal network of the future, [including] significant investments into new and expanded terminals. CSX has invested more than $700 million [over five years] in its intermodal network, aimed at capturing additional share of 9 million truckloads in the East [seen as] good candidates for intermodal conversion."

America should love NAFTA for stealthily boosting sales abroad

A fixture of Donald Trump's stump speech is that NAFTA is wrecking America's economy. But here's the thing: The two-decade-old trade agreement between the U.S., Canada and Mexico may be good for American business. American companies are still doing brisk business abroad, just by building up sales through large foreign plants instead of the traditional model of exporting across national borders. Foreign affiliates of American companies generate annual sales of $6 trillion, including $600 billion in Canada and $200 billion in Mexico, Bank of Canada Governor Stephen Poloz said.

Growing flows of intermediate goods used to make finished products suggest NAFTA has led to deeper trade ties. For example, 70 percent of U.S. imports from Mexico are products such as auto parts being moved between different production sites of a single company, Poloz said. The former head of Canada's trade finance bank addressed an audience at Western Washington University about an hour before Democratic nominee Hillary Clinton and her Republican challenger Trump sparred in the first presidential debate last week over why America was losing good jobs. It's an issue that we'll likely hear about again, and again, at the next debates on Oct. 9 and Oct. 19 in the lead-up to the Nov. 8 vote. In Poloz's own country, where there are also fears about losing competitiveness to Mexico and China, companies earned about $390 billion in 2013 from their foreign affiliates, rivaling international exports of $438 billion.

*(**PEAK** – continued from page 1)*

During that period from 2002 to 2008 the value of global trade rose by an annual 12.5 percent, the Goldman economists calculate. To illustrate the unique boom of the 2000s, the analysts plotted the gaps between measured trade growth and its expected growth, as implied by GDP expansion between 1960 and 1995.

Measured this way, "aside from the trade boom years of the 2000s (plotted in green), global trade growth over the past two decades, including the late 1990s and the post-2011 period, falls within 1 standard deviation of this historical benchmark," the analysts explain. It is the rapid trade growth in the 2000s that was unique, not the current cycle.

What's more, they find little evidence that the sensitivity of trade-volume growth to GDP expansion, known as the trade beta, is weakening, as peak-trade proponents assert. The latter argue business and economic shifts mean output growth is failing to turbocharge increasing import-export volumes like it did in the past — a big reason to be bearish about export volume growth in the coming years, even if protectionist sentiment wanes.

However, drawing on data that tracks 400,000 individual trade flows over the past twenty years, the trade-beta exhibits year-on-year volatility at the country-level and was actually historically weak during the booming noughties. That suggests the metric can't "reliably represent the actual effect of income growth on trade growth," the economists conclude.

They don't rule out the idea that the relationship between output growth and trade volumes has changed with time, but they proffer an intuitive conclusion on the current cycle: GDP growth is still driving trade volumes, while other forces (such as financing costs and government policies) "have played the starring role in driving global trade over the past two decades."

Finally, despite fears to the contrary, the analysts believe China's bid to retool its export-led growth model is unlikely to exert a material drag on global trade volumes in the coming years, citing Europe's outsized role (relative to emerging markets') in driving aggregate demand.

This pushback against those who foretell a reverse in globalization finds support from Bernard Hoekman, a global trade expert at the European University Institute in Florence. He says technological advancements — which some cite as a reason trade will slow — are actually something that can help us to measure trade more accurately.

"I also agree that we are not at a trade peak because there is huge scope for more trade in services, much of which we are not measuring well at the present, but that will grow more — as a result of digitization, data flows, servicification of manufacturing," he wrote in an email.

While Hoekman says emerging-market growth in the coming years is unlikely to boost global trade volumes by the same magnitude as China's game-changing entry into the WTO in 2001, he is principally concerned about the near-term prospects.

"We are still waiting for Godot – trade is not acting as an engine of growth and this is in large part a reflection of the very weak economic activity levels and uncertain policy environment that has been with us for too long – Brexit being the most recent instance."

Hanjin could have survived with creditors' aid, Cho says

Hanjin Shipping Co., the South Korean container line whose filing for bankruptcy protection roiled the global supply chain, could have survived if creditors had provided the company with aid, Group Chairman Cho Yang-ho said.

It's now up to the court to decide on the fate of the container line, Cho said in his first public comments since the company filed for court receivership Aug. 31 after lenders halted all support. The executive, speaking at a parliamentary hearing in Seoul Tuesday, said it was "regrettable" that Hanjin Shipping had to make the filing.

Companies such as Samsung Electronics Co. saw their goods delayed ahead of the year-end holiday season as Hanjin's ships were stranded at sea after the bankruptcy-protection filing by the company, once the world's seventh-biggest container line. A court in Seoul, which has established a committee to evaluate Hanjin, said Sept. 28 it was considering selling the entire company, while the container line is required to submit its proposal for revival by Dec. 23.

"We believe Hanjin Shipping's troubles could have been avoided if creditors had provided support," Cho said. "We had submitted to creditors a plan to inject 500 billion won ($451 million) into Hanjin Shipping over a two-year period."

Cho apologized for the supply-chain disruptions and said the company suffered from fierce competition. A quick revival of Hanjin would be key to fending off competition, he said.

Hanjin Shipping controlled 2.9 percent of the global container shipping market before its filing. As of Sept. 21, its market share had fallen to 2.6 percent, making the company the 10th biggest, falling from seventh place, according to shipping data provider Alphaliner.

Korean Air Lines Co., the biggest shareholder of Hanjin Shipping, agreed last month to provide 60 billion won in new loans to help ease the cargo disruptions. The container company's main lender, Korea Development Bank, offered a conditional credit line of 50 billion won and Cho supplied 40 billion won.

Before creditors halted all support to Hanjin Shipping, Cho had planned to give 100 billion won of his personal wealth to help prop up the company, the executive said. Korean Air, also part of Hanjin Group, had been ready to provide 400 billion won.

Hanjin Group injected 2 trillion won into Hanjin Shipping after taking over the company in 2014, helping cut the shipping line's debt-to-equity ratio to 800 percent from 1,400 percent, Cho said. The company had also reported four quarters of operating profit.

The container line applied for court receivership to prevent its vessels from being seized and the situation would have been worse without the filing, Hanjin Shipping Chief Executive Officer Seok Tae-soo said. The company had looked to improve its profitability by buying more fuel-efficient vessels and also sold assets to secure liquidity, Seok said.

Slowing trade and excess shipping capacity have depressed freight rates and piled up losses at some container lines including Hanjin and Hyundai Merchant Marine Co., the top two in South Korea. The smaller competitor managed to obtain financial help after meeting all requirements set by creditors led by state-run Korea Development Bank.

"Shipping is an important part of Korea's economy as it handles more than 90 percent of the country's exports," Cho said.

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Robert Wallack.....International Correspondent

William Bourbon.....Publisher

Dave Cantwell.....Southeast & Gulf Coast Sales Rep
phone: 954-328-9335.....email: dcantwell@ajot.com

Brendan Dugan.....East Coast & West Coast Sales Rep
phone: (908)499-8737.....email: bdugan@ajot.com

Ed Andrews.....Europe Sales Rep
phone: +44 7880 702227.....email: ed@duvelmedia.com

The fine tuning of auto logistics

By Matt Miller, AJOT

For cars manufacturing, the North American region is becoming ever more integrated, boosted by near-sourcing and propelled by ever-growing demands for faster and leaner production. Manufacturers in the US, Canada and Mexico make thousands of separate car parts, stuffing containers that zip across the countries, linking parts manufacturers with car assemblers and each other.

Logistics is a major force – some would say *the* major force – in this complex undertaking to fuse the industry regionally. Fine-tuning supply chain logistics across North America is critical to keeping costs down, productivity high and the assembly line humming. Manufacturers push aggressively for the most efficient possible just-in-time production, in which parts arrive at an assembly plant just before needed.

"There are growing demands for speed, accuracy and the ability to handle complexity," said Foster Finley, a managing director and authority on supply chains with the consultancy AlixPartners LLC.

Automakers really pioneered supply chain management and just-in-time manufacturing. Some analysts maintain the industry continues to push its supply chain harder and more relentlessly than any other sector.

However, to keep its own transport and logistics-related investments down, the auto industry has turned almost entirely to third party logistics providers. According to Armstrong & Associates, a supply chain consultancy and

*(**TUNING** – continued on page 15)*

The auto industry is critical for the Port of Charleston in ways both obvious and not

By Matt Miller, AJOT

With a mammoth BMW manufacturing plant 200 miles inland, the Port of Charleston exported about 270,000 cars last year. That doesn't include a growing number of semi-knocked down and completely knocked down vehicles that are stuffed into containers and exported for assembly elsewhere in the developing world. In addition, Charleston handled tens of thousands of containers packed with auto parts.

Last year, auto parts ranked the biggest containerized export commodity outside forest products for the port and the biggest import commodity. The port estimates about 10% of total containers handled is automotive-related.

The automotive trade "has been growing and will continue to do so," said Jim Newsome, the port's CEO.

The biggest development on the horizon is the opening of a new $500 million Volvo plant in 2018 just 30 miles from Charleston. The plant will be the sole producer of Volvo's S60 model and is expected to increase car shipments by some 50,000 annually.

Charleston is by no means the biggest car handling port in North America. It ranked 11th in North America,

*(**CRITICAL** – continued on page 19)*

*(**TUNING** – continued from page 14)*
research firm, American automotive companies alone spent $13.4 billion on 3PLs in 2015. Spare parts logistics globally accounted for another $11.7 billion, Armstrong estimated.

A single large contract with a 3PL can range from $150 million to $300 million, according to Evan Armstrong, the firm's president, but come with it exacting demands.

"It's not for the faint-hearted," he said.

Manufacturers look to 3PLs for more than simply transportation and delivery. Logistics companies are tasked with inventory and time management and parts sequencing.

If anything, the industry's dependence on 3PLs is growing. According to Robert Bommers, managing director of global logistics firm BLG Industrielogistik GmbH & Co., automotive companies "not only outsource their logistics process but also demand logistics companies like BLG pre-assemble parts to produce complete modules."

In addition to this kitting of parts, some 3PLs actually do some subassembling of mufflers and lighting. A growing trend in the industry is to employ lead logistics firms, sometimes referred to as 4PLs, to manage, oversee and coordinate activities with other 3PLs.

One big goal for automakers, Bommers said in an email, is to reduce complexity at the assembly line itself. That helps cut labor hours needed to assemble a vehicle, the Holy Grail metric in car making.

What's more, Bommers continued, BLG – like other major 3PLs – has established "large warehouse operations in close proximity to the [original equipment manufacturer's] production plants in order to buffer a minimum stock of parts to ensure continuous production supply."

Logistics requirements mount as the tasks become more complicated. Within logistics, technology is now ubiquitous and growing in both sophistication and usage. Information technology systems, for example, are becoming embedded in both production and logistics processes and these are being networked. Big data is being deployed to better predict demand.

Logistics companies now marry tracking software with GSP-based transponders, mobile bar scan readers and radio frequency identification devices, or RFIDs. The goal is to know where every part is without opening a container.

"The degree to which these things can be synchronized is inconceivable," said Finley.

To describe just how cutting edge the whole exercise has become, Armstrong cited PINC Solutions, a San Francisco Bay-area company that provides advanced yard management, finished vehicles logistics, and inventory robotics solutions. In a contract with Daimler trucks, PINC uses drones that fly around warehouses tracking RFID tags. "They can tell where individual parts are on an individual trailer, where that trailer is, how long it's been sitting there and what loading dock it should move to," Armstrong said. "It offers significant visibility down to the SKU and item level."

That kind of quest for better inventory management is indicative of the car industry's size and complexity. It is America's largest industrial sector. According to a recent US Commerce Department study, American auto parts exports almost doubled last year to $81 billion from 2009's $43 billion. Of this, Canada and Mexico accounted for $59 billion, divided almost equally, although Mexico has begun to outdistance our northern neighbor. As Mexico builds up its car assembly capabilities, American auto parts exports are expected to continue to expand as well, the study predicted. And, the study emphasized, rapid advances in vehicle-related technologies, from self-driving to all-electric cars, bode well for the American auto-parts industry.

"There is massive intra-regional trade between the United States, Canada and Mexico in both [original equipment] and aftermarket parts," the study concluded.

To understand just how complex this trade is, consider the following: The average car contains approximately 30,000 discreet parts, according to Toyota's calculations. And that doesn't even begin to account for aftermarket parts, which for Toyota alone in the US means more than 260,000 unique parts.

The US has almost 3,400 car parts and accessories manufacturers, while Mexico lists more than 2,500 auto parts companies. Mexico now exports more than $50 billion worth of auto parts to the US, while importing more than $30 billion from the US.

Contrary to popular view, fewer auto parts for the North American market are being sourced in China. That trend is likely to continue, analysts believe, as China's labor costs rise and Chinese production moves inland, while Mexican manufacturing becomes more efficient and increasingly automated production continues across North America. In fact, China, in ramping up its own auto making industry has rapidly become a major consumer of American car parts exports.

Veracruz, Mexico is now the biggest North American port for vehicles. But fully one-third of these cars are imported from the US.

An integrated North American industry boasts several logistics-related advantages over one that is reliant on parts coming from Asia. For one, intermodal transport is simpler, faster and more reliable than shipping bound by lengthy ship travel and ports.

With sealed, containerized freight, there are few touch points in intra-North American cargo. That's especially true compared to China, where parts are manufactured, then trucked or barged over long distances, before they can be loaded onto ships. On the US side, the whole exercise must be reversed. That process not only is time-consuming, but is more vulnerable to damaged goods or shipping-related mistakes.

Within North America, trucking and rail provide the lion's share of cars and car-parts related logistics moving goods from country to country, although short sea is becoming a

*(**TUNING** – continued on page 21)*

AIR CARGO NEWS

Alaska Air agrees to extend US review of Virgin takeover

Alaska Air Group Inc. and Virgin America Inc. have agreed to give U.S. antitrust officials more time to review their $2.6 billion deal after the government raised concerns that the combination may undermine competition in some markets.

Alaska didn't specify how much more time it's given to the Justice Department to complete the review. The airlines had originally agreed not to close until Sept. 30, effectively setting a deadline for the Justice Department to give a nod to the deal or seek to block it.

The antitrust division now has several more weeks to complete its review, according to a person familiar with the matter. Alaska said the review is progressing "as expected" and the companies are on track to close the deal early in the fourth quarter, as they have said all along.

"We continue to feel confident that the DOJ will agree that our combination will allow us to better compete against the Big Four airlines and provide consumers on the West Coast more choices and lower fares," the carrier said.

Alaska Air and Virgin America aren't discussing a settlement with the Justice Department that could resolve the government's concerns and clear the way for the merger, another person familiar with the matter said. Still, the extension of the review gives the airlines an opportunity to propose asset sales that could mollify the antitrust division.

Front-Office Meeting

Virgin America shares rose 1.6 percent to $54.05 in New York. Alaska Air shares declined less than 1 percent to $65.77. Mark Abueg, a Justice Department spokesman, declined to comment.

Representatives of Alaska Air and Virgin America met with antitrust division chief Renata Hesse and other officials to address the government's concerns that the transaction may pose a risk to competition, a person familiar with the situation previously told Bloomberg News. Such top-level meetings have often signaled that the antitrust division has worries about a merger that could lead to a lawsuit to block it.

Raymond James analyst Savanthi Syth predicted that the deal will close, possibly with an agreement to sell gates or take-off-and-landing rights. Out of Alaska's approximately 220 routes, Virgin America only has direct overlap on six, Syth said.

"While any airline consolidation would likely be scrutinized heavily following the legacy consolidation phase, we believe that due to limited overlap and relatively small market share that does not significantly alter control of the industry, the merger should still close accordingly," Syth said.

Complementary Takeover

Alaska Air argues the Virgin America takeover is largely complementary and would expand its route network out of Washington, Oregon and Alaska by adding important business centers of Los Angeles and San Francisco as well as rights to operate at New York's LaGuardia and Kennedy, New Jersey's Newark Liberty and Washington's Reagan National airports.

Cross-country routes between New York and California are among the most lucrative in the domestic industry. With the merger, Alaska hopes to become the carrier of choice in California, where it faces stiff competition from Southwest Airlines Co. and United Continental Holdings Inc.

Consolidation Wave

Alaska's agreement to buy Virgin America, announced in April, would extend a round of consolidation that has shrunk the number of carriers in the U.S. airline industry since 2005, leaving the top four operators controlling 80 percent of the market. This is the first substantial airline merger since the Justice Department sued to block US Airways Group's takeover of American Airlines in 2013, a case that ultimately settled after the carriers agreed to sell airport assets to low-fare competitors. The government's decision on this tie-up will be closely watched for its view on the current state of competition in the airline industry.

The Justice Department sent a strong signal with the American-US Airways settlement that it wants to infuse competition from the low-fare carriers into the industry. Under that settlement, which called for several divestitures, Virgin America won the right to sublease two gates given up by American at Dallas' Love Field, beating out larger rival Southwest at its home airport.

Love Field Gates

Those gates haven't been strong performers for Virgin America and the Justice Department may be concerned they would be given up to another airline after the merger. The antitrust division likely would want to ensure that the Virgin gates continue to be operated by a low-cost provider after the merger.

Southwest and Virgin America also bought flight slots divested by American and US Airways at

*(**REVIEW** – continued on page 17)*

Etihad Airways Cargo strengthens presence with ACP Worldwide

Effective the 1st of October 2016, ACP will extend its current representation in Sydney, Melbourne, Perth and Auckland to include Brisbane. After a thorough and comprehensive bidding process Etihad Cargo appointed ACP as the company to partner with to support the Etihad Cargo team across all major freight hubs in Australia and New Zealand.

ACP Worldwide Regional Director Australia & New Zealand Ross Di Lizio said: "We are delighted that Etihad Cargo has chosen to grow the relationship ACP, which started in 2010. We now have the opportunity to work with Colin and his team to continue providing success and growth for Etihad Cargo throughout all our offices on a truly national basis."

Commenting on the ACP appointment, Etihad Cargo Manager Australia & New Zealand Colin Nicholls said:

"Our longstanding partnership with ACP Worldwide has been a key factor in Etihad Cargo's success in the Australian and New Zealand markets. Together we have been able to provide shippers with swift, reliable movement of their cargo to markets around the world.

The addition of Brisbane to ACP's representation of Etihad Cargo means our customers will receive the same seamless service right across Australia."

Etihad Cargo provides freight capacity across all of its services ex Australia, which includes two daily services from Melbourne with Boeing 777 and Airbus A380 aircraft, 11 weekly from Sydney on Boeing 777s and Airbus A380s, daily Boeing 787 services ex Brisbane and Perth, with connectivity to the Etihad Airways global network via its Abu Dhabi hub.

Delighted with the appointment, Ross Di Lizio added: "I am so proud of our strong team in this region which now also includes the recent addition of two experienced and knowledgeable staff members, Dave Harris and Jayne Norsworthy. I am very confident that they will provide a real positive profile for ACP and Etihad Airways in the Queensland freight market."

Ukrainian operator Antonov benefits from US-Ukraine Open Skies Agreement

By Matt Guasco, AJOT

The US Department of Transportation has granted Ukrainian operator Antonov Company t/a Antonov Airlines broad air charter exemptions for flights to and from the USA. These exemptions follow the US-Ukraine Open Skies agreement which became effective earlier this year. The US DOT has also tentatively granted Antonov Company t/a Antonov Airlines a foreign air carrier permit.

Antonov Company no longer needs obtain US DOT statements of authorization, following non-objections from US operators (apart from US cabotage flights).

Normal US Customs notifications and approvals are required for Antonov Company flights.

Antonov Airlines specialises in air transportations of oversized and superheavy cargoes worldwide. Antonov became the first airline in the world that started operation of the AN-124 aircraft type on commercial market. At present time the company's main fleet consist of 7 AN-124-100 Ruslan, 1 AN-225 Mriya and 1 AN-22 Antei aircraft.

Open Skies agreements promote increased travel and trade, enhance productivity, and spur high-quality job opportunities and economic growth. They serve to eliminate government interference in commercial airline decisions about routes, capacity, and pricing and allow carriers to provide more affordable, convenient, and efficient air service for consumers.

Airlines pin low-carbon future on fuels nobody has produced

The airline industry's plan to ease its impact on global warming hinges on fuels made from vegetable oil, corn and household garbage. The hitch: nobody has ever been able to produce the stuff in the volumes needed.

JetBlue Airways Corp., United Continental Holdings Inc. and Richard Branson's Virgin Group Ltd. have begun blending eco-friendly substitutes into traditional jet fuel made from kerosene. Even with that backing, there's still only a handful of producers of the fuels. They lack the capacity to crank out the billions of gallons needed to supply the global aviation fleet, and the pace of investment is slowing.

Even so, airlines are staking their low-carbon future on renewable fuels. The aviation industry, responsible for more than 2 percent of greenhouse gases, is being pushed to act this week by delegates from 190 nations, who are debating a United Nations accord in Montreal that would cap emissions from international flights. Ultimately, that means burning less fossil fuel. With electric planes still experimental, airlines and aerospace companies say biofuels are their best bet.

"There is a tremendous amount of determination to make biofuel work because we just don't have any alternative," Julie Felgar, Boeing Co.'s managing director of environmental strategy and integration, said in an interview.

The biofuel industry currently has enough factories to produce as much as 100 million gallons (378 million liters) of jet fuel annually, said Claire Curry, an analyst at Bloomberg New Energy Finance. That barely registers next to the more than 83 billion gallons airlines consume each year.

Investments in biofuel, meanwhile, are at a record low, with $322 million in backing globally during the first six months of 2016, according to BNEF. That's off 64 percent from the first half of 2015 and down 98 percent from a decade ago, when ethanol production for automobiles took off.

"This is still a pipe dream," Curry said. "No one has figured out how to make these fuels at scale yet. The technologies are really complicated. They often don't work. And the plants can cost half a billion dollars to build."

Advocates for renewable jet fuel say the industry will develop after the UN accord takes effect and drives up demand, just as ethanol production boomed in the U.S. after lawmakers passed the Renewable Fuel Standard in 2005. Patrick Gruber, chief executive officer Gevo Inc., said its jet fuel works, and scaling up is "cookie cutting."

"We know how to do this," Gruber said. "We just have to make more production lines."

His company is based in Englewood, Colorado, and makes renewable fuel from corn and other crops. It's backed by the French oil company Total SA and has sales agreements with Alaska Air Group Inc. and Deutsche Lufthansa AG.

Yet it's not always easy to scale up biofuel manufacturing, a complex process involving tiny microbes. In 2012, a contamination problem temporarily derailed

*(**FUTURE** – continued on page 17)*

Air Canada to launch non-stop Montreal-Shanghai flights

Air Canada has announced the introduction of daily year-round flights from Montreal to Shanghai, China beginning February 16, 2017. This marks Air Canada's first direct service to China from Montreal as well as the introduction of state-of-the-art Boeing 787-8 Dreamliner aircraft on flights departing from Montreal. Tickets will be available for purchase on aircanada.com and through travel agents on September 28. All Air Canada flights provide for Aeroplan accumulation and redemption and, for eligible customers, priority check-in, Maple Leaf Lounge access, priority boarding and other benefits.

"Building on Air Canada's success in the rapidly growing Chinese market we are delighted to announce Air Canada's first direct flights between Montreal and China with the launch of Montreal-Shanghai service next year," said Calin Rovinescu, Air Canada's President and Chief Executive Officer. "This also marks the introduction of Air Canada's first 787 Dreamliner aircraft service from Montreal, further underlining our commitment to expand our global reach and reinforce Montreal-Trudeau as a strategic hub. With today's announcement, Air Canada has increased its international capacity from Montreal by 133 per cent since 2009, with direct service to 13 cities in Europe, North Africa and China.

"China is Canada's second largest trading partner and Air Canada has made a significant investment of more than $1 billion in aircraft and equipment allocated specifically to serve the Chinese market from our Canadian hubs. We will be the first and only Canadian carrier to operate daily non-stop transpacific service between Montreal and the Asia-Pacific region, and with an elapsed time of 14.5 hours, it will be the longest flight ever operated by any carrier from Montréal-Trudeau airport. Together with our Star Alliance partners, Air China and Shenzhen Airlines, and partner Juneyao Airlines, a Shanghai based airline operating to more than 30 destinations in China, we will offer the growing number of travellers between Montreal and China even more convenient travel options to Chinese destinations," concluded Mr. Rovinescu.

"This new Montreal-Shanghai non-stop Air Canada service will help deepen our already strong people-to-people ties with China. It will also help boost tourism, trade and the economy and offer more choice for Canadian consumers. Today's announcement comes at an important time in Canada-China relations as demonstrated by the two back-to-back Leaders' visits over the past three weeks," stated Stéphane Dion, Minister of Foreign Affairs of Canada, and Member of Parliament for Saint-Laurent.

"This new direct link between Montréal and Shanghai will not only make life easier for travelers, it will also encourage trade. Easier access to this new market will help foster economic development in our communities. The announcement is a testament to the relationship our governments have forged in recent years," said Quebec Minister of Economy, Science, Innovation and Minister responsible for Digital Strategy, Dominique Anglade.

"During Montreal's economic mission to China last year, the mayor of Shanghai and I renewed our twinning agreement by committing to strengthening our economic and commercial exchanges and continuing to work towards providing direct airline service between our two cities. I am certain today's announcement will generate significant economic opportunities, giving our organizations greater access to new markets and helping to attract foreign businesses that will create jobs for Canadians," stated Denis Coderre, Mayor of Montreal.

*(**FUTURE** – continued from page 16)*

Gevo's efforts to increase output of its primary jet fuel ingredient, isobutanol, at its refinery in Luverne, Minnesota. Gruber said the issues are "well behind us."

The aviation industry supports the pending UN accord and has set ambitious environmental goals of its own. Those include improving average fuel efficiency by 1.5 percent a year through 2020 and reducing emissions to half of 2005 levels by 2050. Jet fuel is among airlines' biggest expenses, and squeezing every last mile from a gallon is crucial to the bottom line.

"Airlines are stepping up and creating demand," Sophia Mendelsohn, JetBlue's head of sustainability, said in an interview. "It is hard for me to envision a long-term situation where the biofuel industry does not mature and develop."

Airlines began testing biofuels in 2008 and have since used them on more than 1,500 passenger flights. JetBlue agreed in September to buy more than 33 million gallons of blended fuel annually, using renewable fuel from S.G. Preston Co. In March, United Continental announced a three-year deal to buy 15 million gallons of biofuel from AltAir Paramount for flights out of LA.

'Couldn't Compete'

Not all deals have worked out. In 2014, British Airways Plc announced a $550 million agreement with Solena Fuels for a factory in London to convert municipal trash into jet fuel beginning in 2017. The airline agreed to buy about 30 millions gallons a year at market price. At the time, oil was $109 a barrel. Within a year, it was below $50 a barrel, and Solena dropped the project.

The products offered by Solena and others are almost chemically identical to kerosene.

They're considered renewable because their carbon comes from plants that can be re-grown to refresh supplies.

*(**REVIEW** – continued from page 16)*

Washington's Reagan National and New York's LaGuardia airports, while JetBlue Airways Corp. won flying rights at Reagan. A slot allows for one takeoff or landing. The flying rights are valued because flights at Reagan and LaGuardia are limited by congestion-control rules.

Bill Baer, who preceded Hesse as chief of the antitrust division and who still oversees it as the Justice Department's No. 3 official, is keeping a close eye on concentration in the airline industry. He started an investigation last year into possible improper collusion between carriers over seating capacity, a crucial factor in determining fares. He also sued United, seeking to block its acquisition of takeoff-and-landing rights from Delta Air Lines Inc. at Newark Airport, saying the deal threatened to raise fares. United dropped its plan to buy the slots.

Intermodal & Logistics News

A shot in the arm for Russian cargo

By Matt Guasco, AJOT

Khabarovsk to Samarga: The Russian logistics firm Samarga – Holding has pledged to raise $6.5 billion to build a new railway corridor linking Eastern and Western Russia via connections between the Samarga River and the Trans-Siberian Railway (TSR).

Centers of Commerce and Sandy Beaches

Khabarovsk, a bustling metropolis on the banks of the Amur River is a major industrial city in the heart of Eastern Russia. Hosting a wide range of industries including oil refining, timber, and light manufacturing, it sits on the crossroads of the Amur and Trans-Siberian Railway. Regional cargo is fed to both Western Russia and ports along the Pacific through Khabarovsk. Today, waves lap the shores surrounding the mouth of the Samarga River in Primorsky Territory. Nothing but sand meets the eye for miles in either direction. Samarga – Holding plans to change that by 2025 creating a new warm water port on the Sea of Japan. Designed to handle up to 80 million tons of cargo Port Samarga will increase Russia's access to the Pacific. After completion container services could offer connections from Eastern Russia to China, Japan and Korea. Ferry services are also being considered which could connect more remote regions of the Far East such as Sakhalin, Kamchatka, Magadan and the Kuril Islands. Samarga – Holdings has also planned a new city of 50,000 people to support the neighboring seaport.

New Rail for Eastern Russia

A new 236-mile rail corridor would connect Port Samarga to Khabarovsk and the Trans-Siberian Railway cutting 342 miles off the transit from Russia's Pacific coast. A state of the art logistics center would be built at the Rakitnoye site in Khabarovsk's Special Economic Zone coordinating traffic to and from Primorsky Territory. The Samarga International Transport Corridor was debuted this month at the Eastern Economic Forum held in Vladivostok. Principles are seeking to generate support for the project from backers in Russia and neighboring countries.

An Ambitious Project Requires Ambitious Funding

The project has received backing from the Kbarovskiy Krai regional administration including tax relief for the first five years of operations. Samarga – Holding has sought investors throughout the region including the Industrial and Commercial Bank of China and the ROTOBO Business Association of Japan. Created in 1967 ROBOTO is engaged in the promotion of trade and business development between Japan and the countries of Russia, Ukraine, Belarus, Moldova, Kazakhstan, Kyrgyz, Uzbekistan, Turkmenistan, Tajikistan, Azerbaijan, Armenia, Georgia and Mongolia. There are over 200 member companies trading within the scope of the association.

What Does the Future Hold for Eastern Russia?

Today there are only three major ports in Russia trading with the world, Vladivostok on the Pacific, St. Petersburg in the Baltic and Crimea on the Black Sea. The future Port of Samarga would add warm water capacity to Russia's Pacific coast; and the Samarga Khabarovsk rail corridor could provide faster transport of cargo to and from European Russia.

Yusen Logistics named Intermodal Carrier of the Year by Vantix Logistics

Yusen Logistics (Americas) Inc., a leading third-party logistics provider, has been named the 2015 Intermodal Carrier of the Year (Tier 2) by Vantix Logistics. The award is presented to the provider that meets and exceeds standards in service, performance and capacity.

Vantix, a division of McLane Co. Inc. and a provider of supply chain solutions to the food and restaurant industries, presented the award to Yusen Logistics at its Annual Intermodal Carrier Appreciation event recently held in Dallas, TX.

"In the 18 months we have been working with Yusen Logistics, they have consistently demonstrated a high level of performance and dedication to customer service and operational excellence," said Charles Bostick, Director of Transportation and Operations, Vantix Logistics. "We are pleased to recognize Yusen Logistics for outstanding intermodal performance in 2015."

"Receiving this award from Vantix is a great honor for our organization," said Rick Underwood, Director of Sales, Western Region, Yusen Logistics, who accepted the award on behalf of the company's Transportation group. "It's outstanding when a highly-valued customer such as Vantix recognizes the relationship and service that we provide. This would not have been possible without the hard work and dedication of the Yusen Logistics team."

The company is managing both intermodal freight and truck movements from food manufacturing plants across the U.S. to various McLane distribution centers nationwide. Jill Kraus, Manager, National Accounts, Yusen Logistics, oversees the business relationship between the two companies.

"This acknowledgement is a direct reflection of our commitment to provide the highest levels of service to our customers," said Kraus. "We thank Vantix for this award and look forward to a continued successful partnership."

Incoming ATA Chairman touts need for highway investment

In a roundtable discussion hosted by Rep. Sam Graves, chairman of the House Transportation and Infrastructure Committee's Subcommittee on Highways and Transit, Kevin Burch, president of Jet Express Inc., Dayton, Ohio, and incoming chairman of the American Trucking Associations, emphasized the important role of well-maintained infrastructure to the trucking industry.

"Having good, uncongested highways is important to my company and to trucking companies across the country," Burch said, pointing out that dedicated funding for freight projects in last year's FAST Act was an important win for trucking.

Specifically, he cited the early completion of a five-mile section of Interstate 75 in Dayton that has already improved safety for trucks and other motorists in the area.

"A third of all crashes," Burch said, "are due to poor or outdated road design. These types of projects don't just improve efficiency and reduce congestion, they improve safety."

Burch also used the discussion to address other important issues to the trucking industry including truck parking, electronic logging devices and the need to retain access to the current hours-of-service restart, which allows use of the extended break without restriction.

"It is good for ATA to be at the table for these important discussions," Burch said after the roundtable. "I want to thank Chairman Graves and the rest of the committee – not only for their bipartisan effort to pass the FAST Act – but for inviting ATA to this roundtable about the law's implementation and for the opportunity to keep the dialogue about these important issues moving forward."

Trucking industry's operational costs decline in 2015 driven by fuel prices

The American Transportation Research Institute (ATRI) recently released the findings of its 2016 update to *An Analysis of the Operational Costs of Trucking*. Using financial data provided directly by motor carriers throughout the country, this research documents and analyzes trucking costs from 2008 through 2015 providing trucking industry stakeholders with a high-level benchmarking tool, and government agencies with a baseline for future transportation infrastructure improvement analyses.

The average marginal cost per mile in 2015 was $1.59, a six percent decrease from the $1.70 found in 2014. This decline in average marginal cost per mile is attributed mostly to the steady fall in fuel prices experienced throughout 2015, but also identifies the late 2015 economic softening that continued into 2016. And, for the first time since ATRI started collecting the industry's operational costs data, driver costs now represent a higher percentage of overall costs than does fuel.

"ATRI's 'ops cost' research is an excellent barometer of the state of the nation's economy, as it documented the softening in 2015 but also indicates that costs will be on the rise in 2016," said Bob Costello, Chief Economist for the American Trucking Associations and a member of the ATRI Research Advisory Committee.

SMC³ adds direct-to-carrier APIs to SMC³ platform

SMC³'s newest transportation APIs include Execution and Visibility web-service solutions that provide event-based visibility to streamline workflows by sending alerts when shipments require action or attention.

SMC³'s transportation APIs, delivered through the secure SMC³ cloud, offer shippers, 3PLs and other users unrivaled speed and computing power. When direct-to-carrier APIs are combined with industrial-strength, analytical APIs like RateWare XL and CarrierConnect XL, the SMC³ Platform becomes a one-stop shop for transportation technology needs.

Leveraging the expertise and trust gained by serving the extended logistics community for decades, the company's SMC3 Platform now provides the only transportation APIs designed to proactively enable shipment visibility and to help create agile supply chains. This latest release of APIs adds status, dispatch and imaging capabilities to the SMC³ Platform.

The SMC³ Platform is a holistic solution that will support both EDI and API communications. In addition, SMC³'s pioneering API message standardization brings order to individual carrier terminology by providing a standard vocabulary across document types, and status and error codes.

Cosco Shipping signs $738 million deal to expand UAE port

Cosco Shipping Co., a unit of China's biggest shipping group, agreed to build and operate a new container terminal in Abu Dhabi, securing a foothold in the Persian Gulf with a $738 million deal that would more than double cargo-handling capacity at Khalifa port.

The company signed an accord with state-run Abu Dhabi Ports Co. to invest in a planned second terminal at Khalifa, boosting the port's capacity to about 6 million 20-foot containers from 2.5 million currently. The 35-year agreement will boost Abu Dhabi's role in regional logistics, Abu Dhabi Ports Chairman Sultan Al Jaber said at a news conference at Khalifa.

The concession is valued at about $738 million and is Cosco Shipping's first such deal in the Persian Gulf, the port company's Chief Executive Officer Mohamed Al Shamsi said in an interview.

"It's important because Khalifa port will be the hub for Cosco within the region, and this is part of the initiative of the Silk Road," Al Shamsi said, referring to China's effort to establish a maritime equivalent of the fabled Asian overland trade route."We are confident that Cosco will bring big volumes into Khalifa port."

Largest Fleet

Cosco Shipping is the world's fourth-largest container liner with a market share of 7.5 percent as of September, according to shipping data provider Alphaliner, and it has the world's largest dry bulk fleet, used to transport commodities. Abu Dhabi, the capital and largest sheikhdom in the United Arab Emirates, is seeking to expand its trading facilities as part of a strategy to diversify its oil-based economy. Abu Dhabi holds 6 percent of global crude reserves.

Khalifa port's existing terminal will handle 1.65 million containers this year, Al Jaber said. By 2030, the emirate expects the port to move 15 million containers and 55 million metric tons of cargo, Ali Majed Al Mansoori, head of the Abu Dhabi Department of Economic Development, said in a speech last October.

*(**CRITICAL** – continued from page 14)*

eighth in the US. And, it handled a mere 23,000 vehicles that were imported.

But its activity helps illustrate some of the complicated car-related logistics. For example, the BMW engines and transmissions are shipped from Europe to Charleston. Since 2014, a double-stack rail service links the port and inland port terminal adjacent to the Greer, South Carolina manufacturing facility. This line carries finished vehicles back to the port where they are exported.

Thousands of other discreet parts are shipped by truck and rail to the plant, where they are assembled into finished vehicles. These come from automotive parts manufacturing clusters in Michigan, Mexico and around South Carolina.

But a portion of all the parts are consolidated and kept in nearby warehouses. These are spare parts needed for servicing the vehicles worldwide and become the foundation for auto parts exports shipped in containers via the port.

The Greer plant makes all BMW's SUVs worldwide and exports 70% of what it makes. As demand for this luxury vehicle grows, especially in emerging markets, that percentage may well increase. What's more, a number of developing countries attempt to jumpstart their own automotive manufacturing by imposing stiff import duties on imported vehicles, especially luxury brands. To conform, BMW knocks down some of the cars it assembles in South Carolina and ships them out in containers. That trade is growing, Newsome said.

Fully assembled or knocked down, "we like to handle them either way," Newsome said.

Working through the maelstrom: Hanjin's status

By Matt Guasco, AJOT

It will still be many weeks before the total effect of Hanjin's bankruptcy can be measured. Not only are the vessels, their cargos and crews affected, but ports and labor have also been embroiled in this chaos.

Hanjin's Status

On September 12th Hanjin reported that six vessels have been arrested worldwide, in the ports of Shanghai, Yantian, Singapore, Prince Rupert, Seattle, and in the Panama Canal. An additional five ships were embargoed in Ningbo, Shanghai, Xingang, Sidney, and Chittagong. In Hamburg and Long Beach the Hanjin Europe and Montevideo have been detained while their dispositions can be determined. An arrest warrant was issued against the Montevideo but her status remains open on Hanjin's report.

Their corporate website further reported that fifty ships are still waiting in the open sea for further instructions. In all, there are 93 ships worldwide in some stage of operation.

Bankruptcy and Bailout

Approximately $14 billion worth of cargo has been tied up in the bankruptcy. Provisional protection granted to Hanjin by U.S. Courts will prevent further seizure or embargo of vessels while in the process of docking and unloading at U.S. ports. Worldwide, Korea's Chapter 15 reorganization will allow Hanjin to release cargo to owners in an orderly fashion. The Korean government has offered Hanjin $91 million in loans to ease their efforts to pay immediate operating costs. Korean Airlines, Hanjin's largest principle, has also pledged $54.16 million in emergency funds against controlling interest in TTI Long Beach. To date Hanjin is still working out details of assets for cash exchanges with its principles. It's unclear at this point where Hanjin will get the funds necessary to work all of its vessels.

FMC Reviews the Fallout but Can Provide no Relief to Cargo Owners

At the outset the agency publicly stated, *"The Federal Maritime Commission has no jurisdiction when it comes to resolving bankruptcy claims and does not intercede in legal actions between third parties that will be heard by the courts."* Guidelines were put into place to monitor the conduct of U.S. companies that would have to work with Hanjin. The commission has scheduled a closed session briefing to discuss Hanjin's bankruptcy and related disruption to the shipping community. Under court ordered bankruptcy protection the FMC will take no further action unless grievances are received regarding misconduct in dealing with the carrier.

US Ports and Labor react to Hanjin Bankruptcy

Within the last few days most terminals have made arrangements with the carrier to handle current and incoming vessels. Worldwide Hanjin has been forced to divert some of its ships to friendly ports such as Singapore and Hamburg where cargo could be discharged without detention. Initially many ports in the U.S. refused to work Hanjin ships fearing that terminal charges would not be paid. In Long Beach the ILWU said that disruption of service at Total Terminals International could affect 200 to 300 local jobs. The initial work stoppage by the International Longshoremen's Association was reversed and the union will now off load vessels along the East and Gulf Coast. There were some initial reports of container mishandling which appeared to show intentional damage but reports of further "mishaps" seem to have stopped quickly. Ports in the U.S. working with labor have for the most part announced that Hanjin vessels will be worked and cargo released to owners without incident. In the Ports of New York and New Jersey arrangements have been made for truckers to return empties to several depots to facilitate a smooth turnaround of boxes. The VPA announced that cargo owners may take delivery of import loads at Norfolk regional facilities without financial considerations for terminal handling, demurrage, or chassis charges. Further, export boxes may be picked up for reassignment without charge and outstanding empties may be returned to PPCY. On the

*(**STATUS** – continued on page 21)*

MSC 30th Anniversary Reception

The Mediterranean Shipping Company's 30th Anniversary Reception was held Sept 21st, at the Boston Harbor Hotel. Over one hundred guests turned out to celebrate MSC's 30 years of calls at the Port of Boston.

(L to R) George McEvoy, Bill Miller, Anthony Formusa, Billy McNamera, Bernie O'Donnell (all from Boston ILA)

(L to R) Lenny Arcentales – MSC, Celine Raveetal – Isaac's Moving

Allen Clifford – MSC

(L to R) Captain Formisano – MSC, Lisa Wieland – Massport, Tom Glynn – Massport, Bill Eldridge – MSC

(L to R) Pat Fay – BOC International, Toni LaCorazza – MSC, Captain Bill Eldridge – MSC, Brian Kilduff – BOC International

Industry expert opens Breakbulk event noting 'uncertainty' for project market

By Paul Scott Abbott, AJOT

The project cargo market continues to face uncertainty, according to an expert keynoting a major industry forum.

"The real watchword right now is uncertainty," Phyllis Kulkarni, director of North America for Independent Project Analysis Inc., said Sept. 28 in the opening business session of the 27th annual Breakbulk Americas conference and exhibition.

While Kulkarni said most industries in the vast majority of parts of the world are continuing to slump, she said the chemicals sector is showing particular promise.

"Chemicals have been a bright spot," she said, with the U.S. Gulf Coast at the fore.

As a general rule, though, capital investments in projects are seen declining, with "slow recovery anticipated" for oil and gas exploration and production, Kulkarni said, with per-barrel oil prices remaining below $55 in 2017.

Phyllis Kulkarni, director for North America for Independent Project Analysis Inc., offers a pessimistic outlook for the project cargo business. (Photo by Paul Scott Abbott, *AJOT*)

Noting that numerous projects that were initiated prior to the precipitous drop in oil and gas prices remain active but are in final phases, Kulkarni said, "The steep drop-off is really going to happen in the next couple of years.

"There's still a lot of pain to come," she added.

For example, she said, recovery in floating rig demand should not be anticipated until 2020.

Kulkarni said that, aside from weather concerns, the primary risk factors now being cited by owners of projects relate to procurement and logistics.

"The risk we still keep hearing about is procurement – the logistics portion," she said. "Expect more pressure on the supply chain."

As project schedules continue to slip in early stages of definition and detailed engineering, Kulkarni said she believes it has become increasingly important for logistics efforts to be engaged from the beginning of an undertaking.

"Projects benefit from early involvement of procurement and logistics," she said. "It's very important to have a seat at the table early on."

Maersk ends mega-ship building era with new acquisition plans

The owner of the world's largest container shipping line will stop ordering newly built vessels and instead pursue takeovers in an industry that has been plagued by overcapacity for almost a decade.

A.P. Moeller-Maersk A/S, whose Maersk Line unit has repeatedly broken the world records it has regularly set in mega container ships developed with Asian ship yards, "is done with ordering new steel," Michael Pram Rasmussen told Bloomberg at the the company's Copenhagen headquarters.

"If Maersk Line needs to grow, it doesn't make sense to order new ships as there are already too many ships in the market," Rasmussen said. "So if we want to grow, we need to do it through acquisitions so that we don't flood the market with more ships."

Maersk Line still has 27 ships in its order book, corresponding to about 12 percent of its current fleet. The container industry's combined order book represents about 17 percent of the global fleet.

Meanwhile, the shipping industry is suffering from falling freight rates caused by a combination of overcapacity and a slowdown in global trade growth. Hanjin Shipping Co., South Korea's biggest container company with 97 ships, recently filed for bankruptcy protection in Seoul.

As recently as 2015, Maersk Line placed orders with ship yards Daewoo Shipbuilding & Marine Engineering Co., with Hyundai Heavy Industries Co. and with Cosco Shipyard Co. The ships are due for delivery in 2017 and 2018.

The 11 vessels from Daewoo will carry a record 19,630 standard-sized containers and cost $1.8 billion each. They are the second-generation version of the so-called Triple-E class vessels that Maersk developed with Daewoo. The Danish company in 2011 ordered 20 Triple-Es, which carry about 18,000 containers each.

"It has previously made a lot of sense when we went out and ordered specific vessels," Rasmussen said.

Maersk revealed a new strategy that includes splitting the conglomerate into a transport and an energy company. Rasmussen said Maersk Line is "well-equipped and ready," for acquisitions.

*(**TUNING** – continued from page 15)*

bigger factor in the transportation of finished vehicles from Mexico to the US.

Of course, moving parts across any border adds several layers of complexity. The trucking company and logistics firm Werner Enterprises calls the Mexico cross-border market "growing and more difficult to service."

Clearing customs by rail is quick, maybe a 30-minute process. Hauling over road takes longer. That's in part because of the need to transfer containers from Mexican to US trucks or vice-versa.

"It takes quite a lot of infrastructure, systems and capabilities to manage the interchange," said Armstrong. He cited Ryder System, which manages 20,000 such interchanges every week. Ryder boasts a dedicated transportation contract from Toyota.

The North American industry will likely get even more assimilated in the years ahead. While Canada continues to be an important player in this trade, more and more of the action takes place between the US and Mexico.

Mexico now hosts ten car manufacturers, producing 40 brands and 500 models in 23 manufacturing plants around the country, according to the US Department of Commerce study. In August, according to Mexico's car association, AMIA, the country exported about 235,000 cars, a 12% increase over August 2015.

That total is bound to grow. BMW is spending $1 billion on a new plant that will begin production in 2019. Existing manufacturers are pouring in more than $5 billion on new Mexican plants expected to be operational by the end of this decade.

Among other developments, this will likely boost short sea shipping, although congestion issues at Veracruz, North America's largest car-handling port, are already worrying manufacturers. Rail capacity and congestion are major concerns. Currently, about 80% of all vehicles move from Mexico to the US and Canada by rail. Short sea shipping has traditionally been the fallback.

*(**STATUS** – continued from page 19)*

West Coast Hanjin announced the suspension of Intermodal and Store Door Delivery services stating that containers in route to inland destinations will be terminated at the final rail ramp. Additionally, all containers currently being discharged from Hanjin vessels will be terminated at the port of discharge regardless of the designation on the bill of lading.

Where do We go From Here?

It remains to be seen whether Hanjin can secure enough low cost loans and bail out money to reorganize and remain in business. *The Wall Street Journal* reported that it would take over $895 million to settle all of the carrier's existing debt. Charter parties have already begun to reassign ships and Hanjin will eventually be forced to sell off assets to pay creditors.

Cosco eyes Hanjin terminals after Abu Dhabi deal

China Cosco Shipping Corp., owner of Asia's biggest container-shipping company, said it could consider buying some container-terminal assets of the troubled Hanjin Shipping Co. after agreeing to spend $738 million on a new port in Abu Dhabi.

"We would like to study if it's put on the table and if there's a willingness to sell" on Hanjin's part, Chairman Xu Lirong said in Shanghai.

Buying Hanjin's terminal assets in the Port of Long Beach California will help Cosco widen its footprint after China's government merged its key shipping companies last year to help them expand internationally. The Seoul court overseeing the bankruptcy-protection of Hanjin said that it's considering a sale of the entire company. Xu said Cosco has no plans to buy the Korean liner's vessels.

Besides the terminal in California, Hanjin also has two other facilities in South Korea.

China last year merged China Ocean Shipping Group and China Shipping Group to form China Cosco Shipping as part of the government's efforts to shrink industries plagued by overcapacity while creating globally competitive businesses.

One such unit, Cosco Shipping Ports, said it entered into a concession agreement for the construction, management and operation of the Khalifa Port Container Terminal 2 in Abu Dhabi. The agreement is for 35 years, the company said in a statement to the Hong Kong stock exchange, with an option to extend it by a further five years.

Port of Boston sets new record

The Port of Boston's Paul W. Conley Container Terminal set new all-time records for both Fiscal Year 2016 and monthly usage this past August. The Port of Boston is the main artery of Massachusetts' consumer economy, with imports and exports serving as vital catalysts for growth, investment and opportunity; with more than 1,600 businesses across New England using the Port of Boston for importing and exporting goods.

Conley Terminal handled 247,329 TEUs over the course of the 2016 fiscal year, with growth in both import volume and export volume. This surpassed FY2015 volume by 12-percent, or over 26,000 TEUs. In addition, the port set a new all-time monthly record in August with a volume of 26,334 TEUs. The consistent growth in FY2016 can be attributed to the strong regional economy and the higher levels of productivity, both of which make Conley an efficient alternative to other U.S. East Coast ports.

"The strategic planning and investment being done to keep the Port of Boston competitive and an East Coast leader is behind these record-breaking numbers," said Lisa Wieland, Director of the Port of Boston.

Conley Terminal is the only full-service container terminal in New England and serves seven of the top shipping lines in the world: Mediterranean Shipping Company (MSC), China Ocean Shipping Company (COSCO), "K" Line, Yang Ming, Evergreen, Maersk Line and Hapag-Lloyd.

The containerized cargo that passes through Conley Terminal includes seafood, beer and wine, furniture, apparel and footwear.

Breakbulk Americas attracts 5,000 to Houston for industry mega-event

By Paul Scott Abbott, AJOT

It's only fitting that a state the size of Texas would provide the site for an industry gathering the likes of the 27th annual Breakbulk Americas.

With functions spanning Sept. 26-29, the event brought some 5,000 registrants to the George R. Brown Convention Center in Houston, with many of them partaking in a three-hour exhibition hall reception sponsored Sept. 27 by the Port of Houston Authority, host port for the entire event.

For a report on conference business sessions, see page 1 (Photos by Paul Scott Abbott, AJOT)

(L to R) Oskar Orstadius – Höegh Autoliners, Dan Stirrat – Höegh Autoliners, Aura Uzcategui – Servinave C.A., Juan Williams – Höegh Autoliners

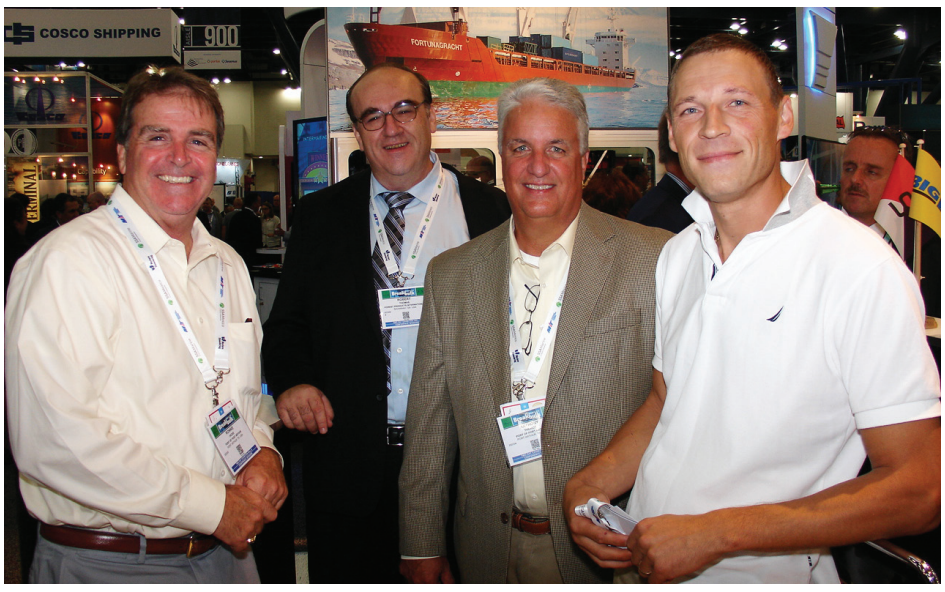
(L to R) Ted McNair – South Carolina Ports Authority, Brad Stroble – South Carolina Ports Authority, Paul McClintock – South Carolina Ports Authority, Todd Sirmon – Logistec USA Inc., Colin Schneider – Mid-Ship Logistics

(L to R) Chad Lyons – Liberty Global Logistics, Charlie McGinley – Port of Baltimore, Bill Wade – Ceres Marine Terminals Inc., Jean Marchand – Höegh Autoliners, Antonio Gonzalez – Höegh Autoliners

(L to R) Roland Hofacker – International Transport Journal, Patricia Cardenas – Port Corpus Christi, Rickey Wray Wilson – BNSF Railway, Eddie Martinez – Port Corpus Christi, Valentin Jaquez – LP Logistics

(L to R) Tom Griffith – Red Hook Terminals, Mike Wilson – Port Freeport, James Nash – Horizon Terminal Services, Al Durel – Port Freeport, Abbey Johnson Whitney – Port Freeport, Clinton Woodson – Great White Fleet, Jason Miura – Port Freeport, Phyllis Saathoff – Port Freeport

(L to R) Laurence Kim – Masterpiece International, Andres Santa Maria – Masterpiece International, Camile Miller – Masterpiece International, Mark Roberts – Chipolbrok America Inc., Karla Montalvan -- Chipolbrok America Inc.,, Malgorzata Pawlikowska Chipolbrok America Inc., Andrew Buonomo – Masterpiece International



(L to R) Ronnie Hicks – Port of Port Arthur, Robert R. Thomas – Forest Products International Inc., Anthony Theriot – Port of Port Arthur, Kees Didikas – Spliethoff

(L to R) Rob Jacquet – BBC Chartering, Rick Melendez – Expeditors, Diana Patrick – BBC Chartering, Xavier Cys – Bolloré, Hugo Davila – Expeditors, Newton Teissmann – BBC Chartering

(L to R) Christopher Christensen – International Longshore & Warehouse Union Local 10, Carlos De Jesus Jr. – SSA Pacific, Melvin Mackay – International Longshore & Warehouse Union Local 10, Joe Carrillo –Manzanillo International Terminal, Pete McGivern – SSA International, Aaron Wright – International Longshore & Warehouse Union Local 10, Robert McNeil – SSA International

(L to R) Dan Czar – Watco Terminal & Port Services, Jeff Davis – Port of Houston Authority, Chaney Singh – Port of Houston Authority, Randy Stiefel – Port of Houston Authority, Mike McAllister – Watco Terminal & Port Services, Dan Saffer – APM Terminals, Richard McCalla – Watco Terminal & Port Services

(L to R) Christopher Koch – NPC Projects, Scott Mogavero – GE Power, Torben Berger – Rickmers-Linie, Mark Lockwood – GE Power

(L to R) Rick Schiappacasse – Jacksonville Port Authority, Jim Butcher – Jacksonville Port Authority, James A. Vitez – KMX International, Frank Camp – Jacksonville Port Authority

(L to R) Geoffrey Owen – Port of Portland, Sebastian Degens – Port of Portland, Herb Bailey – Oxbo Mega Transport Solutions, Erik Stromberg – Lamar University Center for Advances in Port Management, John Mamou – International Longshoremen's Association South Atlantic Gulf Coast District

(L to R) Alberto Mejia – Dan-Gulf Shipping Inc., Jimmy Morris Jr. – Morris Export Services, Jimmy Morris Sr. – Morris Export Services, David Bravo – C.H. Robinson Project Logistics

(L to R) Matty Appice – Port Manatee, Erica Grilli – Fednav Group, Malcolm Edwards – Port Manatee

(L to R) Robert G. Legge – Norfolk Southern Corp., Alberto Cabrera – Port Canaveral, Shannon Feeley – Port Canaveral