PROJECT CARGO Weekly

Welcome to Project Cargo Weekly's 1st issue.

Editorial

As editor of Project Cargo Weekly (PCW) it is my pleasure to announce that today October 6th is the launch of a brand new project cargo news and information letter that we intend to distribute every Thursday 52 times per year to everyone interested in logistics, project cargo transportation and shipping. Our aim is to report actual facts from interviews with shipowners (interesting for shippers and freight forwarders) interviews with freight forwarders (interesting for shipowners and shippers) and to ensure that what we report from these interviews are the unabridged versions of what we are told in response to the questions that PCW puts forward. We will also report news of latest contracts signed in various sectors such as mining, renewable energy, oil/gas, construction and other segments that traditionally are involved when handling and transporting project cargoes. We intend that this newsletter be as informative as possible. We try to make our news personal and go behind the scenes a bit to report on industry segments, shipowners and logistics companies as well as legal aspects of the shipping industry. We will of course appreciate input from anyone having a comment or anyone just wishing to share news that involves project cargo and shipping.

We do allow advertising in our newsletter and you may download our media kit for further information. Our advertising is restricted as we don't wish to be seen as an online shopping catalogue.

Enjoy this first issue and rest assured that we will develop it as we move along both with content, distribution and news. Current database consists of over 17,000 decision makers around the world, all of whom are involved in shipping, logistics, etc. and the contacts self generated through the editors and his colleagues own involvement in nearly 40 years of shipping since 1980.

Yours Sincerely,

Bo H. Drewsen

Editor

bo.drewsen@projectcargo-weekly.com

Project Cargo Weekly (PCW) were recently able to sit down and catch up with Michael Juhler (MJ) Global Head of Special Cargo for Maersk Line to discuss Maersk Line's current project cargo growth and strategy globally

- **Michael Juhler has held 7 positions at Maersk as follows:**

2009 – 2010: Assistant Trade Manager, Europe – East Coast South America Trade. Maersk Line
2010 – 2011: Assistant General Manager Remote Container Management Project. Maersk Line
2011 – 2013: Personal Assistant to Global Head of Maersk Line Trade & Marketing. Maersk Line
2013 – 2014: Trade Manager, Oceania – Americas Trade. Maersk Line
2014 – 2015: Senior Consultant, Maersk Management Consulting. Maersk Group
2015 – 2016: Project Leader, Maersk Management Consulting. Maersk Group
2016 – present: Global Head of Special Cargo. Maersk Line

- How big is the current market share of Maersk Line in the Europe-Asia trade route (roughly)?

Our capacity market share is around 21% for all cargo shipments on the Europe to Asia routes.

Maersk's Q2 2016 Strategy and Performance Report (see slide #15)

- How Many sailings do you have per week from Northern Europe to Asia and from the Mediterranean to Asia and vice versa from Asia to both the Mediterranean and Northern Europe?

We typically talk about sailings in the context of a specific port, but if we look at sailings on the trade, it would mean the number of services we operate: Asia-Northern Europe and vice versa 5 services; between Asia and the Mediterranean and vice versa 4 services (In addition, the Mediterranean trade also routes cargo on 3 of the above-mentioned Asia-Northern Europe services).

- Does Maersk Line accept breakbulk cargo by container ship on this trade lane and when did Maersk in fact start focusing on this aspect of moving cargo ?

We certainly do and it represents a focused growth area for Maersk Line. Break bulk is not a new thing to us. Internally we classify Break Bulk under what we call Special Cargo, which refers to any type of cargo that requires special equipment (e.g. Open Top or Flat Rack containers). Special Cargo is then categorized into three different product types:

- In gauge: cargo that fits within the size of a flat rack or open top container – i.e. it requires special equipment but doesn't displace additional slots on the vessel
- Out of gauge: cargo that has wider dimensions than a flat rack or higher dimensions than an open top container, but can still be handled unitized in containers
- Break bulk: cargo that exceeds the size and / or weight of the container. This is handled as non-unitised cargo with a bed of flat racks prepared, and cargo is then lifted separately and placed on the flat racks

In terms of focus we have in fact been handling special cargo for 40 years with a gradual expansion. Our focus and investment in the segment has in particular grown after the P&O acquisition in 2005. Today Special Cargo is an integrated part of our operating model and way of doing business with specialized sales people, customer service and operational staff.

- Name the key personnel for our readers to contact if they are interested in a quote based on Maersk and they have a break-bulk or project shipment inquiry?

Maersk Line Special Cargo has set up a centralized quoting team allowing customers to easily request and receive a quote for their special cargo. The process is straight forward:

For Out of Gage (OOG):

- Customer to record the necessary details
  - *Load port name & Discharge port name*
  - *Cargo weight (Kg), height (cm), width (cm) and length (cm)*
  - *Equipment type (40' Flat Rack, 20' Open Top, 40' Open Top)*
- *Submit details to quoting team: specialcargorates@maersk.com*
- *Customer receives special cargo quote*

For break bulk (BBK):

- Customer to record the necessary details
  - Load port name & Discharge port name
  - Cargo weight (Kg), height (cm), width (cm) and length (cm)
  - Pictures indicating lifting points
- *Submit details to quoting team: specialcargorates@maersk.com*
- *Customer receives special cargo quote*

In addition to the quoting team, we have regional hubs in Europe, Asia and North America, who can assist customers with more complex enquiries and discuss long-term business opportunities. As an additional note in this regard, and symbol of our investment in Special Cargo, we will in Q4 have set up a similar team in West Central Asia.

Contact details to the current three teams are as follows:

ML EMEA Team (Located in Rotterdam)
Patrick van Lavieren
Regional Head of Special Cargo, EMEA
Mail: patrick.van.lavieren@maersk.com

ML ASI Team (Located in Shanghai)
Gary Tsang
Regional Head of Special Cargo, ASIA
Mail: gary.tsang@maersk.com

ML AMR Team (Located in Charlotte)
Bill Fentress
Regional Head of Special Cargo, AMR
Mail: Bill.Fentress@maersk.com

- Cross trade often occurs in the current shipping environment for example a shipper is in Denmark say, production is in China but destination could be in USA where should the customer contact with Maersk., at cargo origin point, destination point or do you have a global XXL desk that focuses on such inquiries ?

The customer should always contact local Maersk Line in the country where the customer is registered, even in cases of cross trade.

Thus, if shipper is in Denmark, production is in China, and final destination is USA, then the customer should contact the local Danish Maersk Line office.

- We understand that you are sailing in alliance with MSC did Hyundai join your alliance or not yet? If cargo is booked with Maersk Line would it be ok to be loaded on an MSC sailing or is it preferable to also physically load it on a Maersk vessel?

We can confirm that we – 2M – have signed a MoU (memorandum of understanding) with the Korean container shipping line Hyundai Merchant Marine (HMM) on HMM joining the 2M vessel sharing agreement (2M VSA) when their membership of the G6 alliance expires in 2017. The inclusion of Hyundai Merchant Marine in 2M would provide us with extended coverage and a stronger product in the Transpacific trade. We will now advance the negotiations and we do not wish to comment further until there are any substantial developments.

There is no problem in loading on an MSC vessel. These vessels are fully embedded into our standard operations and procedures in order to offer our customers the best products and highest possible service levels.

- What is your market outlook in other words growth of trade how do you see the near future 3-5 years?

Michael kindly provided the following photo examples of project cargo that Maersk carried:

Q&A WITH FATS

This week's Beyond Ports focuses on Durban and beyond. Project Cargo Weekly (PCW) spoke with Caron Harris, CEO of Forwarding African Transport Services (FATS)

- **When did you establish your company in South Africa?**

FATS was founded in July of 1992.

- **How many employees does FATS have and who are the owners?**

We have a staff compliment of 15 and is owned by Caron Harris.

- **How is inland transport to Zambia, Zimbabwe and Botswana generally organised? By truck, train, or barge?**

Inland transport to these 3 destinations as well as Malawi, Swaziland & Lesotho is most efficiently arranged by road (truck).

- **Is it possible to do customs clearance at the destination?**

Destination clearance is generally undertaken by the consignees clearing agent and FATS can undertake all movement on DDU terms.

- **Which entry port in South Africa is the most ideal?**

Durban is the ideal entry port into South Africa and is commonly known as the "Gateway" into Africa.

- **What kind of documents do you need in order to arrange the inland transport efficiently?**

The following documents are required:

- BOL
- Commercial Invoice
- Packing List
- Consignee contact details
- Destination clearing agent contact details

- **What are the advantages in doing transhipment via South Africa instead of Mozambique?**

- The port of Durban is classified as the most efficient sea port in Africa thereby reducing unnecessary port delays, like congestion.
- The balance of the necessary infrastructure development in South Africa like roads and telecommunications is well established and not at risk of causing delays.

- **Are there some specific aspects of onward carriage that insurance companies don't cover?**

Insurance is underwritten by Lloyds of London without limitation, but needs to be applied for on a per-consignment basis.

- **What is the realistic estimated transit time from Durban port to the typical inland destinations?**

Ex-Durban the transit times are as follows:

- Harare, Zimbabwe – 5 days
- Lusaka, Zambia – 9 days
- Lilongwe, Malawi – 9 days
- Gaberone, Botswana – 3 days

- **What kind of advantages do you offer in handling transhipment compared to other companies offering the same?**

- FATS has been an industry leader in handling cross border cargo since its inception in 1992
- FATS has strategic partnerships with transporters and border agents ensuring the seamless flow of cargo
- FATS has it's own "Road Bond Facility" to facilitate Removal in bond (RIB) or Removal in Transit (RIT)

- **Do you have a few suggestions regarding the handling of projects into ZZB with transhipment via South African port?**

- Ensure you plan well in advance
- Be prepared
- Have all your documentation in order
- Ensure the consignee is ready to receive the cargo and has the financial resources to settle all destination charges

Interviewee
Ms. Caron Harris
Caron.Harris@fats.co.za

Caron kindly provided the following recent photos of project cargo in transit.






INDIA INFRASTRUCTURE

- **Introduction**

Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Mr Nitin Gadkari, Minister of Road Transport and Highways, and Shipping, has announced the government's target of Rs 25 trillion (US$ 376.53 billion) investment in infrastructure over a period of three years, which will include Rs 8 trillion (US$ 120.49 billion) for developing 27 industrial clusters and an additional Rs 5 trillion (US$ 75.30 billion) for road, railway and port connectivity projects.

Infrastructure sector includes power, bridges, dams, roads and urban infrastructure development.

- **Market Size**

India needs Rs 31 trillion (US$ 454.83 billion) to be spent on infrastructure development over the next five years, with 70 per cent of funds needed for power, roads and urban infrastructure segments.

The Indian power sector itself has an investment potential of US$ 250 billion in the next 4-5 years, providing immense opportunities in power generation, distribution, transmission and equipment, according to Mr Piyush Goyal, Union minister of coal, power and renewable energy.

The Indian construction equipment industry is reviving after a gap of four years and is expected to grow to US$ 5 billion by FY2019-20 from current size of US$ 2.8 billion.

Foreign Direct Investment (FDI) received in construction development sector from April 2000 to December 2015 stood at US$ 24.18 billion, according to the Department of Industrial Policy and Promotion (DIPP).

- **Investments**

India is witnessing significant interest from international investors in the infrastructure space. Many Spanish companies are keen on collaborating with India on infrastructure, high speed trains, renewable energy and developing smart cities.

Silver Spring Capital Management, a Hong Kong-based equity hedge fund, plans to invest over Rs 2,000 crore (US$ 306 million) in Hyderabad-based infrastructure developer Transstroy India Ltd, for construction of highways in the country.

Altico Capital, the non-banking finance company (NBFC) of Clearwater Capital Partners LLC, plans to invest around US$150 million in the commercial office properties and infrastructure sector over the next 12-18 months.

Sovereign wealth funds and global pension funds plan to invest up to US$ 50 billion in Indian infrastructure sector over the next five years##.

Airports Authority of India (AAI) plans to develop city-side infrastructure at 13 regional airports across India, with help from private players for building of hotels, car parks and other facilities, and thereby boost its non-aeronautical revenues.

The Asian Development Bank (ADB) and Government of India signed a loan agreement of US$ 80 million, which is the third tranche of a US$ 200 million financing facility under the North Eastern Region Capital Cities Development Investment Programme, and will be invested for improving water supply, solid waste management and sanitation in the cities of Agartala and Aizwal, the capital cities of Tripura and Mizoram respectively.

Maharashtra State Government plans to launch infrastructure projects worth Rs 73,367 crore (US$ 10.78 billion) in Mumbai and neighbouring areas in 2016, which include coastal road, Trans harbour link, metro rail, airport and road projects.

The Government of India has earmarked Rs 50,000 crore (US$ 7.34 billion) to develop 100 smart cities across the country. The Government released its list of 98 cities for the smart cities project in August 2015.

BNP Paribas Lease Group, subsidiary of BNP Paribas Group, has acquired 5 per cent stake in Srei Infrastructure Finance, by selling its entire 50 per cent stake in Srei Equipment Finance Limited (SEFL) to Srei Infrastructure Finance, thus allowing them to play a larger role in the infrastructure finance business.

Private equity giant Carlyle Group is planning to invest Rs 500 crore (US$ 73.36 million) in Feedback Infra, which could make the US firm a major shareholder in the Gurgaon-based infrastructure services company.

PTC India Financial Services (PFS) and India Infrastructure Finance Company Limited (IIFCL) have signed a Memorandum of Understanding (MoU) to jointly provide funding for infrastructure projects in India, particularly in the energy sector.

France has announced a commitment of € 2 billion (US$ 2.17 billion) to convert Chandigarh, Nagpur and Puducherry into smart cities.

The Construction Industry Development Board (CIDB) of Malaysia has proposed to invest US$ 30 billion in urban development and housing projects in India, such as a mini-smart city adjacent to New Delhi Railway Station, a green city project at Garhmukhteshwar in Uttar Pradesh and the Ganga cleaning projects.

The Government of India has unveiled plans to invest US$ 137 billion in its rail network over the next five years, heralding Prime Minister Narendra Modi's aggressive approach to building infrastructure needed to unlock faster economic growth.

The Government of India has announced highway projects worth US$ 93 billion, which include government flagship National Highways Building Project (NHDP) with total investment of

US$ 45 billion over next three years.

- **Government Initiatives**

The Government of India is taking every possible initiative to boost the infrastructure sector. Some of the steps taken in the recent past are being discussed hereafter.

The Reserve Bank of India (RBI) has allowed companies in the infrastructure sector to raise External Commercial Borrowings (ECB) with a minimum maturity of five years and with an individual limit of US$ 750 million for borrowing under the automatic route.

The Securities and Exchange Board of India (SEBI) has allowed Foreign Portfolio Investors (FPI) to invest in units of real estate investment trusts (REITs), infrastructure investment trusts (InvITs), category III alternative investment funds (AIFs), and also permitted them to acquire corporate bonds under default.

The Government of Japan, through Japan International Cooperation Agency (JICA), has committed to provide a soft loan of JPY 19.064 billion (US$ 161.2 million) to Government of India at an interest rate of 0.3 per cent per annum for the project of pollution abatement of Mula-Mutha river in Pune, Maharashtra under the National River Conservation Plan.

Government of India plans to use the new hybrid-annuity model for allocating contracts under the Public Private Partnership (PPP) projects in highways, Namami Gange and Railway Projects, which will help overcome the challenges faced by private developers in the Build-Operate-Transfer (BOT) Toll and BOT-Annuity models.

Budgetary allocation for Roads and Railways in the Union Budget 2016 has been increased to Rs 218,000 crore (US$ 31.98 billion) with an aim to boost the private investment cycle.

The Ministry of Road Transport and Highways plans to build five more greenfield expressways across the country, which are expected to reduce travel time and propel economic growth.

The Union Ministry of Urban Development has approved an investment of Rs 495 crore (US$ 72 million) under the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) for FY 2015-16 which will be used for water supply, sewerage networks and septage management, storm water drains, urban transport and provision of green spaces in 13 cities spread over six states.

The government has rolled out stuck projects worth Rs 4 lakh crore (US$ 58.69 billion) while stating that infrastructure development is the government's top priority in order to improve economic growth.

The Union Cabinet has approved several reforms such as allowing National Highways Authority of India (NHAI) to extend the concession period for current incomplete projects in build-operate-transfer (BOT) mode.

Government of India plans to launch the National Infrastructure Investment Fund (NIFF) with an initial corpus of at least Rs 40,000 crore (US$ 5.87 billion).

The Ministry of Urban Development has decided to allow the use of construction & demolition waste up to 20 per cent in construction of load bearing items and up to 100 per cent for non-load bearing purposes. This provision is expected to significantly help in reuse of such waste, in line with ongoing efforts under Swachh Bharat Mission (SBM).

The central government has approved amendments to 'The National Waterways Bill, 2015' which will provide for enacting a central legislation to declare 106 additional inland waterways, as the national waterways.

The Government of India plans to award 100 highway projects under the public-private partnership (PPP) mode in 2016, with expectations that recent amendments in regulations would revive investor sentiments in PPP projects in the infrastructure sector.

The Reserve Bank of India (RBI) has notified 100 per cent foreign direct investment (FDI) under automatic route in the construction development sector.

The Government of India has relaxed rules for FDI in the construction sector by reducing minimum built-up area as well as capital requirement. It has also liberalised the exit norms. In fact, the Cabinet has also approved the proposal to amend the FDI policy.

Mr Nitin Gadkari, Union Minister of Road Transport & Highways and Shipping, has launched various online platforms such as ePACE (project appraisals portal), INFRACON (portal for infrastructure consultancy firms and personnel) and INAM PRO (web-based application for infrastructure and material providers), while also inviting stakeholders in the infrastructure sector to consciously use global best practices in road construction sector.

- **Road Ahead**

Indian port sector is poised to mark great progress in the years to come. It is forecasted that by the end of 2017 port traffic will amount to 943.06 MT for India's major ports and 815.20 MT for its minor ports.

Along with that, Indian aviation market is expected to become the third largest across the globe by 2020, according to industry estimates. The sector is projected to handle 336 million domestic and 85 million international passengers with projected investment to the tune of US$ 120 billion. Indian Aviation Industry, which currently accounts for 1.5 per cent of the gross domestic product (GDP), has been instrumental in the overall economic development of the country. Given the huge gap between potential and current air travel penetration in India, the prospects and possibilities of growth of Indian aviation market are enormous.

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"I like the interviews as in the case with Rickmers it answers actual issues and stifles unfounded rumours."

Albert Pegg, Managing Director, Atlas Breakbulk Alliance

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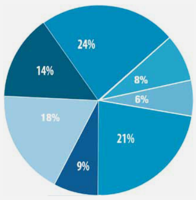

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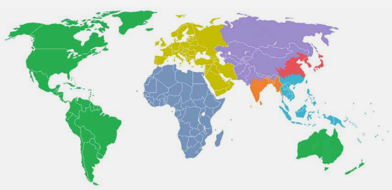

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