

Welcome to Project Cargo Weekly's 6th issue.

EDITORIAL

In this week's issue of Project Cargo Weekly we are proud to present a Q&A with CMA CGM who are known for moving project cargo by containership and who recently acquired American President Lines (APL). Speaking of presidents, we are all now aware who America will have as it's new president. Without being political I think a fair question to ask is; Do our journalists in the western media have a clue what is going on in the minds of the people? They seem to have gotten it wrong both with regards to Brexit and now with the American election. Perhaps they are due for a re-evaluation of their methodology.

Keeping the focus on business in this issue we also have:

- An interview with a new and used container supplier. Containers can be used, bought, sold, and modified. The business is a global trade that is easy to overlook. In many situations it may be prudent to buy containers instead of using the shipping line's, especially because it is quite easy to re-sell the containers.
- Finally we provide you as usual with a solid range of sector news that will give you some ideas on what's cooking around the world.
- This week's featured video and photo give a comparison between the old and the new Panama Canal Locks.

Wishing you well and until next week...

Bo H. Drewsen

Editor

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Q&A WITH CMA CGM

Q&A WITH MR. LOIC PELEN, PROJECT CARGO DESK
MANAGER AT CMA CGM HEAD OFFICE, MARSEILLE, FRANCE

- When did CMA CGM start to accept breakbulk cargo by container ship? Explain what you need from the customer in order to give a quick indication/quote.

CMA CGM started to load breakbulk & OOG shipments on container ships about 30 years ago. CMA CGM has amassed vast experience from successfully handling thousands of shipments on all continents thanks to our wide network of over 200 maritime lines calling 420 ports around the world.

CMA CGM transports all types of XXL cargo from delicate shipments such as trains, cars, and yachts; to large and heavy equipment such as turbines, engines and factory components. Our high level of specialised technical and commercial expertise enables us to load oversized and heavy lift cargo up to 500 metric tons.

In order to quickly create the best and most accurate offer for our customers, CMA CGM experts need several pieces of basic information. This basic information includes POL and POD, a description of the piece(s) including dimensions, gross weight and time of shipment. Pictures, technical drawings or lifting instructions clearly mentioning lifting points and the position of the center of gravity will also help us to study the operational feasibility on our vessels (main liners & feeders) and answer all clients' needs.

- Provide details of whom to contact in Asia, Europe, Americas etc. with name/email address so that our readers can approach them directly if needed.

CMA CGM offers a network of dedicated teams of experts all around the world. They are located at Marseille Head Office in France, in Regional Offices on all five continents, and in key and strategic ports as well.

Head Office:

- From / to North Europe from / to India, Gulf & Asia: ho.projectcargo@cma-cgm.com
 - From / to Med Sea, Black Sea from / to India, Gulf & Asia: xxlcargomed@cma-cgm.com
 - From North Europe & Med Sea to USEC: ho.usprojectcargo@cma-cgm.com
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- India (Mumbai): mby.skar@cma-cgm.com

- There are many terms involved OOG, FR, OT, Breakbulk. Please explain the different terms of shipment. For example, when does a Breakbulk piece become Breakbulk and not OOG?

CMA CGM offers adapted equipment for all XXL cargo. A dedicated team of experts will guide our customers through the different loading procedures to ensure safe and secure transport.

Depending on its dimensions and weight, XXL cargo will be loaded on a specific type of container.

Open Top containers: Similar in all respects to a general purpose container except that it does not have a rigid roof but may have a flexible and removable cover, supported on removable roof bows. Examples: Any cargo that can only be loaded from the top, such as light machinery, over-height cargo, etc.

Flat Rack containers and platforms: Strong based platform containers with collapsible ends (Flat Rack) or without collapsible ends (platforms). Examples: Any oversized or heavy cargo, such as cable reels, roadwork machines, factory parts, trucks, sailboats, etc.

Break Bulk cargos are loaded on a bed of Flat Racks (several assembled side by side) or Platforms, usually under deck. Examples: 120 metric ton diesel engines, 25 meter long passenger airport bridges, or 10 meter-wide catamaran. Our experts will work in close cooperation with customers on tailor made solutions when cargo does not fit into a standard container.



Using a floating crane to load a vessel superstructure weighing 450 metric tons onto a CMA CGM container ship

- **What are the main trade lanes where you accept project cargo? Does the recently completed purchase of APL mean that you will be able to offer breakbulk cargo on APL services as well?**

With more than 200 liner services ensuring regular and quick delivery, fast and reliable transit times, CMA CGM is offering worldwide coverage. The Group is present in 160 countries, through its network of 600 agencies and its 29,000 experts worldwide.

APL already has the global resources to ship special, heavy and oversized cargo safely and securely. The recent integration will allow both parties to develop new opportunities.

- **What kind of alliance does CMA CGM currently belong to? What happens if a customer has a breakbulk shipment and the first vessel available is a non CMA CGM owned vessel? Do your alliance partners share the same interest as you in breakbulk cargo?**

On November 4th, members of the new OCEAN ALLIANCE – the CMA CGM Group, COSCO Container Lines, Evergreen Line and Orient Overseas Container Line – announced the proposed network of the largest shipping alliance in the world. The four partners

will share their capacity on several routes to offer more services for their customers. Together, the partners will operate 40 services on the East-West trades with around 100 ports of call and almost 500 port pairs. Supported by a highly-efficient fleet of nearly 350 vessels with about 3.5 million TEUs in total capacity, the Alliance will comply with the requirements of global supply chains while providing higher sailing frequencies, better transit times and greater coverage in terms of loops, ports of call and port pairs.

As the main contributor to this alliance, the CMA CGM Group will have the largest share within the alliance, deploying a fleet of 119 vessels with a 35% capacity share. The Group will not only be offering more ports, direct calls and better transit times, but is also committed to providing unmatched shipping services and quality through best-in-class business operations and solutions across the group.

Thanks to full cooperation and with their agreement, we have the possibility to load our breakbulk shipments on partner's vessels.

- **ANL is part of CMA CGM do they accept breakbulk cargoes? Does your project cargo desk cover all the lines owned by CMA CGM?**

CMA CGM offers destinations in New Zealand or Australia that use ANL services. The Group offers a global presence on all continents. CMA CGM network gathers more than 650 agencies in 160 countries. CMA CGM has grown continuously, and has been constantly innovating to offer its clients new sea, land and logistics solutions.

- **Give examples of some of the major shipments that you have handled by container ship. What was the largest piece?**

One major shipment handled on a CMA CGM containership was a vessel superstructure weighing 450 metric tons: our experts organized the full shipment from Rotterdam to Singapore. This very heavy piece was lifted aboard and discharged by contracted floating cranes. This exceptional shipment was awarded «Project/Heavy-lift Forwarder of the Year 2012» during the Global Freight Awards.



Using a floating crane to discharge a vessel superstructure weighing 450 metric tons from a CMA CGM container ship

- **Can you organize breakbulk cargo below deck? What do you need from the customer in order to arrange below deck. Are there any maximum restrictions (in general) for breakbulk cargo to be allowed below deck?**

Yes, our expert ship planners will optimize stowing plans to have almost all of our breakbulk shipments stowed below deck. All shipments are studied individually and professionally to offer the maximum care and protection of the cargo. Independent surveyors will assist during loading, transshipment and discharge operations to ensure high levels of quality and security.

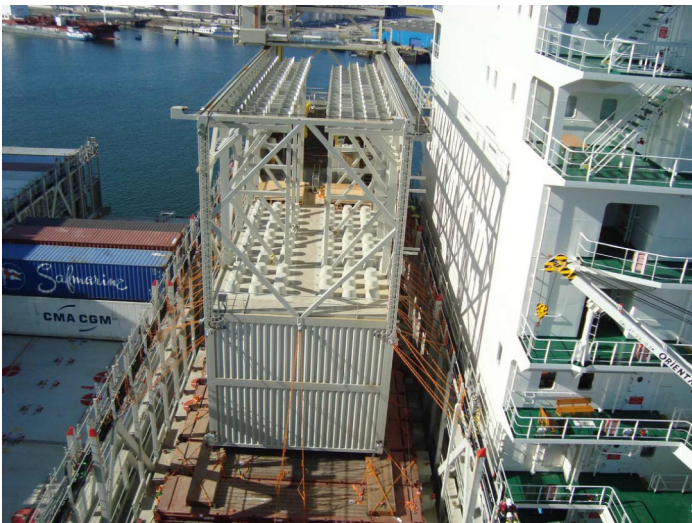
- **When and how did you start your career at CMA CGM? How do you view the future in the breakbulk cargo desk in CMA CGM, will it remain a focus area for the line in the future?**

After some experience at sea as an officer on container ships, I started my career in CMA CGM in 1998 as a ship manager. Through different positions and opportunities at CMA CGM in various fields, I gained solid experience in the regular line container business. I have been working in the project and oversized cargo departments for more than 6 years now.

Break bulk shipments on container vessels are a good alternative to traditional conventional carriers. CMA CGM's objective is clearly to develop and promote this activity offering our customers all over the world a proactive and innovative service combining quality and high performance with protection of the environment.

Interviewee:

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A 450 metric ton vessel superstructure loaded onboard a CMA CGM container ship

THE NEW & USED CONTAINER TRADE

Q&A WITH MR. JEPPE LENSTRUP, REGIONAL MANAGER AT CONTAINER PROVIDERS INTERNATIONAL, COPENHAGEN, DENMARK

- **When was Container Providers (CPI) established and who are the owners of the company, where is the head office/branch office and what is your head count?**

CPI was founded in Copenhagen October, 1978. Our 40 year anniversary is coming soon. Inge and Henning Nielsen founded CPI and are still pulling the strings. Today we are 35 people worldwide working from own offices in Copenhagen, Antwerp, Montpellier, Durban, Dubai, Shanghai and San Francisco.

- **As the name implies you provide containers, give us more information on the types of containers, new, used, etc.**

We work on 2 markets. One market is providing Shippers Own Containers (SOC) for straight sale, one-way use or sale with a buy back option. We want to be the only SOC supplier the forwarder or cargo owner (shipper) needs to call so we have to have all types and sizes available. Including: Drys, Open Tops, Flatracks, and more or less everywhere. We have thousands of units that are ready for prompt release worldwide.

The other market we work on is the new container. That has surpassed our SOC business in volume. We build each month about 1,300 TEUs. Most of our new builds are standards for sea and railway use. The end-user market for containers is enormous, especially for units that are prepared for the final customer's needs. E.g. full side doors, grid floor and liquid waste tanks under the floor. The trick is to match the customer's needs and still make the containers within ISO and CSC regulations. That way the units can be moved inexpensively by container ships to their final destination, maybe even with cargo.

- **Who are your main customers, freight forwarders, shippers? Tell us some examples of bigger deliveries/sales you have had.**

Over time it's the many smaller projects and sales to local container dealers that make up the bulk of our business. It is the bigger projects that we learn from and that change our business. Examples big projects would be the dismantling and export of a used factory or the building of a new factory. We are selling to the same suppliers of factories as we did 20 years ago. Of these suppliers their machine production or subcontractors are often no-longer located in Scandinavia or Europe. Therefore our 'big project' customers need their SOC's in new locations. We have moved along and made a setup for selling in those locations. Today we sell more containers in China, India and Turkey than in the USA and Europe, including selling to local dealers and forwarders.

- **Why would one buy or lease containers and not use the ship-owner's containers?**

You buy or lease to save on detention, save on transport and to serve your customer when shipping lines fail to serve you.

Avoiding the shipping line's detention is often enough reason. Our normal lease rate for a SOC 20DC is ~ USD 1.00/day/20DC with no time limit. Compare that with the shipping line's detention. The differences are bigger for special containers.

Also transport cost can be cut. Earlier SOC's were primarily used for very remote destinations with poor infrastructure where costs of bringing units back to the shipping lines depot exceeded the purchase price of the SOC. With the one-way leasing or a buy-back option it's much easier to save money on SOC's. Many of our customers one-way lease SOC's with both the pick-up and return of the units in inland USA, Europe and Asia. They simply save money on not having to transport the containers back to ports.

Finally, SOC are used when shipping lines fail to deliver the containers on time. That is often the case with Open Tops and Flat racks, but lines may even fail to supply standard Dry containers on time.



Properly certified modified 40' OT can be hard to distinguish from an original 40' OT

- Today what is the typical price for a 20'/40' container? When buying a container how about the status of the container? How does the buyer ensure that it is accepted for ocean transportation by the shipowner? Explain what kind of checks/license systems are in place for containers that you buy 2nd hand.

The prices vary a lot depending on location. That being said, the prices today are generally historically low. In Antwerp, a 40'DC that is ready to go costs Usd 950 and a 20'DC Usd 850.

The inspection standards for SOC are very well implemented internationally. Ask for sound, cargo worthy conditions including a CSC (container safety convention) valid for 12 months. That will be accepted by all shipping lines. However, some shipping lines also insist that a data sheet for each container is filled out prior to shipment. That can be a bit of a pain as the data often only can be noted from the container door. Therefore insist on getting it from your SOC supplier and you are home free.

- If I wanted to ship a big machine and I want to modify a 40ft container into an open top is that something you can do? If this container arrives say in Senegal or in Hong Kong would you have contacts to buy it back and use it again?

Making 40'OT out of 40'dry containers is the only way we can meet the high demand for shipper's own 40'OTs. There are many companies making modified 40'OTs and there are many designs that are used. Some of them can be used just like original OTs, others have only temporary, not extendable CSC validity, and sadly many modified 40OTs cannot be used legally at all. If the supplier cannot present a proper Lloyds certificate confirming that the unit can be used as an ISO 40OT, then the CSC plate on the unit is actually a fraud.

As for us buying back or leasing our modified 40OT, we happily take our modified 40OT back in most places.

One thing which shippers tend to overlook is the likelihood of getting a repair invoice when a 40OT is re-delivered.

The tarpaulins are fragile (both on original and modified OTs) and shippers have to make sure that their site at the destination carefully re-fit the tarpaulins after having stripped the units. We often get 40OTs back with torn tarpaulins, if not completely missing.

- Do you face a lot of competition these days? How are the ship owners about accepting containers that are not their own or leased?

Even using a conservative figure there are at least 600,000 containers being phased out from shipping lines service annually. Consequently, there are a lot of people buying and selling containers. We have the advantage of operating on all continents and being 100 % self-financed.

As for the shipping lines' view on SOCs, often the lines do not have sufficient own Open Tops or Flat Racks to offer shippers. In such cases they of course welcome SOCs. Otherwise their enthusiasm towards SOCs depends on the destination. If having SOCs on board their vessels increases the line's own container shortage at the destination - then you may be charged a shipper's own fee.



A bad outcome of using a not certified modified 40' OT

- Where are most containers built today and has something changed in the last few years regarding production of containers? With rates of freight under pressure is the quality of containers also getting lower (i.e. saving costs) or are there standards for containers that must be followed?

There is hardly any container production outside China today. Certainly, not of standard ISO shipping line units. It is not only the price/quality that make it so, in China, there is always cargo available to all destinations in the world. So new containers can be used with cargo right away instead of first being shipped empty to a place with cargo or empty all the way to where the customer is.

The quality of the work at the container factories is a big issue of concern. If you are not present during the production to make sure that you get the quality you ordered, then it's like saying that it's not important to you. We always have our own surveyors staying at the factory during production.

The official standards for shipping line containers are still high. Some ISO designs use thinner panels than earlier which of course make the units lighter and less strong, but the max gross is the same as before, so with the lower tara weight the payload has increased.

- If I wanted to buy 2x20 containers in Buenos Aires to whom should I direct my inquiry? If I am in Asia, Europe, Africa or the Americas with whom should our readers speak?

If you already know someone from CPI Group then call him or her. We can all help with all inquiries, otherwise call office nearest to you. Details are on www.cpigroup.com

- How do you view the future of 2nd hand container trade? Does the demise of Hanjin and their more than 500,000 boxes mean anything to the current market?

To get an idea of how many units that are coming up for sale look at how many that were built 12-15 years ago. That volume will soon pass a million units annually. Basically, the only way to create a market for such volumes is to sell cheap. For the shipping lines and container lessors that is bad news. Many have high residual values on their books. Their problem is that if they stop building new and instead try to extend the lifetime of their old equipment, then the maintenance cost of the old units will exceed the depreciation cost on new equipment. They have to sell. For the shippers and container traders the situation is perfect. The cheaper the second-hand containers are the more projects can benefit from using SOCs.

The Hanjin bankruptcy actually created an instant lack of containers for the many shipping lines that wanted to get the cargo bookings Hanjin would normally have got. The lines could not use the Hanjin units as they were all arrested, so they had to lease. But the Hanjin units are beginning to be released from the terminals and depots that have blocked them. We expect that many of the ex-Hanjin units will be offered as lease units to shipping lines as they are generally quite young. However, we are also beginning to see them on the sales market as well.

Interviewee:

Jeppé Lenstrup
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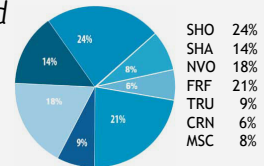
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