Union questions LPC’s use of casual workers during Covid-19 crisis

One of the unions at the Port of Lyttelton opposes the introduction of casual cargo handlers due to concerns about COVID-19. RMTU South Island Organizer John Kerr says there is concern about a Lyttelton Port Company (LPC) proposal to “bring in 24 and possibly up to 40, new casual cargo handlers”.

He says the LPC has done good work in protecting workers from cross infection, including separating work groups into ‘bubbles’ to minimise the risk of COVID-19 infection.

“However, introducing casual workers to the port is a risky move at this time,” said Mr Kerr. LPC, however, has noted that the port’s container terminal already employs casual workers. Mr Kerr says casual workers are not obliged to accept work on a day-to-day basis, and the proposal could introduce new workers into workgroups with no guarantee they will turn up for the following shift.

Multiple casual workers could be introduced into workgroups, increasing the risk of cross infection, he says. Mr Kerr says the current arrangement is to employ fixed term relief staff on a guarantee of six shifts per fortnight. This would ensure the new staff would be allocated to stable workgroups, which cater for the need for extra labour, while minimising the risk of cross infection for workers.

Mr Kerr says the RMTU shares the goal of keeping Lyttelton Port open and operating safely.

“We need to ensure that our essential workers are protected as much as possible, both for their own safety and to guarantee the flow of vital supplies to the country.”

LPC VIEW

Paul Monk, LPC’s operations manager, in response to Shipping Gazette, emphasised that Lyttelton Port is a lifeline service, bringing in essential goods like food and fuel to sustain the Canterbury region. However, it also has a temporary staffing issue due to COVID-19.

“We currently have around 50 staff who are unable to work for various reasons, including staff that are immune-compromised, older or have childcare issues. We are supporting those staff on full pay.”

“As a result, we have recruited a group of casual staff from the family and friends of our existing staff to try and cover capacity during this extraordinary time, to ensure we can continue to maintain our services.

“This is not an introduction of casual staff: we already have casual staff working as cargo handlers in our container terminal, employed and allowed for under our existing collective agreements. Like all our staff during the COVID-19 situation they are allocated to a designated work group to maintain a ‘bubble’.

“The new staff will train with and be allocated to a work group and not move between groups, to maintain their bubble, like all our current staff.”

All the new staff are going through normal pre-employment checks, including:

- Medical check;
- Criminal background checks;
- Drug and Alcohol testing; and
- Reference checking.

“Our screening process includes questioning about the candidates’ isolation/bubble status, any recent travel, and contact with people who are ill or people who may have had potential exposure to COVID-19.

“We have worked with our unions throughout this period as we have had to make changes to the way we work in order to maintain separation and safety for our staff, as well as support those who cannot work. We will continue to do that throughout this extraordinary time.”

Record cargo exchange at Port of Tauranga

Port of Tauranga completed the largest ever cargo exchange at its Tauranga Container Terminal last week to ensure vital supplies are delivered to those who need them.

The Sally Maersk container ship exchanged 9567 TEUs (twenty foot equivalent units) over two and a half days before departing Tauranga for Kaohsiung (Taiwan) Thursday afternoon.

Port of Tauranga chief executive Mark Ca irns said the exchange “completely blitzed” the previous record exchange of just under 7000 TEUs. At the same time, another 1772 TEUs were exchanged on two other vessels — the Charlie B and the domestic vessel Moana Chief.

“It is an outstanding achievement by our team, Independent Stevedoring Ltd, CLF Limited and our service providers,” said Mr Ca irns.

“Everyone has pulled together to ensure that essential cargo can be delivered and the supply chain keeps moving to make room for high priority supplies during the lockdown.”

Four ship-to-shore cranes were used with operators achieving a ship rate of 97.49 moves per hour — an impressive 190% more efficient than the national average.

“The need to keep everyone safe by maintaining physical distances means things can take a little longer, but this great achievement demonstrates port workers’ patience, co-operation and commitment,” said Mr Ca irns.

“Thanks are also due to the truck drivers and Kiwirail staff ensuring import and export cargo gets to and from the port. We also appreciate the quick processing of imported containers by border agencies Customs New Zealand and the Ministry for Primary Industries.”

Mainfreight expects lockdown impacts to grow during April

Mainfreight has included an international perspective across the five regions of the world where the freight and logistics group is located, in providing a trading update as the effects of COVID-19 lockdowns begin to impact current trading patterns.

Mainfreight is deemed an essential service provider across all of its global operations, however differences in COVID-19 response levels, and in customer profiles, are providing varying financial results by region.

The group continues to complete the full financial year to March 31, 2020, ahead of the prior year at revenue and profit levels.

“Trading from our regions remained consistent into the year end, with just New Zealand experiencing a downturn in the last week due to the full lockdown implemented from March 25,” said managing director Don Braid.

“Having just completed our first full week of trading for April, we have experienced a mix of trading results across our five regions.”

Total sales revenues for the week declined globally by 7% year on year (12% excluding foreign exchange), with New Zealand substantially impacted by a 40% reduction.

“This provided a positive global profit before tax figure for the week,” said Mr Braid. “However, short trading weeks due to the Easter and ANZAC holidays, together with deteriorating trading conditions expected in all regions, will likely see the April month results significantly impacted.”

REGIONAL OVERVIEW New Zealand

Because of the lockdown only essential product delivery only is being made. While freight volumes and trading were strong ahead of the lockdown restrictions, the limitations in place for the movement of essential goods only, has impacted New Zealand trading substantially during the first week of April.

“Transport sales revenues declined significantly as non-essential freight was no longer available for distribution.”

Mainfreight managing director Don Braid.

As the definition of ‘essential products’ broadens, we expect to see volumes improve.

“Warehouse storage revenue continues, however, pick activity has decreased to essential products only. Food and food-related product activity remains consistent with prior weeks.”

“In our Air & Ocean operations, normal air freight volume has been replaced with air charter opportunities. The majority of these are committed, with important export volume into China, and with returns of PPE supplies.”

“Australian air charters are currently under negotiation. Sea freight imports to page 8
Pilots unimpressed with ladder decision

Iain MacIntyre
Maritime New Zealand (MNZ) has defended its decision not to prosecute and instead pursue other compliance actions after the 7959-GT reefer ship Pacific Magnolia recently presented at Napier Port with a damaged, 20-year-old pilot ladder.

MNZ central region compliance manager Michael-Paul Abbott confirmed that, having been advised of the ladder’s condition by a Nagiri-based pilot, his organisation promptly informed the vessel’s agent it was in breach of regulations and could not be used.

“The agent immediately arranged for a new pilot ladder, which was installed on the vessel the next day,” Mr Abbott told the Shipping Gazette.

“MNZ spoke with the pilot, told him about the new ladder and asked him to call the deputy regional compliance manager if he had any concerns about the new ladder. The pilot did not raise any further concerns and Pacific Magnolia departed the day the new ladder was installed.

The Pacific Magnolia continued on route to Japan and Asia-Pacific maritime authorities were advised of the action taken by MNZ and by the vessel’s agent, Mr Abbott.

“MNZ has a range of options it can take against pilot ladder and other issues. In this case, having a new pilot ladder installed, education of the master and a formal advice to other maritime authorities was a good outcome in this case.

“The right compliance tool was used at the right time.”

Mr Abbott added that MNZ was continuing its work programme with pilots and agents to help clarify and standardise safety interpretation.

“The Pacific Magnolia is a good example of the wider issue of maritime pilots at different ports interpreting safety differently. The Pacific Magnolia had called at Auckland (January 18) and Gisborne (January 19) without any notification to MNZ around the pilot ladder, prior to arriving at Napier port on January 25.”

New Zealand Maritime Pilots’ Association president Steve Banks said he “could not believe” the ship had been able to ply New Zealand-Asia trade for two decades with the same ladder — particularly given most vessels replaced every 30 months to stay within regulations.

With the poor condition of the Pacific Magnolia’s ladder including a significantly-damaged strand, it “would very likely have resulted in a future failure and possible pilot injury/fatality”, he said.

Following MNZ instituting a focused inspection campaign on pilot ladders last year, Captain Banks said the Pacific Magnolia’s display of “negligence in the extreme” presented a prime opportunity to set an example and send a firm message to foreign vessel operators.

“If the ladder had been five years old, then that could be considered as a lapse by the crew — however, 20 years beyond a joke,” said Captain Banks.

“The rules state that the ladder must be regularly inspected and any repairs noted. Records did show light maintenance had been done on the ladder in 2015 — however, at 15 years of age then, the ladder should have been disposed of.

“We can inspect the ladder externally. We cannot determine if the fibre of the ropes have broken down due to chemical or sunlight exposure. Test or replace every 30 months is in ISO 799-19 and this is supported by major ladder manufacturers.”

Captain Banks described MNZ’s leniency approach to a foreign ship manned by professional mariners who had breached New Zealand and SOLAS regulations and presented a ladder in steadily-worsening condition for over 20 years as “somewhat shocking”.

A Waikato business hit

A Waikato business confidence poll shows 17% of Waikato businesses may close if the lockdown extends beyond eight weeks.

The Waikato Chamber of Commerce’s poll of its business members found that if the lockdown continues past eight weeks, then nearly 20% of businesses may close. The poll was conducted last Friday and will be repeated fortnightly.

“This poll result shows just how important it is for the Government to have an exit plan which business can be confident in. Good, effective director of the Chamber said.”

Conference cancelled

In recognition of the financial and personnel impact the COVID-19 pandemic is having on member’s businesses, “together with the known and unknown associated decisions of our Government,” CBAAF have decided to cancel this year’s conference which was to have been held at Rotorua on May 13-15.

Clearance to uplift non-vital goods

Companies that have non-essential goods blocking movement of essential goods may apply for permission to move those goods from the port to their CCA for storage, according to NZ Customs.

However, they are not authorised to deliver those non-essential goods to their customers.

“The use of essential workers to move essential goods and provide essential services is paramount and must be prioritised above all other goods and services at the port,” said Customs.

Only in the following circumstances can non-essential goods at a port be transported:

• If essential workers are already located at the port for the purpose of dealing with essential goods;

• If the movement of non-essential goods at the port does not impact on:

• The movement of essential goods or

• The delivery of essential services at the port, or

If the movement of non-essential goods are required to create space for essential goods and the movement of essential goods within the port and across the supply chain. In this instance, the non-essential goods are classified as essential for the purposes of moving them to an alternative storage facility.

Additional workers that are required to enter the port, to assist with the movement of non-essential goods to create space for essential goods, will become essential workers for the purpose of moving those goods; and those goods should only be moved once to a place of storage to get them out of the way of essential goods. Permission must be given by New Zealand Customs and can be requested by emailing feedback@customs.govt.nz.

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Schedules

MSC Mediterranean Shipping Company

MSC Mediterranean Shipping Company this week advised its clients that a rate restoration programme will be implemented for all sailings from Vietnam to Australia and New Zealand.

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MSC Mediterranean Shipping Company

With effect from May 1, 2020 (proforma sailing date) an increase of $300 per TEU is to be applied.

MSC Mediterranean Shipping Company

Carnival on Monday after the company’s stocks dropped by a head-spinning 81%.

Company Carnival Corporation.

Saudi fund takes Carnival offer

The Public Investment Fund from Saudi Arabia has bought an 8.2% holding in the cruise shipping company Carnival Corporation.

The fund bought 43,508,895 of the class securities offered as part of Carnival’s debt and equity offerings.

Their entry encouraged a rise in the Carnival share price to US$41, halting the downwards fall that cut almost 80% of value off the stock.

The move helped push the company’s stocks up to US$10 on Monday after the company’s stocks dropped by a head-spinning 81%.

Initial estimates from Carnival indicate that the first quarter of 2020 will result in a US GAAP net loss of $US781 million, a big drop from a profit of US$336 million in Q1 19.
Force majeure – take a good look at your contract terms

As global supply chains struggle to deal with the logistical nightmares unleashed by COVID-19 restrictions, such as blanked sailings, cargoes being rolled, congestion in terminals and ports and shippers missing contracted delivery dates, the spectre of force majeure is increasingly being seen.

Force majeure (French for “superior force”) is a contractual term that relieves a party from performance of their obligations when one of a defined number of events occur, such as an “act of God”. In layperson’s terms, it’s the moaning a company will seek to avoid penalties for non-performance of a contract by claiming the act of God made it impossible to complete that contract.

Examples of such an act may include war, hurricanes, earthquakes, strikes, and government action. So, if for example, a hurricane caused a ship to blow out into a port, the seller planning to ship its goods through that port could claim it was not liable for late delivery of the goods.

There may be some room for negotiation when things such as strikes or lockouts are concerned, because these are often known in advance or can be predicted.

Some fundamental conditions typically need to be before force majeure applies. The event must make performance of a party’s obligations impossible or impracticable, and it must be beyond the control of the party seeking to use force majeure. It can’t be used as an excuse for simple non-performance.

In a column earlier this year I mentioned how Australian LNG exporters had to deal with the request by the China National Offshore Oil Corporation for its long-term suppliers to accept force majeure on cargoes due to be landed in China in February. At the end of January, the China Council for the Promotion of International Trade released a statement confirming that China was offering force majeure certificates to local companies unable to fulfill their international contractual obligations due to the coronavirus outbreak.

From recollection, Chinese courts and arbitration bodies also judged the SARS outbreak in 2002/3 as constituting force majeure. Close to home, I recollect a situation that arose in 2017 at the Taranaki, when a buoy used by bulkers for anchorage while loading the sands at sea was damaged, leading to a stalling of loading operations.

The maintenance outage on the buoy cost the company millions of dollars in revenue and MacIntyre declared force majeure in order to put the three chartered bulkers working the iron sands operation “off hire”.

Now, with the supply chain disruptions being caused by COVID-19 being plentiful and global, emphasis is being put on understanding your contracts, particularly the most standard, little-noticed clauses on subjects such as Assignment, Waiver, Notices and the like.

In most negotiations, parties spend little or no time focusing on or re-writing these “boilerplate” clauses, yet for sellers and buyers of goods in particular, it pays to take some time to understand how they may impact in the current situation.

Particularly so as force majeure events usually never excuse payment of money by the buyer.

There may well be a force majeure clause in your contracts and standard sales terms which include a definition of force majeure events, what happens when an event occurs, who can suspend performance, and what happens if the force majeure event continues for more than a specified period of time.

The importance of understanding contractual terms has been highlighted recently by the insurer, TT Club, the marine mutual which specialises in insuring transport intermediaries.

It has warned that forwarders could be left exposed to claims arising from delivery delays and cargo deterioration, and has advised that proactive communications with customers should be seen as partial protection against future liability.

A briefing produced by the TT Club in collaboration with law firm HFW, said that up-to-date status reports on a cargo’s progress, or lack of it, are vital to shippers. A forwarder may need to use routes, carriers or modes that are less familiar, or to partner with other actors, of whom they have no experience, so it may be prudent to take extra precautions in employing bills of lading, standard trading conditions and letters of indemnity in order to protect the stakeholders from unforeseen costs and liabilities.

Careful recording of communication trails detailing such actions will also help in any disputes in the future.

For a New Zealand view of this I contacted Chris Dann, partner of law firm Anthony Harper, who heads the firm’s transport and logistics team. I asked him for his advice for exporters, importers and others in our logistics industry, in a situation where “lockdown” under Alert Level 4 here is making performance of many supply, logistics and other contracts impracticable, illegal, or impossible.

He says there are a number of potential legal avenues to avoid or mitigate any breach of contract or damages claims.

“Under New Zealand law, force majeure is a contractual concept. That means each clause needs to be interpreted on its own terms and if your contract does not have a force majeure clause then you cannot rely on the concept.

“However, be aware that force majeure (or equivalent legal principles relieving liability for events outside a party’s control) can be implied under some foreign laws if applicable to a particular contract and force majeure forms part of the UN Convention on Contracts for the International Sale of Goods to which NZ and many of our trading partners are subject.”

Mr Dann says pandemics and unexpected Government intervention would normally fall within the scope of a force majeure clause. But the analysis doesn’t end there:

“Force majeure clauses typically only relieve non-performance of obligations if and to the extent, and for so long, that obligation is actually prevented by events outside the party’s control.

“For instance, while obligations to deliver a ‘non-essential’ product which is not currently being manufactured, or delivery deadlines or quantities which cannot be met due to reduced airfreight capacity, might be excused by a force majeure clause; payment obligations will likely remain.

“The clause may require prompt notice and mitigation of the impact of the force majeure event – both of which would be prudent in any event.

“Continued non-performance due to force majeure for an extended period of time, may entitle one or both parties to terminate the contract – again, it depends on the contract’s specific terms.

“So, the terms of your contracts need to be carefully looked at, and force majeure is not a complete excuse to “sit on your hands”.

Mr Dann points out that other contractual provisions may also be relevant, e.g. material adverse change clauses or hardship provisions; rights to adjust prices due to changes in law or increased costs (incoterms might be important to apportion responsibility for such costs in a supply relationship); and cancellation or suspension rights.

“In a shipping context, typical forwarding and carriage contract terms give wide rights to the forwarder/carrier to depart from customer instructions, use alternative routes, abandon cargo, suspend carriage and store the cargo and sell or dispose of perishable cargo.”

An important final point he stresses for those caught in this situation is to maintain a clear discourse with your customers – “In our view, early, open and honest communication is key – with customers, suppliers, insurers, forwarders, carriers... and lawyers.”

Dave MacIntyre can be contacted at d.macintyre@xtra.co.nz

April 11, 2020

By:- Dave MacIntyre

The New Zealand Shipping Gazette
From trade war impacts to a larger battle

Warren Heavey

Just two months ago, the Port of Long Beach, one of the two great seaports in southern California was reeling in its second-busiest year on record by moving more than 7.6 million twenty-foot equivalent units (TEUs).

As he waited to deliver his executive director Mario Cordero delivered an upbeat annual State of the Port address, executive director Mario Cordero was introduced by Long Beach Harbour Commission President Bonnie Lowenthal in front of an audience of more than 750 industry partners, community members and civic leaders gathered at the Long Beach Convention Centre Grand Ballroom.

Ms Lowenthal said the port was poised to have a prosperous 2020 despite dramatic changes within the goods movement industry.

The port wrapped up 2019 with 7,632,032 twenty-foot equivalent units (TEUs) moved, a decrease of 5.7% from the record-setting pace logged in 2018. TEUs, while exports increased 19.3% to 125,395 units, while empties decreased 2.8% to 2,400,792 TEUs.

Imports slid 8.3% to 3,758,438 TEUs. Exports totalled 1,472,802 TEUs, down 9.8% compared to February 2019. Dockworkers moved 538,428 TEUs, a decrease of 5.7% from the record-setting pace logged in 2018.

Exports decreased 3.3%, while empties decreased 2.8% to 240,792 TEUs. Terminal operators and dockworkers moved 665,261 TEUs in December, a decrease of 5.7% from the record-setting pace logged in 2018.

Nineteen months into the trade war, the port handled goods valued at US$200 billion in annual billions and exports 2.6 million jobs across the nation, more than 75,000 in Southern California, and more than 50,000 jobs — or 1 in 5 — in Long Beach.

The Port of Long Beach is one of the top 20 ports in the world. The second-busiest port in North America, the port handles trade valued at US$200 billion annually and supports 2.6 million jobs across the nation, more than 75,000 in Southern California, and more than 50,000 jobs — or 1 in 5 — in Long Beach.

Looking ahead into 2020, Mr Cordero sounded an optimistic note of “better times ahead” and progress on trade war discussions, while also pointing out the challenges of keeping business investment and continued uncertainty in the industry.

He also added some comments that now seem remarkably prescient. “At the end of the day, we need to be ready for whatever may come,” Mr Cordero said in his speech. “We need to innovate, we need to lead. And most of all, we need to collaborate.”

Looking ahead into 2020, terminal operators and dockworkers worked more than 7.6 million twenty-foot equivalent units (TEUs).

Port operations at the port have been continue as normal, in areas such as health-protective measures as and steps to limit face-to-face interactions. The Pacific Maritime Association and the ILWU have worked out an agreement with the San Pedro Bay port terminals to open evening gates to trucks one hour later, until further notice, to allow for ILWU workers to clean equipment between the first and second shift.

On March 13, the port disclosed that in February 2020, terminal operators and dockworkers moved 588,426 TEUs, down 9.8% compared to February 2019. Imports dropped 17.9% to 246,542 TEUs, while exports increased 19.3% to 125,559 TEUs. Empty containers sent overseas decreased 12.8% to 164,277 TEUs.

“With the extended factory closures and slowdown of goods movement in China and other Asian countries, there is optimism that, even with the COVID-19 crisis, cargo operations at the port have been continuing, the port will only see a slight drop in cargo for the first quarter of 2020, compared to the same period last year.

Meanwhile, local Californian media report that the historic ocean liner Queen Mary may soon become a medical centre to help treat coronavirus patients.

The Queen Mary has been docked in Long Beach, California since its retirement in 1967. It is now used as a hotel and venue.

If used as a COVID-19 treatment centre, it would join USNS Mercy to assist hospitals in the Los Angeles area struggling to cater for the influx of patients during the coronavirus outbreak.

Meanwhile, Chinese ports have continued to operate as essential services, and continue to operate as essential services, while continuing, the port will only see a slight drop in cargo for the first quarter of 2020.

US ports are closely following discussions, while also pointing out the challenges of keeping business investment and continued uncertainty in the industry.

Maria Davis

US cargoes head for a drop

US ports are closely following instructions and protocols from appropriate federal agencies to quickly respond to the coronavirus threat, says the American Association of Port Authorities (AAPA).

“With the extended factory closures and slowdown of goods movement in China and other Asian countries, there is optimism that, even with the COVID-19 crisis, cargo operations at the port have been continuing, the port will only see a slight drop in cargo for the first quarter of 2020, compared to the same period last year.

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No matter what.
The rapidly evolving situation of COVID-19 has seen the constantly evolving definition of ‘essential business’ high on the management agenda for port management. The regulatory side of the COVID-19 emergency related to the supply chain has at times been as fluid as the spread of the crisis. Port Nelson notes that under initial advice forestry exports from the port had been halted, while the movement of forestry cargo to release vital space for essential cargo is allowed. However, while other ports across New Zealand load log vessels to clear port space it is necessary for Port Nelson to also fill the shared capacity on these vessels “to continue the momentum of the supply chain, ensuring a full load and feasibility of the voyage”. Consequently, log vessel arrivals will be approved on a case by case basis.

The arrival of the Trans-Future and MOL car carriers are also a familiar sight in Nelson, but their presence has been brought into question with vehicle imports being classified as non-essential by the Ministry of Transport. Port Nelson advised that discussions between the shipping lines, New Zealand ports and importers has resulted in further clarity around the cargo on these vessels, some of which are already in New Zealand and others that are en-route.

“These carriers hold a combination of nonessential and essential cargo including emergency service vehicles, supermariner delivery vehicles, heavy machinery, public and logistics transport vehicles that are deemed essential during level 4,” notes Port Nelson.

“Additionally, these carriers are also required for the export and import of cargo at other international ports, meaning halting or clogging these vessels would further impact global supply chains and leave unclaimed New Zealand cargo elsewhere.” On further advice and ensuring that this cargo can be unloaded from carriers and moved off port within government guidance and social distancing practices, the Ministry of Transport have now deemed RoRo vessels as an essential service.

“Capacity wise Port Nelson is lucky to receive minimal non-essential imports which allows more room for essential containers, with space not being congested by non-essential containers unable to be cleared or collected. “Essential imports of fuel and fertiliser continue to be received and moved out to the region. The port also recently received notice of a change in decision on the continued construction of Main Wharf North under alert level 4. This construction project had initially been deemed as critical infrastructure. The construction work has now ceased until further instruction from the Ministry of Business Innovation & Employment.

### Essential business’ rules reflect shared shipments

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### Fiji to New Zealand

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### New Zealand to Fiji

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* Capt. Quiros 086N: TRG/Ark to Lautoka per Capt. Dampier 157N
** Capt. Quiros 087N: TRG/Ark to Lautoka per Capt. Tasman 159N

Economic recovery from the COVID-19 pandemic will occur in stages, and Kapiti businesses are being encouraged to begin planning their response. Brad Olsen, economist at Infometrics has advised on the Kapiti economy and how it’s placed to navigate the longer-term impacts of the pandemic,” said Ms Thorn.

A Business Confidence Survey held just before the Level 4 Lockdown has revealed gaps in contingency planning within local businesses. “While 64% of businesses report contingency plans 28% had none.”

### Readiness planning urged

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New Zealand to Honiara & Nauru

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### Key Points

- Essential business rules reflect shared shipments.
- Readiness planning urged.
- Economic recovery from COVID-19 is in stages.
- Kapiti businesses encouraged to plan for recovery.
- Essential imports and freight continue to be received.
- Port Nelson advises on vessel arrivals.
- Essential cargo prioritised.
- A Business Confidence Survey reveals gaps in contingency planning.

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### Neptunepacificline.com

New Zealand Shipping Gazette

April 11, 2020
Laying up a global fleet

Cruise industry launches massive capital life-lines

**Warren Head**

The spread of COVID-19 and the recent developments surrounding the global pandemic are having material negative impacts on all aspects of the global cruise ship operator Carnival Corporation.

On March 13, 2020, Carnival made voluntary pauses of to of their global fleet cruise operations across all brands. The duration of the pauses is dependent in part on various travel restrictions and travel bans issued by countries around the world.

As of April 1, 2020, substantially all their ships have disembarked their passengers. There were approximately 6000 passengers onboard ships still at sea that are expected to disembark their passengers by the end of April.

"Some of our crew is unable to return home, and we will be providing them with food and housing," Carnival said this week.

There is acute interest at various levels in how the COVID-19 crisis impacts Carnival.

Carnival Corporation & plc is the world’s largest leisure travel company with a portfolio of nine of the world’s leading cruise lines. With operations in North America, Australia, Europe and Asia, its portfolio features Carnival Cruise Line, Princess Cruises, Holland America Line, Seabourn, P&O Cruises (Australia), Costa Cruises, AIDA Cruises, P&O Cruises (UK) and Cunard. The corporation’s cruise lines operate 104 ships.

The travel industry and its passengers are fully aware of the impact on bookings. Carnival have updated cancellation policies, the terms of which vary widely by brand and sailing date, to permit ‘cruisers’ to cancel certain upcoming cruises and elect to receive refunds in cash or future cruise credits.

"The volume and pace of cash refunds could have a material adverse effect on our liquidity and capital resources," the company said.

The tourism industry is stunned at the cessation of lucrative cruise ship visits. COVID-19 has sideloaded a major forex earning industry. Ports also lose seasonal berthing and services revenue.

The magnitude of the impact on the group itself was unveiled last week when Carnival took urgent steps to shore up its liquidity, which was draining away by the day as countries closed their borders against the coronavirus.

In securities documents related to a capital raising, Carnival noted the slowing of revenue as COVID-19 spread out from China.

"For the seven-week period beginning January 26, 2020 and ending March 15, 2020, booking volumes for the remainder of 2020 were significantly behind the prior year as a result of the effects of COVID-19."

"As of March 15, 2020, cumulative advanced bookings for the remainder of 2020 were meaningfully lower than the prior year and at prices that are considerably lower than the prior year on a comparable basis."

"All of our global fleet operations are subject to voluntary pauses that we expect to be extended."

"Due to the unknown length of the pauses, booking volume data for 2020 may not be informative. In addition, because of our updated cancellation policies, booking volumes may not be representative of actual cruise revenues."

For the first half of 2021, booking volumes since mid-December 2019 through March 1, 2020, were running slightly higher than the prior year.

"In contrast, for the first half of 2021 and during the two weeks ended March 15, 2020, we booked 546,000 Occupied Lower Berth Days, which was considerably behind the prior year pace."

The voyages of Carnival cruise ships in the Pacific have been covered in global news bulletins for days. Carnival says, "Numerous passengers and crew on Diamond Princess were diagnosed with COVID-19 and the ship was quarantined at a port in Japan. As of the time of disembarkation, a substantial portion of the passengers and crew were diagnosed with COVID-19 and subsequently several passengers died due to the disease."

"Additionally, numerous passengers and crew on the Grand Princess were diagnosed with Covid-19, some of whom subsequently died due to the disease." And the virus hasn’t stopped there.

"Numerous passengers and crew on other ships, including Zaandam, Costa Luminosa, Ruby Princess, Costa Magica and Costa Favolosa, have been diagnosed with COVID-19."

"Several passengers and crew on Zaandam are currently experiencing flu-like symptoms, and some have died. Costa Magica and Costa Favolosa are currently working with the U.S. Coast Guard to facilitate medical evacuations, and both vessels are anchored near the port of Miami."

The Ruby Princess was cruising in New Zealand waters between March 11-15, calling at Milford Sound, Dunedin, Akaroa, Wellington and Napier. On Tuesday, the Prime Minister said Attorney General David Parker had been asked to seek legal advice from Crown Law “as to whether or not the Ruby Princess, while in New Zealand, fulfilled all of its obligations under our laws.”

Australian police have launched an investigation related to the disembarkation of passengers from the Ruby Princess at Sydney this month with reports the ship is the largest single source of COVID-19 in Australia with ~662 cases believed linked to the cruise and several deaths. An Australian law firm there is seeking support for a civil class action by passengers.

On March 13 Carnival announced voluntary pauses of its global fleet cruise operations by our continental European and North American brands. "Subsequently, we implemented a voluntary pause of our entire world fleet during the ‘pause’ on cruises due to the COVID-19 pandemic."

During the pause in Carnival Corporation’s global fleet cruise operations, Carnival Corporation’s vessels will need to be moored for longer periods in port.

"Certain of our ships will be in warm ship layup where the ship will be manned by a full crew and certain of our ships will be in a prolonged ship layup where the ship will be manned by a limited crew," the US-based group said this week - in formal documents related to a capital raising.

We estimate the cost per warm ship layup is approximately US$2 million to US$3 million per month and the cost per prolonged ship layup is approximately US$1 million per month.

"We will decide whether each vessel in our global fleet will be in a warm ship layup or a prolonged ship layup depending on the circumstances, including the length of pause, which we expect to be extended and may be prolonged."

We currently estimate the substantial majority of our fleet will be in prolonged ship layup. In addition, we expect to incur ongoing selling and administrative expenses, and incremental COVID-19-related costs associated with sanitizing our ships and defending lawsuits, although we anticipate substantially reducing our advertising spend during the pause in operations.

"After transitioning to a prolonged pause, we anticipate estimated ongoing ship and administrative operating costs to range from US$200 million to US$300 million per month."

April 11, 2020

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A Carnival cruise liner in Sydney Harbour. Carnival Corporation intends to layup its entire world fleet during the ‘pause’ on cruises due to the COVID-19 pandemic.
Mainfreight expects lockdown impacts to grow during April

From page 1 are variable in volume, with only essential supplies able to be delivered. This may pose medium-term equipment supply issues for the shipping industry for important exports.

“Our New Zealand operations expect a difficult month of trading through April, however are well positioned for post-lockdown developments.”

Asia

Due to a partial lockdown that is developing, Essential and non-essential supplies are moving, and Mr Brad says, ‘Freight volumes remain reasonable across all of our divisions within Australia, with a number of new customer gains assisting.

“Inter-State distribution continues for our Transport operations, and with a high level of exposure to supermarket and hardware retail sectors, volumes are ahead of the year prior.

“In our Warehousing operations, products related to the retail and restaurant sectors are slowing, however, food and food-related products continue to trade at regular levels of activity.

“For Air & Ocean, our import sea freight volumes have risen as Chinese exports commence again. How long this demand will continue is uncertain. Air freight volumes remain consistent, however, charter activity disappoints.

“Performance from Australia through late March and into April has surprised, and while Easter trading may see a decline, if our state’s partial lockdown remains in place, we expect similar trading levels to continue to increase after Easter. The first week of April trading saw sales revenues up 9%.”

Asia

China’s lockdown is easing and Southeast Asia lockdowns are more substantial with tight border restrictions. “Our China Air freight volumes are improving as demand for air charters increases, particularly to USA, and Europe for PPE supplies. Air freight pricing is increasing ex China, but normalising ex Hong Kong.

“Sea freight volumes ex China have increased, although forward orders now appear to be cancelling due to delivery difficulties in the country of destination.

“Southeast Asian operations vary from country to country, dependent on the severity of lockdown restrictions in place.

“While the April outlook for Asia is reasonably positive, with blank sailings rising and shipping orders declining for May shipments, we expect an impact in our May financials. Asian revenues were in line this week with the prior year.”

Europe

Lockdowns differ by country, with some partial, some full (e.g. Italy, Spain, UK) but borders remain open for freight.

“Mainfreight’s regional financial performance has remained relatively consistent through March and now into April. However, declining freight tonnage for Italy, Spain and now the UK is having some impact.

“Our Transport volumes have continued strongly through the Netherlands and Germany, with just high-end retail product declining.

Various industries remain open and able to export and receive imported supplies.

“Our Warehouse operations have seen a similar decline in ‘High Street’ retail volume, but continue to receive storage revenue. Pick activity remains consistent for supermarket-supplied product.

“In Air & Ocean, sea freight volumes have been impacted by the earlier Asian shutdown, but are slowly re-emerging. Air freight enquiry levels are improving with charter activity from Asia under way.

“Our outlook for Europe remains positive, with some manufacturers expecting to increase production through April. The first week of April saw revenues decline just 7.8%.”

Americas

Lockdown restrictions differ by state and the US is moving to full ‘stay at home’ status.

Mr Brad says, “Freight volumes were strongly consistent through March, only slowing as State lockdowns have come into effect in the last two weeks.

“Transport volumes have declined about 20%, with health care and home use products still relatively strong.

“In our Warehousing division, new customer implementation has continued, and activity levels are reasonably consistent.

“In the Air & Ocean sector, sea freight import volume has improved, however, it is expected to decline through April and May due to the impact of lockdowns increases. Air freight chartering are under way, dominated by PPE supplies from Asia.

“In our CaroTrans sea freight business, demand for LCL capacity has increased.

“Revenue has held stronger than expected, and our outlook for April and May for the Americas is not as bad as expected. The first week of April saw revenues decline 8%.”

Mainfreight is deferring capital expenditure of $120 million. Committed capital expenditure amounts to $78 million for current construction projects in the 2021 financial year.

Cruise ship giant launches massive capital life-lines

From page 7 global fleet cruise operations across all brands.

“In March and April 2020, Moody’s and S&P Global downgraded Carnival’s long-term issuer and senior unsecured debt ratings. And long-term ratings were placed on review for further downgrade by both rating agencies. Short-term commercial paper credit ratings were downgraded and also placed on review for further downgrade.

“One of the world’s greatest tourism groups was facing the unthinkable – a fleet with nowhere to sail. Time to seek a safe harbour financially.

Capital moves

On March 13, Carnival fully drew down a US$3.0 billion Existing Multicurrency Facility. On March 24, it settled derivatives for a net gain position of approximately US$200 million.

“The principal source of immediate liquidity includes available cash and cash equivalents. Given the impact of COVID-19 on bookings, which are meaningfully reduced from the prior year comparative pace, and the pause of our global fleet cruise operations, which we expect to be extended, we are pursuing additional financial actions.”

On April 1, Carnival priced private offerings of US$4.0 billion first-priority senior secured notes due 2023 and US$1.75 billion senior convertible notes and a public offering of US$800 million of common stock. Institutions bought US$1.95 billion of 5.75% convertible senior notes due 2022.

The public equity offering consisted of 62,500,000 shares of common stock of Carnival Corporation, at a price of US$8 per share also closed this week.

In addition, Carnival had US$2.8 billion from four committed export credit facilities that are available to fund the originally planned cruise ship deliveries for the remainder of 2020 and US$5.9 billion from committed export credit facilities that are available to fund ship deliveries originally planned in 2021 and beyond.

As of February 29, 2020, Carnival had a total of six cruise ships scheduled to be delivered through 2025, including four during the remainder of fiscal 2020.

Carnival has also suspended the payment of dividends and buybacks. As for the outlook, Carnival adds, “We believe the ongoing effects of COVID-19 on our operations and travel ban and global bookings have had, and will continue to have, a material negative impact on our financial results, liquidity, and such negative impact may continue well beyond the containment of such outbreak.

“We have never previously experienced a complete cessation of our cruising operations, and as a consequence, our ability to be prepared to the impact of such a cessation on our brands and future prospects is uncertain.

“In addition, the magnitude, duration and speed of the global pandemic and its consequence, we cannot estimate the impact on our business, financial condition or near-term financial or operational results with certainty.”

A net loss is expected for the November 2020 year.
British freight and logistics company Davies Turner reports that its direct, fixed-day, weekly rail import service from China to the UK, which re-commenced in mid-March, has broken the previously achieved record transit time.

Tony Cole, head of supply chain services says: “While air freight and ocean freight shipments face significant capacity and schedule issues, the first container container that left China after we restarted our direct Express China Rail service into the UK in March arrived and was unpacked at our Dartford freight hub after just 17 days.

That is several days or a full week ahead of the scheduled transit time from the Xi’an rail hub to our Dartford depot of 24 days, and beats the previous record achieved last year of 18 days.”

The weekly service that has recommenced departs the Xi’an rail hub, directly into Duisburg in Germany. Containers are then trucked under bond to the nearby port of Rotterdam and transported by ferry to Purfleet, near Dartford for on-carriage by truck to Davies Turner’s distribution centre, where they are discharged, customs cleared and the goods delivered.

Mr Cole adds: “We moved one 40 ft groupage container on the first service in mid-March; but this has already risen to two on subsequent departures. Such is the demand in the market, I believe it could rise to three per week very soon, in addition to full container loads.

“After we launched the dedicated weekly direct consol service in November 2018, we saw it go from strength to strength prior to the outbreak of the COVID-19 virus in China. Bookings had increased continually. So it is great news that from the restart of the service, it has already returned to pre-crisis levels. And, boy, does the industry need some good news at the moment!”

“Our direct Express China Rail service is clearly demonstrating that it offers a competitive alternative to air freight in regards to price, and considerably faster transit times compared to the ocean freight alternative.”

Philip Stephenson, chairman of Davies Turner, said, “The record transit time achieved by our overland rail freight service, at a time when the air and ocean freight modes face significant challenges, to and considerably faster transit times compared to the ocean freight alternative.

“I believe that the impact of COVID-19 will push many shippers to rethink their supply chains, and that could well see a lot more Asia-Europe air and ocean freight traffic moving permanently to the rail freight option.”
OVERSEAS MOVEMENTS

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10. The New Zealand Shipping Gazette

April 11, 2020
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PACIFIC ISLANDS/ASIA:
SYNERGY OAKLAND 2 CA V AN 03/05, USLGB 09/05.
NZTIU 08/04.

AUSTRALIA: USPHL 27/02, PACTB 02/06, COCTG 03/06,
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TRAVEL

Worldwide Trades

These are hectic times with the corona virus spreading worldwide. Clarkson expects world container trade to contract by 5% to 10% in TEU-miles and 4.9% in volumes in 2020 (optimistic?). Shipyard delays have caused newbuilding deliveries to fall by 10%.

* Cargo is piling up at US ports, despite a significant reduction in cargo volume, as some retailers and manufacturers fail to pick up containers because warehouses are fully closed due to not being deemed essential service providers.

**East-West Trades**

According to Ocean Insights, in the period January-mid-March, 25% of vessel capacity in the Asia trades was withdrawn, representing 5% of global capacity. For the period between mid-March and the end of April, until the last week of March it counted 386 blank sailings announced.

**East-West Trades**

Starting mid-April, APL/Cheng Lie will offer a new link between China, Vietnam and Cambodia (CVC). Its rotation is: Shanghai, Ningbo, Shenzhen (Shekou), Hong Kong, Du Nang, Sihanoukville, Ho Chi Minh, Shenzhen (Shekou) and back to Shanghai.

**Tariff and Trade Statistics**

During 2019, trade between the United States and the Far East reached 22.6 million TEU, which is a reduction of 2% year-on-year. The head haul eastbound volumes dropped by almost 3% to 16.6 million TEU, whilst the much lower westbound volumes grew by a marginal 0.3%. Therefore, the imbalance reduced slightly to 10.5 million TEU or 63%.

In the US import trade, most carriers saw their volumes go down with the exception of Evergreen, COSCO Shipping, comprising COSCO and OOCL, which was the biggest operator with 2.8 million TEU (-4%). Second comes CMA CGM, which lost 5% to 2.54 million TEU, and ahead of ONE, handling 2.49 million TEU (-3%). With 522,000 TEU, ZIM is the smallest Top-10 carrier involved in the Transpacific trade.

**Summary of what is happening in the sector:**

- Five crew members of Maersk’s 9100 TEU ‘Gjertrud’ have tested positive for the corona virus and are now hospitalised in Ningbo. Another infection has been confirmed on K Line’s ‘Takumun Arecha’, whilst a suspected case on CMA CGM’s ‘Marco Polo’ turned out to be false alarm.
- Notwithstanding, the International Maritime Organisation (IMO) has urged that seafarers and marine personnel are key workers and should therefore be exempt from national travel restrictions.
- The Suez Canal Authority is introducing new and enhanced toll rebates for containerines and LNG carriers transiting its canal, for the period from April 1 till June 30. Box ships on the backhaul from North Europe (including Tanger and Algeciras) and directly headed for South East Asia will get a 5% reduction in toll. This move probably follows speculation that carriers are considering sailing via the Cape of Good Hope, which becomes more and feasible considering the low oil price and the abundance of idle ships.
- MSC is offering its new “Suspension of Transit” (SOT) programme, which provides yard storage space in six transshipment hubs. Bremerhaven, Busan, King Abdullah Port, Loyang, Balboa and Tiekield. The company states that the programme will ‘free up space at origin factories and warehouses and avoid excess inventory at site’, bringing more cargo close to destination markets and alleviating the risk of congestion or closure at the ports of discharge’.
- Euiskip will temporarily adjust its network, reduce sailed capacity and focus on key ports. The number of active vessels will be reduced from ten to eight.
- Paris MOU temporarily releases rules on vessel and seafarer certification giving member states the freedom whether or not to conduct obligatory inspections. The United Kingdom has stopped its checks on non-IMO2020 compliant fuels.
- India’s ship demolition has come to a halt. Besides that, the market is in a phase of the country (1.37 million people!) is into a three-week lockdown, all ships schedule contracts with yards have been ordered to halt before entering port limits and Objection Certificates are no longer issued.
- Schedule reliability, not including cancelled sailings, has dropped to 65.1% in February, according to Seaintelligence. This is the lowest percentage since it started measuring in 2014.
- Clarkson expects world container trade to contract by 5% in TEUs and 4.5% in volumes in 2020 (optimistic?). Shipyard delays have caused newbuilding deliveries to fall by 10%.
- CMA CGM’s APL/Cheng Lie will add a new route between Vietnam, Korea and China through northbound slots on the RNV service of OOCL, RCL and Yang Ming (one ship each). Ports involved are: Ho Chi Minh, Ningbo, Shanghai, Shenzhen (Shekou), Incheon, Dalian, Tianjin and Qingdao.
- Dufeng, Kwangyang, Shangh and Chai Lai, Hai Phong, Hungkong and Hong Kong.
- CMA CGM’s APL/Cheng Lie will add a new route between Vietnam, Korea and China through northbound slots on the RNV service of OOCL, RCL and Yang Ming (one ship each). Ports involved are: Ho Chi Minh, Ningbo, Shenzhen (Shekou), Incheon, Dalian, Tianjin and Qingdao.
COMPAANIES

Mergers and Takeovers
Fish processing company Samherji has obtained approval to delay its mandatory offer for Icelandic carrier Elvarð due to the corona virus chaos. It received an exemption for six months.

Carriers
Effective April 1, its full name has changed from Hyundai Merchant Marine Co Ltd to HMM Co Ltd. The First of April was also the date that HMM became a full member of THE Alliance, which now consists of Hapag-Lloyd, ONE and Yang Ming. As a welcome present, HMM was invited to donate US$25 million to the consortium’s US$575 million contingency fund, which should provide for around 40% of the members should become insolvent. Interestingly, despite being the smallest member by fleet size, its contribution to the fund is the highest of the four.

Robert Yildirim, the Turkish 24% shareholder of CMA CGM, has expressed its financial support for the French carrier, which is currently coping with a massive debt crisis. It received an exemption for six months, but China Merchants) and refinanced US$535 million of the orderbook amounts to just 10% of the existing fleet. Compared to three months earlier when Pacific moved into the ranking, replacing Regional Container Lines (RCL). With the Top-10, due to an increase of the fleet of expanding HMM and a contraction of the flotilla of financially-troubled PIL, the two switched places.

Comparing the present Top 25 to one year ago, with a rise of 97%, Unifeeder, taking over Feedertech, was the fastest growing. Following the increase of Hap-A shipping's container business, Sinokor increased its fleet size by 48%. Two other carriers grew by double-digit percentages, MSC (+11%) and Zhonggu Shipping (+15%).

With regards to US exports, the situation is more mixed. Three carriiers managed to score a plus (CMA CGM, ONE and Yang Ming), whilst the others lost with percentages of up to 15%. The ranking is headed by CMA CGM, ahead of OOCL and COSCO Shipping. Again, ZIM is at the end of the list.

Growth

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China domestic

<table>
<thead>
<tr>
<th>Carryings (TEU)</th>
<th>Revenue (USD)</th>
<th>Net profit (USD)</th>
<th>Operating profit (USD)</th>
<th>Prof. margin</th>
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<tr>
<td>2017</td>
<td>26,510,000</td>
<td>3,160,000</td>
<td>2,200,000</td>
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<td>2016</td>
<td>21,792,000</td>
<td>3,020,000</td>
<td>2,080,000</td>
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<tr>
<td>2015</td>
<td>16,904,000</td>
<td>2,580,000</td>
<td>1,560,000</td>
<td>6.4%</td>
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<tr>
<td>2014</td>
<td>12,985,000</td>
<td>2,170,000</td>
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<td>9,604,000</td>
<td>1,430,000</td>
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<td>2012</td>
<td>7,088,000</td>
<td>1,220,000</td>
<td>630,000</td>
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<td>5,218,000</td>
<td>800,000</td>
<td>380,000</td>
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<td>3,980,000</td>
<td>200,000</td>
<td>100,000</td>
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<td>2,962,000</td>
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<td>-200,000</td>
<td>-6.8%</td>
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<td>-1,000,000</td>
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<tr>
<td>2007</td>
<td>1,549,000</td>
<td>-2,500,000</td>
<td>-1,500,000</td>
<td>-64.1%</td>
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The underperformance of COSCOStol (i.e. with the OOCL component removed) was much more muted. Overall handlings went up by 2% to 18.8 million TEU. Whilst Europe-Far East, intra-Asia and Others performed well, the Transpacific (probably reflecting the US-China trade war) dropped by 7%.

Carriers

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Company Statistics

Liner Shipping News is sourced from Dynamar BV, Alkmaar, The Netherlands.

April 11, 2020
Support for exporting ‘essential’ in the recovery

Warren Head

While the saving of human lives is now number one priority for governments everywhere during the COVID-19 pandemic, limiting the economic impact has become an intense debate and potential political risk. The extent of the inevitable rise in unemployment depends on the survival of economic businesses and how far the government sector downsizes in order to manage the massive debt burden of current stimulus measures. We will need to trade our way back to balance the books and in planning for the recovery there should also be serious consideration given to how the export sector is supported. Markets will re-open as China is currently. Others will be in partial lockdown for many months. Slower global demand for imports will be a mismatch for returning productive capacity. Border restrictions may become the next ‘new normal’ and we can expect a rise in market protectionism. This week we had confirmation of the shutdown of many New Zealand businesses. Sentiment deteriorated massively in NZIER’s Quarterly Business Opinion (QBO) for Q1. ANZ noted, and seemingly slammed before the COVID-19 lockdown began. A net 67% of respondents were pessimistic, broad across sectors, but especially services (76%) and manufacturing (72%).

Activity levels (which correlate pretty well with GDP) were unchanged, holding up for now. But the outlook is deteriorating, with 13% expecting activity to be lower. We are now dealing with an enormous contraction,” said ANZ. “The slump in business sentiment is consistent with the enormous economic shock under way,” said ANZ. “And unfortunately, the slide probably has further to run. GDP is sharply contracting – to an extent we have not seen in modern times. Firms are shedding workers, cash flow is stretched, and uncertainty is enormous. The government is doing what it can do, but this is a difficult time.”

That was followed by the preliminary ANZ Business Outlook data for April which saw every activity indicator plunge. Major mood lows by a very large margin. “A net 54% of firms expect to cut jobs; a net 50% expect to reduce investment – both record lows,” said ANZ chief economist Sharon Zollner. “It’s an understandable response, given a net 77% of firms expect lower profits, also the worst reading ever. A net 35% of firms expect lower capacity utilisation, which is the lowest reading since 1991.” Meanwhile, NZI's main markets have rallied. BNZ Markets senior market strategist Jason Wong said “Governments are planning for the reopening of their economies and this is also getting market attention, even though the general trend still seems to be extending school closures and lockdowns. Periods. Japan is the latest notable country to go down this track, with half of the country now under a one-month gate of emergency and ‘soft lockdowns’ set to take effect.”

On the policy front, the daily dose of new measures by governments continues. “In NZ’s case, the RBNZ continues to do its best in greasing the wheels of commerce, this time adding $3 billion of Local Government Funding Agency debt to its $30 billion large scale asset purchase programme, justified by the LGA’s bonds playing an important role in determining interest rates faced by firms and households.”

Banks began buying in the secondary market. “There was a spill-over effect onto other credit spreads and NZ’s credit market has taken a big step towards functioning again.”

The NZ Debt Management Office increased its issuance of the 2031 government bond by $5.5 billion, a record amount for an NZ syndication. With tourism losses proving massive, global commodity trade is now crucial. Global demand for dairy products, particularly outside of Asia, will be hit hard by the lockdown, cautious Westpac senior economist Michael Gordon. “The impact will undoubtedly vary across products – for instance, infant formula could be considered an ‘essential’ purchase, but that’s less true of various extra foods like milk powder or butter as an ingredient. Demand for foodservice foods are especially hard hit as cafes, restaurants and bakeries have been shut down. In contrast, New Zealand’s reliance on the Chinese market has turned from a risk to an advantage. “China’s imports of dairy products over January-February – the peak lockdown period – were down just 4% on a year ago, and with life in China now moving towards something resembling normality, we don’t expect demand to remain steady over the rest of this year,” said Mr Gordon.

The question then is what prices China will be willing to pay, at a time when supplies of milk is flowing around the world. Weaker world demand, combined with steady supply, will put further downward pressure on world dairy prices in the coming months. Westpac expects a further drop in the near term, with some recovery from the second half of the year, but remaining below their current levels on average over the next year. “This will be partly offset by a lower exchange rate, which we expect to remain in the $0.60 area, but that’s less true of the US dollar over this year. Put together, that gives a farmgate milk price forecast of $7.10 for this season and $6.30 for next season – both still above the long-run average.”

In the context of the greater good being the rescue of the tradable economy, a restructuring of rural debt to ensure financial stability may be a smart move.

April 11, 2020

SNAPSHOT

NZ Trade since the outbreak

Daily goods trade data between 1 February 1 and March 25 provided an updated glance at New Zealand’s trade with the world since the COVID-19 outbreak.

Stats NZ data for the first 25 days of March 2020 with the equivalent 25 days in 2019:
- Total imports from all countries were down 3.4% ($126 million), from $3.37 billion to $3.6 billion.
- Total exports to all countries were up 0.5% ($22 million), from $4.6 billion to $4.7 billion.
- Imports from China were down 14% ($61 million) from $461 million to $568 million.
- Exports to China were down 12% ($153 million), from $1.3 billion to $1.1 billion.
- The data is provisional and should be regarded as an early, indicative estimate of intentions to trade and not a final figure.
- The data compares trade from February 1 to March 25, 2020 against previous years. This allows for an estimate to be made of how much trade happened to trade, if they had followed typical patterns.
- Stats NZ urges caution in making decisions based on this provisional data.

April 11, 2020

Support for exporting ‘essential’ in the recovery

Like many other horticulture sectors, the 2020 harvest of New Zealand’s apple, pear and nashi crop is well underway, with more than 14,000 workers harvesting around 600,000 tonnes of fruit destined for domestic and export markets and for processing.

The government has deemed the production and processing of food and beverages as an essential service, which means that the picking, packing and storing of fruit can continue but with very strict protocols in place.

New Zealand Apples and Pears Inc chief executive Alan Pollard says he acknowledges the privileged position the industry is in, particularly when other businesses cannot operate.

While the priority is to provide fresh and healthy fruit for New Zealanders, the importance of continuing to export cannot be underestimated.

“New Zealand exports a number of food products and imports a range of other essential goods.”

He said Shipping Gazette that “Even before the COVID-19 crisis began we had not enough pickers prior to the season and COVID-19 has compounded that challenge.”

A particular problem is that the overseas backpackers who normally provide workers for the season aren’t here now.

It says it is inevitable that a percentage of the crops will not be picked because of labour shortage. “It’s too soon to know the exact amount, right now we’re focused on getting in the fruit,” Mr Pollard also acknowledges that some aspects of current industry practice may be confusing for those not engaged in the industry.

“I am aware of concerns being expressed by some members of the public about the number of people who are sometimes being transported in industry vehicles. In the same way that the community has arranged itself into bubbles often representing family units, so too have our workers.”

“When you see a group of people in a vehicle, they are most likely to be a group who live together, travel together and work together without leaving their bubble.”

The industry has worked closely with government agencies to ensure that it complies with a number of regulator guidelines, including the Ministry of Health, Ministry for Primary Industries, Ministry of Business, Innovation and Employment, and WorkSafe.

“The additional physical distancing and sanitisation protocols that we have put in place are independently audited by the authorities and that forms the basis of our right to remain operating,” adds Mr Pollard.

The Hawke’s Bay harvest is about 50% picked, with southern crops to a lesser extent. The pick-pac ship process is rapid and export channels are vital. “Global ports are facing some congestion and capacity issues and as they slow the pressure comes back up the supply chain,” he added.

No particular market access issues are evident. But some countries have year to reach their pandemic peaks and there could be impact to operational levels. The good news is that Chinese ports have re-opened and are returning to higher capacity, albeit slowly.

To page 16
Auckland Airport launched an equity raising of up to $1.2 billion this week to reinforce its balance sheet and ensure it remains well capitalised during this period of strict border controls and significantly reduced passenger numbers, with the aim of ensuring it is well positioned for a post COVID-19 recovery.

The equity raising is in addition to other measures undertaken by Auckland Airport, which include obtaining covenant relief from its banking group through to the end of December 2021 (inclusive), securing extensions to bank facilities due to mature in that period, as well as the previously announced measures including the cancellation of the 20 interim dividend, extension or cancellation of certain capital expenditure, and reduction in operating costs.

Proceeds from a placement will provide Auckland Airport with new liquidity of approximately NZ$1.258 billion, including cash on hand plus committed to continue in bank facilities, as at March 31, 2020, of NZ$340 million and NZ$845 million, respectively, and adjusted for capital markets debt due to mature before December 31, 2021.

This provides Auckland Airport with sufficient liquidity to respond to a range of recovery scenarios.

Auckland Airport has also suspended all future dividends while the debt covenant waivers are in place.

Chairman Patrick Strange said the airport has moved swiftly to respond to the abrupt changes in the market. “Our first priority has been to ensure the ongoing safety and security of our operation. “The outbreak of COVID-19 has changed travel and a number of infrastructure projects focused on essential safety, asset replacement, maintenance and resilience, including the planned runway pavement replacement.

Building Project Stalls
Mr Littlewood said the outbreak of COVID-19 had slowed Auckland Airport’s long-term recovery, and we need to act now to secure our future. Under the current conditions and while they continue, Auckland Airport is targeting a -33% reduction on FY19 operating costs, after implementing the extra capitalisation.

Chief executive Adrian Littlewood said, “The COVID-19 pandemic has had a significant impact on Auckland Airport’s operations and it has had to do so under the current border restrictions, and through the subsequent recovery period.

Impacts to Auckland Airport’s operating environment have been characterised by a substantial decline in international and domestic passenger numbers and a material decline in aeronautical and non-aeronautical revenue.

Auckland Airport has been serving New Zealand for more than 50 years and we will be here for many more years to come. We provide critical infrastructure to support New Zealand’s economic growth and we look forward to making a strong contribution to our nation’s long-term recovery.

But for now, our focus has to be on the near term. “We are wasting no time in taking necessary steps to ensure our organisation remains resilient throughout this crisis and emerges in a strong position once the trading environment improves.

The airport said it remains committed to completing a number of infrastructure projects focused on essential safety, asset replacement, maintenance and resilience, including the planned runway pavement replacement.

Auckland Airport has already registered a slight decline for the year to December 31, 2021, with the capital program focusing on essential safety, asset replacement, aeronautical infrastructure New Zealand needs to support growth in travel, trade and tourism. Over the past 12 months we have made excellent progress, beginning construction on three key anchor infrastructure developments, while other projects such as the Domestic Jet Hub were just about to kick off.

While our long-term plans remain the same and we still are optimistic about the long-term outlook for passenger growth, our near-term projections no longer hold true.

As an incredibly difficult as it is for our team to see progress stall, we have had no choice but to move as swiftly as possible to cull capacity and ensure the majority of our infrastructure development programme,” Mr Littlewood said.

Capital expenditure projects with an estimated completed project value in excess of $2-3 billion had already been suspended or cancelled to reduce Auckland Airport’s short-term funding obligations while allowing the flexibility to reconfigure key projects in line with changing operational priorities and improving operating conditions.

Auckland Airport expects to incur ~$275 million of capital expenditure between April 2020 and December 31, 2021, with the capital program focusing on essential safety, asset replacement, maintenance and resiliency (including the planned runway pavement replacement), in addition to finishing projects sufficiently close to completion.

Auckland Airport strengthens balance sheet

Auckland Airport is undertaking a NZ$1,000 million fully underwritten placement and a NZ$200 million share purchase plan.

Auckland Airport expects the negative impact from COVID-19 to continue and is moving to strengthen its balance sheet.

Placement proceeds provide Pro Forma Adjusted Liquidity of ~NZ$0.258 billion, which is expected to be sufficient to meet all operating, investing and financing cash flow obligations under a range of recovery scenarios.

In conjunction with the equity raising, Auckland Airport has secured significant support from its lenders, including covenant waivers from its banking group and extensions to existing facilities due to mature before December 31, 2021.

Equity raising and debt amendments are in addition to the already announced measures to manage cash flow, and reduce operating expenditure and capital spend.

Auckland Airport

World trade is expected to fall by between 13% and 32% in 2020 as the COVID-19 pandemic disrupts normal economic activity and life around the world.

The wide range of possibilities for the predicted decline is explained by the unprecedented nature of this health crisis and the uncertainty around its precise economic impact. But WTO economists believe the decline will likely exceed the trade slump brought on by the global financial crisis of 2008-09.

Estimates of the expected recovery in 2021 are equally uncertain, with outcomes depending largely on the duration of the outbreak, and the effectiveness of the policy responses.

This crisis is first and foremost a health crisis which has forced governments to take unprecedented measures to protect people’s lives,” WTO director-general Roberto Azevêdo said.

“The unavoidable declines in trade and output will have painful consequences for households and businesses, on top of the human suffering caused by the disease itself.

The immediate goal is to bring the pandemic under control and mitigate the economic damage to people, companies and countries. But policymakers must start planning for the aftermath of the pandemic,” he said.

“These numbers are ugly – there is no getting around that. But a rapid, vigorous rebound is possible. Decisions taken now will determine the future shape of the recovery and global growth prospects. We need to lay the foundations for a strong, sustained and socially inclusive recovery. Trade will be an important ingredient here, along with fiscal and monetary policy. Keeping markets open and predictable, as well as fostering a more generally favourable business environment, will be critical to spur the renewed investment we will need. And if countries work together, we will see a much faster recovery than if each country acts alone.”

Trade was already slowing in 2019 before the virus struck, weighed down by trade tensions and slowing economic growth. World merchandise trade registered a slight decline for the year of -0.1% in volume terms after rising by 2.9% in the previous year. Meanwhile, the dollar value of world merchandise exports in 2019 fell by 3% to US$18.89 trillion. In contrast, world commercial services trade increased in 2019, with exports in dollar terms rising by 2% to US$6.03 trillion. The pandemic expansion was slower than in 2018, when services trade increased by 9%.

Trade set to plunge – WTO
Markets are looking ahead to the easing of containment measures in the coming months. The NZ dollar and AUD performed strongly in midweek with the NZ dollar trading back above US$0.60. “In the FX market, the improvement in headline risk appetite has led to a strong rise in the NZ dollar and AUD,” comments Nick Smyth at BNZ Markets.

“The preliminary ANZ survey for April, which showed a collapse in business confidence, didn’t have any impact on the NZ dollar.” All aspects of the survey were grim, but what stood out to us was the net 50% of respondents that expect investment activity to reduce, a bad sign for future growth, and the net 8% that expect to lower prices, its lowest reading on record.” The AUD reached the top of the currency leader board rising almost 2% from late Wednesday afternoon to trade around 0.6230.

“The appreciation in the AUD came despite S&P revising the outlook for the Australian government’s credit rating to negative. Australia passed a wage subsidy scheme, which will see the government pay a subsidy of $1,500 every two weeks per employee.” Rick and NZ had another good week (at time of writing). The three main US equity indices formed during the week and the S&P500 is approaching its 50% retracement from its February highs.

“The VIX measure of implied equity market volatility continues to trend lower and now sits at its lowest level in a month, at 43. Lower volatility will enable certain investors to take larger position sizes, which is a positive for market function.” There were more indications from senior Reserve Bank officials that point to an increase in its quantitative easing (‘QE’) programme in May. The programme began this week. “RBNZ assistant governor Hawkesby and chief economist Ha both signalled that the QE programme was likely to be upsized at the May MPC meeting on the 13th, because the bond market will be a lot bigger than what the RBNZ had originally assumed.

“Both also seemed to push back on the notion that the RBNZ should buy corporate bonds. Ha told interest.co.nz ‘corporate ones are a little bit trickier. I don’t know where we’d go on that one’. Hawkesby expressed hope that the RBNZ’s large-scale purchases of LGFA bonds, on their own, will help other areas of the broader credit market. "Ha also flagged the possibility of FSPC intervention, which would involve the RBNZ selling the NZD, in an attempt to lower the currency, and accumulating foreign assets. On the potential for a negative OCR, Ha said this was ‘probably something that comes back on the table at some point’, but it wasn’t an immediate priority.”

“Regardless, it was a good day for credit in the NZ market with spreads on senior bank debt tighter by 5-10bps and a tightening bias evident in the market for corporate bonds too. Primary market activity remains non-existent though.”

The NZ swap curve had a steepening bias in response to global forces, with the 10-year yield up 4bps and the 2-year rate close to unchanged. Despite the rise in the swap curve, NZGB yields actually fell yesterday, leading to a big widening in swap spreads.

More fiscal stimulus looks to be on the way in US, notes Mr Smyth with leading Democrats calling for another $500 billion (~5%/GDP) stimulus package. “In addition to the $250 billion requested by Treasury Secretary Mnuchin for small businesses, the Democrats want more money for hospitals and state and local governments.” In Europe, the focus was on whether finance ministers could agree a joint region-wide fiscal response to the crisis. There was no agreement reached in a long session of talks midweek.

“The Netherlands is reportedly resisting a proposal for joint European bonds (so-called ‘coronabonds’) and insisting that lending to more vulnerable countries, like Italy, takes place through the EU’s existing bailout fund.”

“The Italian government, on the other side, is not prepared to accept strict conditions on ESM loans given the backlash that would occur in its home country. Leader of the populist League party in Italy, Matteo Salvini called ESM funding ‘illegal and senseless.’”

“These kinds of difficult European negotiations have a history of being agreed at the last minute. French Finance Minister Le Maire said he was ‘certain’ a deal could be agreed. “Italy’s 10-year bond yield increased as much as 20bps after news that finance ministers had failed to reach an agreement. But it retraced almost all that move over the remainder of the session, ending only 3bps higher on the day. European equity indices were modestly lower overnight, underperforming US benchmarks. US bond yields pushed higher, with the 10-year rate up 5bps on the day to 0.77. Oil prices were very volatile (again), ahead of the meeting of OPEC+ on Thursday and then the G20 energy ministers on Friday. Oil prices traded about 9% higher after the Russian energy minister said the country was willing to commit to proportionate supply cuts. “The question is whether they are willing to cut production without a commitment from other countries such as the US and Canada.”
Air cargo demand slumps in February

COVID-19 quarantine measures have severely impacted global supply chains. Data for global air freight markets shows that demand, measured in cargo tonne-kilometers (CTKs), decreased by 1.4% compared to the same period in 2019, reports IATA.

Adjusting for the comparison for the Lunar New Year, which fell in February 2020, seasonally-adjusted demand was down 9.1% month-on-month in February. By February, the negative impacts of the COVID-19 crisis on air cargo demand were becoming visible. The month witnessed several significant developments:

"Manufacturing production in China, one of the world’s largest air cargo markets, dropped sharply due to widespread factory closures and travel restrictions," said IATA.

"Global export orders fell to a historically low level. The global Purchasing Managers Index (PMI) is in contraction territory, with all major trading nations reporting falling orders.

"Significant cargo capacity was lost as airlines reducing passenger operations in response to government travel restrictions due to COVID-19, severely impacting global supply chains. Capacity decreased by 4.6% year-on-year in February 2020. This is subject to the same distortions as the non-seasonally adjusted demand numbers.

"The spread of COVID-19 intensified over the month of February, and with it, the impact on air cargo. Adjusted demand for air cargo fell by 9.1%. Asia-Pacific carriers were the most affected with a seasonally-adjusted drop of 15.5%. What has unfolded since is a story of two halves."

"The disruption of global supply chains led to a fall in demand," said Alexandre de Juniac, IATA’s director general and CEO.

"But the dramatic disruption in passenger traffic resulted in even deeper cuts to cargo capacity. And the industry is struggling to serve remaining demand with the limited capacity available."

"We only got a first glimpse of this in February. Among all the uncertainty in this crisis, one thing is clear-air cargo is vital. It is delivering lifesaving drugs and medical equipment. And it is supporting global supply chains.

"That’s why it is critical for governments to remove any blockers as the industry does all it can to keep the global air cargo network functioning in the crisis and ready for the recovery," said Mr de Juniac.

### REGIONAL PERFORMANCE

**Airlines in Europe suffered a sizeable decline in year-on-year growth in total air cargo volumes in February 2020, while North America and Asia-Pacific carriers experienced more moderate falls. Middle East, Latin America and Africa were the only regions to record growth in air freight demand compared to February 2019.**

**Asia-Pacific airlines saw demand for air cargo contract by 2.2% in February 2020, compared to the year-earlier period. Seasonally-adjusted cargo demand fell by 15.5% compared to January 2020, to levels last seen in early 2014. The drop in demand was largely due to the impact of COVID-19. Capacity decreased 17.5% — the largest fall since early 2013. Cargo capacity in China dropped sharply in February, driven in large part by the collapse of bellyhold capacity.**

**North American airlines saw demand decrease by 1.8% in February 2020, compared to the same period a year earlier. Capacity increased by 4.1%, cargo traffic on the Asia-North America trade lanes decreased by 2.4% year-on-year as a result of factory closures in Asia due to COVID-19.**

**European airlines posted a 4.1% decrease in cargo traffic in February 2020 compared to the same period a year earlier. European carriers were among the first to cancel flights to and from Asia, contributing to the drop in demand in February. The Within Europe market decreased by 7.8% year-on-year. This suggests that the region was affected by global supply chain disruptions and early COVID-19 containment measures — notably in Northern Italy, an important manufacturing region. Capacity decreased by 3.8% year-on-year.**

**Middle Eastern airlines’ cargo demand increased 4.3% in February 2020 compared to the year-ago period. Capacity increased by 6.0%. However, given the Middle East’s position connecting trade between China and the rest of the world, the region’s carriers have significant exposure to the impact of Covid-19 in the period ahead.**

**Latin American airlines experienced an increase in freight demand in February 2020 of 1.8%. Capacity decreased by 2.6% year-on-year. The region was relatively unaffected by the COVID-19 outbreak in February. However, disrupted global supply chains and a fragile economic backdrop in some countries in the region continue to create headwinds for air cargo.**

**African carriers posted the fastest growth of any region for the 12th consecutive month in February 2020, with an increase in demand of 6.2% compared to the same period a year earlier. Capacity grew 3.0% year-on-year. The Africa-Asia and Africa-Middle East trade lanes continue to bring robust growth to the region.**

Air cargo rates are rapidly soaring to ‘unaffordable’ levels as airlines cut international services, the Customs Brokers and Freight Forwarders Federation of New Zealand (CBAFF) has warned.

CBAFF chief executive Rosemarie Dawson said member companies are working round the clock to find solutions for clients requiring air cargo for urgent imports and exports.

However, with most air freight in and out of New Zealand usually carried in ‘belly space’ in passenger planes, capacity shortages are becoming acute and many products commonly transported by air will need to travel by sea.

“Our members are at the front line, working to keep New Zealand’s exports moving and to bring essential imports in,” said Ms Dawson.

“They are facing significant challenges. Inbound capacity has already been reduced significantly with the closing of borders and inbounds air freight costs are increasing dramatically.

“Capacity out of New Zealand is already reduced and that situation will become acute when Air NZ cuts passenger planes, capacity shortages are becoming acute and many products commonly transported by air will need to travel by sea.

“Currently only Singapore Airlines and Qantas operate dedicated air freight services into New Zealand. Government could offer incentives to encourage them to increase services in the short term, such as waiving landing fees. However, these are competing against huge international demand.**
### NEW ZEALAND TO/FROM SAIPAN AND THE FEDERATED STATES OF MICRONESIA

*Calling Suva on 18th April & Lautoka 20th April*

Capitaine Tasman V025 cargo ex NZ transhipped in Suva and delivered on Southern Pearl V190

We are accepting cargo from Europe, Asia, Africa, America, Middle East and more — please contact our Transhipment team for more information on ETA HONG KONG

METROPORT C/O 1700HRS

ETD NAPIER

ETD WELLINGTON*

ETD LYTTELTON

ETD PORT CHALMERS

ETD AUSTRALIA

### NEW ZEALAND TO/FROM FEDERATED STATES OF MICRONESIA

**VESSEL** | **VOYAGE** | **SHIP** | **COUNTRY** | **SCHEDULE** | **PHONE** | **FAX**
---|---|---|---|---|---|---
Capitaine Tasman | V025 | Southern Pearl | Micronesia | - | - | -

### FCL Schedule from New Zealand to Guam/Saipan

**VESSEL** | **VOYAGE** | **COUNTRY** | **SCHEDULE** | **PHONE** | **FAX**
---|---|---|---|---|---
CMA CGM AMBER V296N | ETD AUCKLAND | New Zealand | 03-03/04 | +64 09 308 3939 | +64 09 358 4833

### NEW ZEALAND TO/FROM FIJI

**VESSEL** | **VOYAGE** | **SHIP** | **COUNTRY** | **SCHEDULE** | **PHONE** | **FAX**
---|---|---|---|---|---|---
Capitaine Tasman | V026 | Southern Trader | Fiji | - | - | -

### NEW ZEALAND TO FROM COOK ISLANDS AND MAVAU

**VESSEL** | **VOYAGE** | **SHIP** | **COUNTRY** | **SCHEDULE** | **PHONE** | **FAX**
---|---|---|---|---|---|---
Capitaine Tasman | 026 | Southern Trader | Cook Islands | - | - | -

### NEW ZEALAND TO/from Tonga - Samoas

**VESSEL** | **VOYAGE** | **SHIP** | **COUNTRY** | **SCHEDULE** | **PHONE** | **FAX**
---|---|---|---|---|---|---
Capitaine Tasman | 026 | Southern Trader | Tonga | - | - | -

### NEW ZEALAND TO FROM TAHITI

**VESSEL** | **VOYAGE** | **SHIP** | **COUNTRY** | **SCHEDULE** | **PHONE** | **FAX**
---|---|---|---|---|---|---
Capitaine Tasman | V025 | Southern Trader | French Polynesia | - | - | -

### NEW ZEALAND TO FROM NEW CALEDONIA - FIJI - VANUATU

**VESSEL** | **VOYAGE** | **SHIP** | **COUNTRY** | **SCHEDULE** | **PHONE** | **FAX**
---|---|---|---|---|---|---
Capitaine Tasman | 028 | Southern Trader | New Caledonia | - | - | -

### NEW ZEALAND TO FROM NASCAY

**VESSEL** | **VOYAGE** | **SHIP** | **COUNTRY** | **SCHEDULE** | **PHONE** | **FAX**
---|---|---|---|---|---|---
Capitaine Tasman | V025 | Southern Trader | Micronesia | - | - | -

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*No Reefer shipment ** Moved coastwise ex Wellington to Tauranga on NZS service

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**Table Note:**

- **VESSEL:** Name of the vessel
- **VOYAGE:** Voyage number
- **COUNTRY:** Country where the vessel is located
- **SCHEDULE:** Schedule details
- **PHONE:** Contact phone number
- **FAX:** Contact fax number

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**For Bookings and Enquiries:**

- **Email:** bookings@pdl123.co.nz
- **Phone:** 0800 735 123
- **Fax:** +64 09 308 3939

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**Contact:**

- **Director Sales:** Pacific Direct Line Limited
- **Tel:** 0800 PDL123 (0800 735 123)
- **Fax:** +64 09 358 4833
- **Email:** marianalexpresslines@pdl123.co.nz

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**Important Note:**

- For bookings or enquiries regarding FCL and Reefer Services to Guam, Saipan and the Federated States of Micronesia, please contact the dedicated team at marianalexpresslines@pdl123.co.nz.

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**Important Contact Information:**

- **New Zealand Shipping Gazette Phone:** 06 308 3939 / Fax: 06 358 4833
- **Website:** www.mariana-express.com

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**Additional Services:**

- **FCL Schedule:** [Link to FCL Schedule]
- ** Reefer Services:** [Link to Reefer Services]

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**Disclaimer:**

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**Website:** www.mariana-express.com
## NEW ZEALAND SERVICE (NZA)

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*For a more complete schedule call our agents or visit our website: www.pilship.com