Market Regional Report

ATLANTIC ARC

Ship Operators

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1. SUMMARY

We have contacted the main shipping lines that operate in the Atlantic Arc area. Eventhough the rate of answers was about 10%.

Table 1. Ship operator overview

OPERATORS IN ATLANTIC ARC
A.P.L
ABCRM
AGENA SA
AGENCE MARITIME DE L'OUEST
AGENCE MARITIME DELPIERRE
ARKAS FRANCE
BG FREIGHT LINE
BILLERUD
BORE
BRITTANY FERRIES
BRORCHARD LINES
BOLUDA
BURGER
C.M.N.
C.S.C.L
CASABLANCA ALLIANCE
CDLN
CMA-CGM
CNAN MED
COSCON
CURRIE NORD
DAL
DEKEIREL & HARDEBOLLE
DELMAS
DFDS SEAWAYS
E.A.S
EUCON
EVERGREEN LINE
FERON DE CLEBSATTEL
FRET CETAM
GLD ATLANTIQUE
GRIMALDI
HANJIN SHIPPING
HAPAG LLOYD
HOEGH

HYUNDAI MERCHANT MARINE
LD ARMATEUR
M.S.C.
MAC ANDREWS
MARFRET
MARGUISA
MESSINA
METSA
MOL
NAVEIRO
NEPTUNE SHIPPING
NISA MARITIMA
NOLIS
O.O.C.L.
OPDR
POL LEVANT
PROMARLINE
RICKMERS
SAFMARINE
SAMSKIP
SEAGO LINE
SUARDIAZ
TARROS LINE
TURKON LINE
U.A.S.C.
UECC
VALMER LINES
VUMS
WEC LINES
X-PRESS CONTAINER LINE
YANG MING LINE
ZIM
RMR SHIPPING

3. FRANCE

3.1. GLD ATLANTIQUE

Interview with GLD Atlantique (MOS Nantes Gijon)

1. Compared with 2012 how is the 2013 SSS traffic to and from France doing? Do the figures meet you expectations? Do you expect any improvements in the short term? At the end of august 2013, volumes of trucks equivalent stands at 15 090 units which represents a 12% increase compared with same period of last year. These figures are on line with our expectations and we anticipate further growth in the months to come as a result of our development in the groupage/door-to-door segment.

2. What is your perception about the overall market acceptance of the SSS as an alternative to road transport? Do you note any change and/or improvement regarding the past? There is no doubt that SSS is very well accepted by all customers using our service. We cannot see that any customers who tried the shipping option did not continue with it. The main obstacle remains to convince some hauliers who cannot used SSS or who are simply opposed to it, either because they consider, as a principle, that this is not a good alternative or because their volumes/logistics organization is not compatible with SSS. This is the reason why we felt it was important to develop a door-to-door product aiming at attracting smaller/parcel volumes (groupage) as a way to attract new customers particularly on the southbound leg where demand is lower.

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3. Do you (company) intend/plan to improve/upgrade in the medium term the SSS services operated in the French market?
   We do not intend to increase frequency of our service at this stage. We first need to optimize existing operation. We hope however to improve attractiveness of our service by proposing new logistics solutions (see above)

4. Do you think French ports support properly the SSS transport? Do they meet your expectations? What type of measures in your opinion should be considered by the French ports to improve the SSS market share?
   This is a major issue. Vessels operating SSS are considered by French ports under the same tariff scheme as deep sea tonnage operating round the world services. SSS services are in direct competition with other transportation modes as opposed to deep sea liner services who only compete with other shipping lines. It is therefore of utmost importance that French/European ports adapt new tariffs dedicated to SSS services. This is an extremely important point as present tariffs in French ports do not permit SSS to develop and/or to be sustainable. To be noted that when we speak about port tariffs, we do not restrict our views to ship's dues. All port services are concerned by this statement: pilotage, mooring, stevedoring etc.

5. Do you think there are still major bottlenecks affecting the competitiveness of the SSS? Which? Do you want to propose some ideas to help over passing it?

SSS does not suffer any major bottleneck apart from a lack of competitivity versus the road. There is not major operational or commercial obstacle for SSS. What it needs is to be competitive versus road transportation as no customer will accept to use SSS if it is more costly overall. To improve its competitiveness, SSS must benefit from reduced port charges (see above) and look at new technology to improve its environmental efficiency and competitiveness (LNG e.g)

4. PORTUGAL

4.1. Boluda Lines

1. Compared with 2012 how is the 2013 SSS traffic to and from Portugal doing? Do the figures meet your expectations? Do you expect any improvements in the short term?
   If we understand by SSS as an alternative to road transport between Portuguese/Spanish Ports on the Atlantic Road, competition is really very difficult due to low rates coming from Trucking Co.(Mean traffics from/to Portugal /North Spain or vv or to Med area and vv)We don´t think there will be any improvement for the next Months if situation continues this waySame happens with other Short Sea legs coming and going from South Atlantic Face over North European Ports and vv.

2. What is your perception about the overall market acceptance of the SSS as an alternative to road transport? Do you note any change and/or improvement regarding the past?
   SSS, we consider an alternative with ports of Great Britain or North Europe, as the services actually sailing from Spain (Vigo/Bilbao for ex.) and others from France and vv, what we call Short Sea legs. The SSS Co have without doubt to be very competitive in that sense due low trucking road costs, in what respects to Vessels; Operations and services required.

3. Do you (company) intend/plan to improve/upgrade in the medium term the SSS services operated in the Portuguese market?
   Not from our side, and if/depends of local situation at Portuguese Ports, Ex. Lisbon, that due strikes whole second semester 2012 and continuous problems in 2013, have made that Shipping Co, transhipments made between Bilbao to Lisbon or vv , to find another way of service (Considering container traffics between SSS Ports in same areas.

4. Do you think Portuguese ports support properly the SSS transport? Do they meet your expectations? What type of measures in your opinion should be considered by the Portuguese ports to improve the SSS market share?
   As mentioned before, we think depends not only of the Ports situation that is without doubt the principle, but also high port costs, as we consider Lisbon one of the most expensive ports in what respects to Operations services in general (We always speak about containers traffics.

5. Do you think there are still major bottlenecks affecting the competitiveness of the SSS? Which? Do you want to propose some ideas to help overpassing it?
   We don´t believe there´s a congestion bottleneck in the SSS, as said before, road transport still has a lower cost with respect to SSS services, and sometimes depending of legs, makes very difficult for a regular line, except there´s an specific contract with any Trucking Co/Car Co, etc that guarantees the regular service

4.2. MacAndrews

GEOFFREY SMITH, Managing Director

I have spent my whole career in the shipping industry, starting in the Andrew Weir Shipping covering all aspects of the business. I then moved in to the Short Sea Shipping industry, and have been instrumental in establishing door to door customer focused services and have achieved success in negotiating Modal Shift with companies from road to Short Sea Shipping Services. I am Managing Director for MacAndrews and Co Ltd. We are subsidiary to CMA CGM SA and offer independent short sea shipping solutions tailor made for the fast moving European market.

1. Compared with 2012 how is the 2013 SSS traffic to and from Portugal doing? Do the figures meet you expectations? Do you expect any improvements in the short term?

   The 2013 SSS market for Portuguese exports to Inter European destinations on MacAndrews services are showing a year on year growth to date of 12% but imports from the same areas are down 15%. The export volumes meet our expectations and are the result of enhanced services/products we have introduced over the last year however the import volumes are disappointing although not totally unexpected owing to the economic downturn in Portugal.
   We expect Portuguese exports by SSS to continue to rise owing to service/product improvements we are planning but Portuguese imports will remain subdued.

2. What is your perception about the overall market acceptance of the SSS as an alternative to road transport? Do you note any change and/or improvement regarding the past?
   We have seen strong interest from shippers using road transport in SSS which we believe is the result of less competitiveness of road transport owing to growing imbalances in Trade between Portugal and Europe placing more cost on the export leg owing to lack of import business.The growth in our business this year is in part a result of the above.

3. Do you (company) intend/plan to improve/upgrade in the medium term the SSS services operated in the Portuguese market?

   MacAndrews has been serving Portuguese exporters and importers since 1880 and continually evolves through improving and upgrading products and services to make the movement of goods a safe secure and seem-less process for our customers.

   We are planning an upgrade from two Inter European sailings per week to three sailings per week in Q4/13 to provide increased frequency to meet demands of shippers currently using road transport; increased frequency supports modal shift.

4. Do you think "Portuguese ports support properly the SSS transport? Do they meet your expectations? What type of measures in your opinion should be considered by the Portuguese ports to improve the SSS market share?
MacAndrews serves the ports of Lisbon and Leixoes to minimize Portuguese inland transport costs for customers. Neither port recognize SSS as a different product to the Deep Sea which creates costly inefficiencies for SSS; for example whilst Lisbon (Liscont) recognizes the need for fixed scheduled berth windows for services Leixoes does not owing to the operating criteria of the Port Authority rather than the terminal operator TCL however Liscont and the other Lisbon terminal operators have an ongoing dispute with the Stevedores Union which is causing delays congestion and major increases in costs for SSS in particular. Short Sea Shipping requires 24/7 working practices that Deep Sea does not therefore consideration should be given to dedicated SSS terminals.

5. Do you think there are still major bottlenecks affecting the competitiveness of the SSS? Which? Do you want to propose some ideas to help overpassing it?
The major bottleneck at the moment is in Lisbon and the ongoing labour dispute mentioned above.No party involved in the dispute is prepared to take a pragmatic approach to negotiating a New Labour Contract for 2014 and we foresee a major strike in Lisbon in February and potential civil unrest resulting in vessels being diverted to other ports creating congestion and major cost penalties on all parties but particular Portuguese Exporters.
The second major issue is the introduction of MARPOL2015 on the 1st January 2015 requiring the use of low sulphur fuel of 0.1% in NWC SECA zones serving Portugal; the key issue is that the Oil Majors do not produce fuel to this level at this time and thus the immediate solution is to burn MDO (Diesel)in vessels thus increasing costs to consumers.

4.3. Tarros Line

Interview with Rui d'Orey – CEO of "Atlantic Lusofrete" and "Horizon View"

1. Compared with 2012 how is the 2013 SSS traffic to and from Portugal doing? Do the figures meet you expectations? Do you expect any improvements in the short term?
Traffic in 2013 is progressing in line with 2012 and as per our expectations.
To improve market penetration it would be necessary to increase frequency and eventually coverage which is not in the plans at the moment.

2. What is your perception about the overall market acceptance of the SSS as an alternative to road transport? Do you note any change and/or improvement regarding the past?
Use of SSS is still for the most a second option to the truck. Due to the transit time and also due to the bureaucratic disadvantages. The biggest 'help' to SSS comes from lack of availability of trucks. It may be that in the future it may also come from increased cost of trucks if taxes on road transport in Europe go ahead as announced.

3. Do you (company) intend / plan to improve / upgrade in the medium term the SSS services operated in the Portuguese market?

Affirmative. As the situation allows improvements can occur in market coverage and frequency.

4. Do you think portuguese ports support properly the SSS transport? Do they meet your expectations? What type of measures in your opinion should be considered by the Portuguese ports to improve the SSS market share?
   We believe there could be more support for SSS from the ports. The challenge is both in reducing the costs for SSS in going through the ports and also in reducing the bureaucratic disadvantage though a lot of the latter lies more with customs than with the ports. It must always be taken in consideration that a truck only requires the issue of a CMR for intra EU trade whereas for SSS you have to lodge manifest, sometimes T2L, etc.

5. Do you think there are still major bottlenecks affecting the competitiveness of the SSS? Which? Do you want to propose some ideas to help overpassing it?
   Same comments as per previous point. The ideas for improvement must be along lower handling costs for SSS, lower port charges and more expedite documentation procedures.

4.4. OPDR Iberia

Interview with Ms. Laura Rodrigues, General and Commercial Manager at OPDR Iberia

1. Compared with 2012 how is the 2013 SSS traffic to and from Portugal doing? Do the figures meet you expectations? Do you expect any improvements in the short term?
   Worse. No. Hopefully…

2. What is your perception about the overall market acceptance of the SSS as an alternative to road transport? Do you note any change and/or improvement regarding the past?

   In our experience, the overall market acceptance, namely in the Center and South regions, has diminished in the past year, as a direct consequence of the strikes at the Port of Lisbon, that added unreliability to the process.

3. Do you (company) intend/plan to improve/upgrade in the medium term the SSS services operated in the Portuguese market?

2. Do you think "portuguese ports support properly the SSS transport? Do they meet your expectations? What type of measures in your opinion should be considered by the portuguese ports to improve the SSS market share?
   As a rule, Portuguese ports appear not to be geared to serve SSS transport operators. Waiting times, both for a berth (the 'first come first serve' rule can turn out to be rather complicated to deal with) and/or for labour (something unacceptable in a country that is struggling with its extremely high unemployment rate) turn regular calls into regular adventures and make frequency, schedule reliability and short transit times –fundamental in SSS - difficult goals to achieve.

3. Do you think there are still major bottlenecks affecting the competitiveness of the SSS? Which? Do you want to propose some ideas to help overpassing it?

Definitely – competitive land transport structures providing good access to the ports are fundamental, as are labor stability and a high productivity level. The price/productivity relationship of Lisbon terminals is very bad, and that not only costs a fortune to shipping lines, it also makes them try to create alternative ways of dealing with cargo to/from Portugal.

4.5. WEC Lines

Interview with Mr. Philip van Dijk, Line manager Short Sea Services at WEC Lines Rotterdam

1. Compared with 2012 how is the 2013 SSS traffic to and from Portugal doing? Do the figures meet you expectations? Do you expect any improvements in the short term?

   2013 deep-sea export volumes to Portugal with transshipment via Rotterdam reflecting a downwards trend. Actual situation is stable but has maintained based on the economic situation in Europe till today. Indications we do have for the second part of 2013 are slightly more optimistic. Domestics of the Intra-Europe business to Portugal showing an upwards trend, which background you will find in our reaction under paragraph 2 and 3. Volumes from Portugal, being Intra-Europe as well as to deep-sea destinations via transshipments in UK/NWC are remain high. Over all, the Northbound cargo (Portuguese export market) is the dominant leg compare the Southbound market to Portugal. Situation for import/export volumes in general meet our estimates.

2. What is your perception about the overall market acceptance of the SSS as an alternative to road transport? Do you note any change and/or improvement regarding the past?

   We noticed that more and more Companies who are exporting or importing, made serious work and has taken steps, in order to change partly or completely their cargo volumes from road in to sea transport. Partly this is based on their financial situation, while on the other hand they are confronted with a shortage of trucks, which last item is playing more and more a crucial role and forcing them to look for the alternatives being the short-sea possibilities. The economical situation of the last years has led to a significant decrease of the availability of trucks, while on the other hand high fuel prices reflecting in door/door prices. Based on these developments, Short-sea operators like WEC Lines have made considerable investments for new equipment such as 45’ HC PW boxes, in order to have an answer to this situation and to compete with the road-transport.

3. Do you (company) intend/plan to improve/upgrade in the medium term the SSS services operated in the Portuguese market?

   In addition to the above mentioned developments, WEC Lines started in May 2013, from the NWC beside their SPM I service, a second loop with two vessels in a weekly service under SPM II, whereby we have added the port of Tilbury and Antwerp in connection with the ports Rotterdam, Vigo, Leixões, Sines and Lisbon. Hereby we have increased our frequency to and from Portugal and furthermore has improved the ports of call in UK and the NWC.

4. Do you think "Portuguese ports support properly the SSS transport? Do they meet your expectations? What type of measures in your opinion should be considered by the Portuguese ports to improve the SSS market share.

   As WEC Lines we are pleased to have connections in nearly all the Portuguese ports. Leixões, Lisbon, Figueira da Foz, Lisbon and Sines.

   Leixões - Pleased to see that over the last months Leixões port implemented a 3rd shift against reasonable expenses of 15%. This is helping a lot to minimize congestion and is enabling us to keep or repair schedules. Negative are the high overtime expenses of 90% during Sunday operations, which is affecting us considerable by being an top account of Leixões port. These extreme high overtime charges are certainly not in line with rates valid in many other European ports. By avoiding these extra expenses, vessels are not able to sail economical speed and consequently this is increasing our costs factor in relation to our bunker consumption which will reflect in our roundtrip voyage expenses. A positive point is the production per hour which is significant better, in compare of many other ports in our schedules.

   Lisbon. Strikes last year and still today at Lisbon port do have a substantial effect on our operations and schedules. The actual stoppages increasing the port-stages, whereby on top we are often confronted with lack of labour. We really hope that Portuguese Government will finally find solutions for the local conflict, because this certainly will not assist short-sea operators in the Portuguese trade. Delays in Lisbon port and consequently longer transits of domestic cargo are certainly not a promoting the product ”SSS”.

   Figueira da Foz. In general good support and production. Wintertime we regularly suffer in relation to the minimum draft. Furthermore we still do not understand that we are not allowed to sail during night time. This limitation does have influence on our schedule whereby our good Customer Grupo Portucel is effecting too.

   Setubal. Noticed that more and more vessels operating in Setubal port. We feel that actually the port is too small with their 2 cranes to proceed all operations without delay.

   Sines. Pleased to see that the port is under construction to enlarge the quay 3rd stage. This certainly will assist and assist to limit congestion in the near future.

5. Do you think there are still major bottlenecks affecting the competitiveness of the SSS? Which? Do you want to propose some ideas to help overpassing it?

In addition to the above comments to end the conflicts in Lisbon port and to work on reasonable overtimes expenses, you can think about supporting parties or making investments in public rail-transport. The shortage of wagons seems to be structural and Customers of short-sea facing serious problems and are forced to use the trucks. This is not in line with the European idea's about green-transports. Furthermore to optimize the availability in the ports to have sufficient straddle carriers and reach stackers and an important issue to promote and support all initiatives to collect cargo from the terminals as soon as possible after arrival in the port. Preferable already during the operations as long as cargo do have C. Status and don't need to be Custom cleared. Every hour advantage is suporting the Short Sea Services.