

OPINION

Peter Richards, Group CEO, Gulftainer, comments on the positive opportunities ahead for the shipping industry, despite recent hitches



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A SEA OF OPPORTUNITIES

The shipping industry ushered in 2018 with great hope for recovery, after what seemed like a prolonged period of challenges.

Reports specifically indicated an upturn in the dry bulk and oil tanker segments, although container shipping was expected to continue showing signs of volatility.

This is unsurprising, given the fact that container shipping has been fraught with hurdles ranging from the growing trend of post-Panamax ships, changing dynamics owing to new alliances, as well as a general slow-down in global trade — negatively impacting the order books. Container ships, however, remain a lifeline for the global economy, responsible for the carriage of 90% of world trade.

In effect, the potential for growth and resilience within this segment continues to hold strong, albeit with a new perspective for the future — of greater collaboration, integration, and digital disruption.

WORKING TOGETHER FOR BETTER GAINS

The maritime industry can greatly benefit from collaboration to deliver better efficiencies. In this respect, it is worth considering the speculative nature of shipping markets due to the long lead times between ordering and deploying vessels. In fact, the overcapacity of vessels that is affecting the sector today can be largely attributed to the fact that many of the orders for large vessels were placed before 2011, when the growth forecast was relatively optimistic. While this pattern is likely to repeat itself, meaningful cooperation versus

positive co-existence can help industry players, especially port operators, prepare for the next down-cycle.

On the other hand, globally, there is a growing need for enhancements to port infrastructure. Globally, the OECD estimates infrastructure investments to account for a staggering \$6.3tn per year over the period from 2016 to 2030, signalling an urgent need for private-sector contribution. In markets such as the US, for example, port ecosystems, which include roads, rails, and waterways, require over a \$100bn of funding to adapt to the new norm of mega-ships and select shipping routes. Notably, according to PwC, across ports in Sub-Saharan Africa, a 25% improvement in port performance alone could boost the overall GDP by 2%.

At Gulftainer, we have witnessed this impact through our global portfolio. The Jubail Container Terminal, for example, saw an impressive 26% throughput growth last year and received the largest container vessel to arrive at Jubail till date, with the maiden call of Evergreen Marine Corporation's 14,424-TEU EMC Taurus in November 2017. At Port Canaveral, we have expanded operations significantly, adding warehousing capabilities and strategic services to support the US Space Industry, including contracts with SpaceX.

These improvements not only result in GDP growth and better opportunities to participate in the global supply chain, but also have a significant local impact, through job creation.

DIVERSIFIED SERVICES TO MEET CUSTOMER NEEDS

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entire supply chain is apparent now more than ever. Bringing the customer closer to an all-inclusive logistics experience is key to enabling this shift. This means focussing on integrated solutions, which for example, links e-commerce expertise with the logistics supply chain. In other words, it is worthwhile considering the margins offered by a door-to-door process, since sea freight accounts for only a fraction of the costs of shipping goods from one point to another.

The results from our integrated third-party logistics (3PL) subsidiary company, Momentum Logistics, speak to the success of this approach. Whether in the GCC, Iraq or in the US, our customers are increasingly opting for a wholly integrated supply chain experience, which not only simplifies the overall transaction, but adds to cost and handling efficiencies.

A NEW ERA OF DIGITISATION

Technology is playing an undeniably crucial role in shaping the future of the maritime industry, as shipping companies as well as port operators are beginning to realise its potential. This presents new opportunities for maritime innovations whether it is in digitisation or data analytics. Technology developments are also

bringing in greater transparency when it comes to goods in transit, and is increasing overall efficiency in the supply chain.

To some extent, digitisation is already underway in the industry, with cloud-based products and advanced analytics using data and machine-learning to improve decision making. For port operators, technology-enabled platforms can bring multifold benefits. For example, terminal operators can access data that is relevant, real-time, and actionable, whether it is about fuel consumption, vessel performance, or container capacity. This can further help in optimising berth usage at terminals, reducing the number of moves during container handling, maximising yard usage and equipment use and relocated overbooking.

Artificial intelligence and big data also present a growing opportunity to predict operations, including future vessel behavior, deviations, and demand cycles, thereby reducing the risk of error, while also reducing the wastage of resources in the process.

On the other hand, technology can facilitate innovative systems of communication among stakeholders, and lead to greater transparency and better governance across the supply chain. For instance, our

Marine and Container Handling (MACH) Terminal Operating System (TOS), available across our terminals, provides computerised control of container storage and movement. In addition to greater efficiency, the move has resulted in more effective coordination among the stakeholders. The real-time data from the TOS enables proactive problem-solving while making it easier for customers to manage transactions. Furthermore, container ships benefit from the system's automated vehicle booking process that reduces waiting time at the ports. While it is still at a nascent stage, it is expected that blockchain technology will further enhance this process.

LEVERAGING THE GLOBAL OPPORTUNITY IN CONTAINER SHIPPING

Terminal operations and the maritime industry are at an important crossroads as they gradually shift from legacy frameworks to a new way of doing business. However, most players within the sector understand the need to accept change, or risk being left behind. While the opportunity for growth and expansion continues to be impacted by macro-economic and operational challenges, the agility to evolve and adapt will be a key measure of success. **L**