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## NEWSLETTER

### No.34 - February 2011

#### NEWS

##### OIL PRICE UP

The political turmoil that has spread from Tunisia to Egypt, Bahrain and Libya recently has caused fears of shortages of oil supplies which pushed the price of crude oil up 6 % in a single day's trading on Tuesday 22.

Most of the concern over shipping operations in Egypt focused on the large number of oil tankers that move through the Suez Canal carrying nearly 3 million barrels of oil per day. By February 5<sup>th</sup>, vessel-handling operations were starting to return to normal in Port Said, Egypt, and ships were transiting the Suez Canal without interruption. Everything seemed to be under control.

And then, Libya "exploded".

The country is Africa's third largest producer and turns out 1.7m of the world's 88m barrels a day (b/d) of oil. OECD countries import 1.2m b/d, and China another 150,000. And suddenly, oil production slumped, Libya declared force majeure on all oil product exports, all ports and terminals were closed and the economy ceased to function. In a matter of a few days the Libyan revolution has taken crude oil prices to a 30-month high, and stirred fears of slower global economic growth.



A month ago, before all this started, Brent crude oil stood at around 96 USD a barrel. The sudden ousting of Mr Mubarak and the unrest in Libya, Bahrain, Yemen, Iran and Algeria (which between them supply a tenth of the world's oil) had added 20% to oil prices by the middle of this week. Now the big worry is that spreading unrest will culminate in a shock like the oil embargo of 1973, the Iranian revolution or Iraq's invasion of Kuwait.

The world could probably weather a short-lived crisis. Especially, as Saudi Arabia seems willing to help by increasing its production to avoid shortages. However, that would only be a temporary solution and the damage for the recovering economies of the world if oil prices spiked and stayed high for a long time could be severe.

For further information regarding shipments to/from Libya, see page X

##### THAILAND'S HAZMAT INSURANCE REGULATION

We already reported that Thailand had decided to delay the enforcement of its new regulation on hazmat until April 12. This new regulation required advance payment of insurance and caused some ocean carriers to suspend delivery of hazardous materials at Thailand ports and many U.S. suppliers to look for alternative ways of supplying customers in the Southeast Asian market.

Last February 4<sup>th</sup>, the Maritime Department of Thailand announced repeal of this regulation with "immediate effect."



## TERRORIST CAUGHT

U.S. authorities arrested Khalid Ali-M Aldawsari, a 20-year-old Saudi student, this week in Texas for allegedly plotting terror attacks by shipping explosive chemicals through domestic trucking networks. According to FBI, Aldawsari was trying to assemble the components to build chemical bombs. He bought the chemical explosive component phenol from a company in North Carolina and had it shipped through the FedEx system to a Con-way Freight terminal in Lubbock, Texas.

Con-way contacted police after receiving a suspicious package on February 1<sup>st</sup>. The charges and size of the shipment suggested that the ten 500 milliliter bottles of phenol were transported from North Carolina to Texas through the FedEx Freight less-than-truckload network or FedEx Ground parcel network.

## COLOMBIA VS. PANAMA?

China is in negotiations over the construction of a rail link across Colombia to rival the Panama Canal.

The 137 mile "dry canal," linking Colombia's Atlantic and Pacific coasts, would make it easier for China to export goods across Latin America and import raw materials such as coal, Colombia's president, Juan Manuel Santos, told the FT.

The plan is for imported Chinese goods to be re-assembled at a new city near Cartagena, on Colombia's northern Atlantic coast, for export across the Americas. Raw materials would be exported from Colombia and other South American countries from the Pacific end of the railway.

Colombia, the world's fifth largest coal producer, currently ships most of its exports through the Atlantic ports despite faster growing demand across the Pacific.

The construction of the 495 mile railway and expansion of the Pacific port of Buenaventura will have a cost of \$7.6 billion, which will be funded by the Chinese Development Bank and the facilities operated by China Railway Group.

## AIR TRANSPORT FORECAST

According to the industry consensus forecast released by the International Air Transport Association (IATA) by 2014 international aviation will handle 38 million tonnes of air cargo, up 12.5 million tonnes from the 26 million tonnes carried in 2009.



International freight volumes are expected to grow at a compound annual growth rate (CAGR) of 8.2% over the forecast period. Excluding the impact of the rapid post recession rebound in 2010, for the 2011-2014 period, air freight will stabilize at 5% CAGR. This is slightly below the forecast growth in world trade (6%) suggesting a still conservative outlook after the recession shock and possibly some loss of market share to sea shipping.

The top five fastest growing international freight markets will be Hong Kong (12.3%), China (11.7%), Vietnam (11.4%), Taiwan (11.3%) and the Russian Federation (11.0%) and the largest international freight markets will be the US (8.8 million tonnes), Hong Kong (5.4 million tonnes), Germany (4.4 million tonnes), Japan (4.4 million tonnes) and China (3.8 million tonnes). The volume growth expected in China and Hong Kong will account for a third of global volume growth over the period to 2014.





The **Asia Pacific's** region will see the highest growth rate for international freight at 9.8% with Hong Kong, Japan, China, South Korea, and Taiwan comprising the region's top five markets. International freight demand in the **Middle East** will grow 8.1% as freight links in the region continue to develop. The UAE will lead the region, handling 2.7 million tonnes of cargo. In **Africa** international cargo demand is expected to be 5.8%. In **Europe**, it is expected to grow 6.5%, with Germany, the UK and the Netherlands leading the region in size while the Russian Federation will see the fastest growth rate. **Latin America** will see demand increase 6.4%, with Peru leading the region freight growth at 9% and **North America** will grow 7.6% for international freight remaining as the largest international air freight market.

## PANAMA CANAL EXPANSION AND US PORTS

The Panama Canal expansion is on target for completion by 2014 allowing for larger ships to pass. Current maximum capacity of vessels is 5,000 TEUs and upon completion, this will increase to 12,000 TEUs

By far, most of the traffic through the Canal moves between the east coast of the United States and Asia and for the past several years, preparations for the anticipated increase in cargo via the Panama Canal have been underway. US railroad companies have been successful in obtaining public assistance to finance projects to upgrade and expand infrastructure to move freight inland from the ports quicker, cheaper and greener.

The East Coast ports are also preparing for the Canal expansion. At present, only two East Coast ports have channels that are deep enough (50-foot) to accommodate the super post-Panamex container ships: The Port of Virginia and the Port of New York/New Jersey.

Ports of Charleston, Miami and Savannah are in varying stages of preparation and are seeking additional funding to complete their plans. It was anticipated that the 2012 US government budget proposal would provide the necessary funding as President Obama had announced several initiatives in the past year for the need to promote infrastructure improvements along with expanding US exports.



However, the political environment does not bode well for the East Coast ports dredging projects. As the United States is faced with a \$1.6 trillion deficit, lawmakers are seeking ways to cut it by spurning earmarks and looking at additional spending cuts for the rest of the year.

On the other hand, the need to deepen the East Coast ports is great if the US wants to take full advantage of the export opportunities the expanded Panama Canal will bring.

## RADIOACTIVE CONTAINER

Italian authorities are looking for a way of disposing of a container containing radioactive material that has been sitting on the dock at the port of Genoa for more than six months.

According to news reports, the container arrived from Saudi Arabia on July 20, 2010, but later yard workers discovered it was radioactive. One report said the container held radioactive cobalt.

Italian security officials have approached the problem warily as it is unknown whether or not the container may be a terrorist weapon. Since the Sept. 11, 2001, terrorist attacks in the U.S., security officials have warned about a "nuke in the box," a nuclear or radiological weapon delivered through the supply chain.

Officials were considering opening the box by remote-controlled robot, or taking it out of the port by barge. Disposal costs may exceed \$1 million.



## ON MEMBERS

### FROM THE CONFLICT AREA

Mr. Moez Hedhiri, from **EUROTRANS**, our member in Tunisia, Algeria and Libya reports from the heart of the conflict area:

"... things in Libya are much more different from Tunisia. In Tunisia, the revolution was a matter of a week-end and we just had a delay in vessels departures. In Libya, it's a story of a mad man working against people. They decided to push Gaddafi to leave. Now, they are paying a very high price with their lives.

On the other hand, they are giving all their help to foreign people and doing their best to secure everybody's interests in the country. From my side, I must say many thanks to the Libyan people. As you know we invested a lot of effort and resources in that office and it was starting to work only right before the revolution, so we appreciate all their help.

Logically, we had to change programs of a lot of shipments and I had to ask some of our TPF partners sending shipments to Libya not to load any cargo to that country for the moment as it will still need several days before security comes back and we return to a safe situation. We managed to deal with some shipments which were already on their way to be loaded but the situation may get worse over there during the week-end and it will take days before the situation becomes clearer. Some of our TPF partners asked me about depot chares because cargo is not being loaded. I told them not to worry. If there are storage costs we will honour payment. And I already got confirmations from shippers and consignees.

Please inform our TPF partners that everything is in order for Tunisia and Algeria, where we are back to a normal situation for all traffic. But for Libya, we insist on asking our partners not to load to this destination for the moment. It would be even better not to pick up the cargo from shippers and inform them that the situation is not safe at all and it can get worse in coming days. We will keep TPF management informed about the development of events.

For cargo they already have in hand, all storage costs will be secured and we will ask to give priority to load it as soon as it becomes safe. We are studying all alternatives, even changing its destination to Tunisia or return the cargo to shippers if it turns out that it will be a long period of time before safety returns to Libya. Regarding all shipments that arrived or are on their way to arrive to Libya, **EUROTRANS TUNISIA**, as head office, is securing all payments as agreed. All cargo that arrived at Libyan ports is safe and we are doing our best to take care of our partners' interests."

Big thanks to Mr. Hedhiri for this report and the hard work he and his team are putting into securing TPF members' interests in the region. If you have any shipments to the area, please contact him for instructions/details at [moez.hedhiri@eurotranstunisie.com](mailto:moez.hedhiri@eurotranstunisie.com)

### GOOD RESULTS

Mr. Michal Kisiel, from **DOR CEL**, Poland, reports on the results of what he calls "our sales attack". He informs that, regarding the Arab Health 2011 Exhibition, it was a big success.

**DOR CEL** approached all the 16 companies from Poland listed as exhibitors. As a result four companies have already given their orders (some of them, very regular and with great potential) to Dor Cel. With some other four companies **DOR CEL** are just about to gain new orders.

Mr. Kisiel explains: "Our action, which was mainly based on information about the Exhibition, interested 75 % of those enterprises. That is already a success. Then, these new orders have given us enormous pleasure and satisfaction. As a result, there will be bookings arranged or free hand shipments given from us to the different TPF members.

The action on the Arab Health Exhibition showed that this is a really proper way of acting and gaining new customers, new routes and new business. We will definitely follow this way!"





## AFGHAN TRANSIT TRADE

Ms Mehrin, from our office in Pakistan, reports on DMK activities to develop the service into Afghanistan. She says: "DMK has been developing its Afghan Transit Business since 2001. We conducted the first of several road surveys immediately after the war ended to analyze the most efficient route to several destinations in Afghanistan.

After almost 9 years in this business, today DMK can effectively handle both commercial and non-commercial shipments, including food supplies, construction materials, heavy construction machineries and heavy vehicles.



From Karachi we connect to the following destinations in Afghanistan:

South Afghanistan (via Chamman border)

- 1. Kandahar City
- 2. Kandahar Airfield (KAF)
- 3. Tarin Kowt
- 4. Camp Bastian
- 5. Camp Leatherneck

North Afghanistan (Via Torkhum border)

- 1. Jalalabad
- 2. Kabul
- 3. Bagram Airbase

Moreover, DMK has the exclusive service for receiving **airfreight** shipments at Kabul Airport, handling the customs clearance, & delivering it to the consignee in Kabul City. We can also effectively arrange the delivery of any shipment anywhere in Afghanistan from Kabul Airport through our Domestic Distribution service. Our domestic delivery service also caters deliveries from Kandahar Airfield, Bagram Airbase, and Camp Bastian to anywhere in Afghanistan."

If you need further details, please contact Ms Mehrin at [corporate.sales@dmklog.com.pk](mailto:corporate.sales@dmklog.com.pk) or Mr. Saadat at [saadat.ali@dmklog.com.pk](mailto:saadat.ali@dmklog.com.pk)



## NAME CHANGE

Mr. Vincent Ong, from **NATIONAL EXPRESS**, our member in Taiwan, informs that, in order to better reflect the wide variety of services the company offers its customers, its name has changed from National Express Forwarders Co. Ltd, to **NATIONAL EXPRESS LOGISTICS CO. LTD.**

It should be noted that only the company name has been affected and that the structure of the Company and other details remain the same: business registration number (22329817) and bank account numbers do not change (only the beneficiary name)

Please update your records accordingly and, if you have any questions feel free to contact them at:

**NATIONAL EXPRESS LOGISTICS CO. LTD.**

9-4 F/L., 500, Chung Hsiao East Road, Sec. .

11071 Taipei, Taiwan, R.O.C.

Tel: +886-2-27299966/27161688

Fax: +886-2-27299696/27298594

Website : [www.nationalexpress.com.tw](http://www.nationalexpress.com.tw)

E-mail : [info@nationalexpress.com.tw](mailto:info@nationalexpress.com.tw)



**NATIONAL EXPRESS  
LOGISTICS CO., LTD.**



## NEW LOGO



Mr. Mike Collins, from **HAY WORLD CARGO**, our member in the UK, informs that, after many years, the company has decided to change its logo to reflect an up to date image more in accordance with the company's development and today's trends in our industry.

If you need assistance in the UK, you can contact

Mr. Mike Collins at [mike.collins@hayworldcargo.co.uk](mailto:mike.collins@hayworldcargo.co.uk)

Mr. Gary Curtis at [gary.curtis@hayworldcargo.co.uk](mailto:gary.curtis@hayworldcargo.co.uk)

## NEW DEVELOPMENTS

As a result of the strategies developed during their latest in-house conference, **TRACOSA** has started a number of new projects. Mr. Marco Garcia reports on the changes the company is carrying out:

"With a view to greater efficiency in customs clearance, we expect to become fully accredited as an AEO (Authorised Economic Operator) next month. We will be able to pass on the corresponding gains in terms of time and costs to our customers as a result of the competitive advantage that achieving this status will grant us.

In addition, we have made some changes in our sales and operations staff organigramme. We have reinforced our Traffic Department in the Valencia area where we are developing and doing our best to grow both our air and ocean traffic.

Our colleague, Mr. Emilio Llop, has been transferred to Valencia as Sales Manager. He will assist you in all your sales leads and any other requirements you may have concerning Valencia. Ms. Laia Sala has moved to our Air Department in Barcelona, from where she will push sales for the airport of Barcelona. In Madrid, we have a new colleague, Mr. Damian Morales, as a sales assistant.

You can ask TPF Management Office for our updated organigramme with the persons in charge of our traffic departments in Barcelona, Madrid, and Valencia. We hope this will help you easily find who to contact for any requirement you may have.

Finally, as always, please send us any sales leads you may have and we will do our best to develop these and to increase our shared business."

For any ideas or suggestions you may want to share, please contact Mr. Garcia

## STORMS IN THE US

The massive winter storm hitting the U.S. at the beginning of the month with exceptionally severe weather conditions, including blizzards, high winds and ice storms, disrupted transportation infrastructure in a large area of the country.

A high percentage of offices, businesses and terminals were closed, including shipping lines, airlines and cargo terminals. Major airports across the US Midwest were closed with thousands of flights, both domestic and international, cancelled. Railheads were closed and transit times to ports were extended, meaning that containers could not connect with the booked sailing and truck transport was badly delayed or stopped as states shut icy highways or impose truck limits.

Mr. Sebastian Tschackert, from **WLG**, our member in USA (IL and NY) reported they had between 70-150cms of snow around. The snow storm was the third strongest in Midwest recorded history (135 years). WLG had to close operations for 1.5 days and even a day later, when the weather had already improved (sunny and -20C) it took them over two hours to drive 20 miles to work.

Although arrangements for alternative routings were made where possible, disruption was unavoidable and these conditions continue throughout the following days, with subsequent backlogs and delays.



## FEATURE ARTICLE

## WHEN RISKS ARE THIS BIG

In spite of the uncertainty about the markets that still ruled the sector last year, the number of VLCS and ULCS (Very/Ultra Large Container Ships) of above 7,500 TEU delivered in 2010 reached a new record according to a report issued by Alphaliner. 61 V/ULCS units were delivered in 2010, matching the previous record of 61 units delivered in 2006. However, in 2006 only 2 units were above 10,000 TEU, compared to 29 units in 2010. The total capacity of V/ULCS delivered reached 657,000 TEU, 48% of the total capacity delivered in 2010.

Of the V/ULCS units delivered last year, 19 went to MSC narrowing in this way the gap between itself and top-placed AP Møller-Maersk Group, which saw a much smaller increase in capacity.

According to Alphaliner, an even larger number of these giant containerships is due to be delivered this year: 76 V/ULCS units are expected to join the liner fleet in 2011, 49 of which will be over 10,000 TEU. These new V/ULCS will add a total of 860,000 TEU of additional slot capacity (63% of the total capacity to be delivered in 2011). CMA CGM is expected to receive the highest number of V/ULCS: 16 units. Except for Evergreen and the New World Alliance, who seem to have decided to stay out of the game, all the other shipping lines will be receiving brand new V/ULCS this year.

Anyway, independently of which company owns the ships, the truth is that THAT IS A LOT OF CAPACITY!

Especially, when only 15 months ago we were talking about a fleet of idle containerships of 1.393 Mteu. In other words, 10.7% of the then existing fleet according to Alphaliner. And when certain voices, like SeaAxis, claim that container shipping lines remain threatened by overcapacity, which will peak soon... Admittedly, before diminishing later this year as trade volume rises. But ... is trade volume really going to rise *that much*?

And then, when we thought we were already duly and truly prepared for ALL that rise in trade volume, here comes Maersk announcing their decision to build 30 of the largest container vessels ever!



The proposed vessels are more than a third larger than the biggest container ship presently afloat, Maersk's own "Emma", with a capacity of 13,000 TEU. Ten of them, called by the company the "Triple-E vessels", will have a capacity of 18,000 TEUs each (as Maersk calculates capacity according to weight, in theory the number of containers on board could be much higher.) As the company's website says: "If all these containers were to be put on a train, it would need to be 110 km long, and if they were put on top of each other they would almost reach beyond the stratosphere."

Wow... and we are talking only about 10 out of the 30!

A decision to commit to some 30 V/ULCS certainly reflects enormous faith in the ability of the container shipping market to absorb equally enormous volumes and an unbeatable optimism over the company's long-term growth in the market. Remember that less than a couple of years ago, when the whole sector was shaken by one of the most severe downturns for decades, Maersk reported its worst losses since its foundation.

Clearly, as Transport Intelligence's editor pointed out, this is not just PR at its most spectacular; it is a strategic move of considerable courage. Yes, Maersk is taking some big (very big!) risks, but it is aiming at grabbing an even larger market share.



The size of the new vessels gives Maersk an advantage in terms of productivity over less large ships. Maersk also hopes that the unusual twin engine design will lower fuel consumption. Both aspects mean that Maersk presumably will be able to take market share on the Europe - China trade simply by having lower costs. It could have the option of expanding its traffic by undercutting its rivals and taking market-share, even if the market did not grow.

However, as it often happens, this economy of scale comes at a price. Vessels as large as 18,000 TEU can only be used on a few routes, specifically between Europe and China. Even the ports in North America will not be able to unload a vessel of such size sufficiently quickly. Therefore, the Maersk fleet will be less flexible than one composed of smaller vessels. Then, what would Maersk do if the present patterns of world shipping changed? It happened before. The 'China trade' as is known today is less than twenty years old.



If Maersk get its forecasts wrong it is laying itself open to problems as big as those seen in the depths of the recession. However, the scale of new build, the size of the vessels being built and the fact that most shipping lines are following the trend suggests that the shipping sector sees a continuation of the growth of world trade.

I'd say we won't have to wait long to see the first results.

## EVENTS



**GAM 2011  
HO CHI MINH CITY  
VIETNAM**

Remember that this year's annual General Assembly Meeting will take place from **June 10<sup>th</sup> to 12<sup>th</sup>** in **Ho Chi Minh City (Vietnam)** at the **SHERATON SAIGON HOTEL & TOWERS**.

We will meet on Friday 10<sup>th</sup> at terrace of the Hotel's Wine Bar for a welcoming dinner and the General Meeting will take place on Saturday 11<sup>th</sup> and Sunday 12<sup>th</sup>.

We recommend you book as soon as possible as Ho Chi Minh becomes very busy during the season and the later you make your reservation the more difficult it will be to make the best

of the Sheraton's flexibility for space and rates. The hotel will keep the group rates for you for 3 days before and 3 days after the meeting subject to availability.

**HANSEATIC**, our member in the Czech and in the Slovak Reps. were the first ones to register this year with four attendees. We are looking forward to receiving confirmation from all of you.

See you soon in Vietnam!



The positive trend in the global freight business is also having an impact on the figures for transport logistic 2011: this International Exhibition for Logistics, Mobility, IT and Supply Chain Management is seeing a further rise in exhibitor numbers, after it already achieved a record result in 2009, the year of the global financial crisis. The world's largest exhibition for transport and logistics takes place from 10 to 13 May 2011 at the New Munich Trade Fair Center