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AIRLINES & AIRPORTS

Tough times for nation's airfreight industry

China's airfreight industry has been suffering since the onset of the global financial crisis in 2008, although it showed some signs of improvement in demand during the first eight months of the year. Liu Jian, Manager of the Cargo Business Department at the Dalian branch of China Southern Airlines, recently visited some cities between Dalian, Liaoning province, and Guangzhou, Guangdong province, to look for more transfer points for his company's cargo flights. "Connecting flights can take more goods, as each route will be shorter, meaning that less fuel has to be carried," Liu said. China Southern Airlines, which transports 70% of the seafood originating in Dalian, carried only 4,259 tons of seafood in the first half of the year, 1,000 tons less than in the same period of 2012. “The lost income from the 1,000 tons of seafood possibly represents 5% of the branch's total cargo income in the whole year,” said Liu. The limited capacity of cargo planes is one of the reasons for the reduction, he added, and having more connecting flights could be a solution. Due to the economic growth slowdown, Chinese airlines' income from cargo declined, although their freight volumes still went up slightly. Air China yield per ton-kilometer decreased 7.6% to CNY1.58 during the period compared with the first half of 2012, while its load factor still increased 0.38 percentage point year-on-year to 57.26%. China Southern Airlines also had the same problem. In the first half of 2013, it posted CNY2.93 billion in revenue from its cargo and mail business, down 6% year-on-year, while its cargo and mail volume increased 2.3% year-on-year, but the yield per ton-kilometer decreased 8.1% year-on-year. “The cargo demand is still there, but the price is going down significantly,” said Leif Nilsson, Regional General Manager for the Asia Pacific region of Scandinavian Airlines (SAS). “I'm very pessimistic about the airfreight market this year, and I think the market will not recover in the short term,” said Zou Jianjun, Professor at the Civil Aviation Management Institute of China, the China Daily reports.

ECONOMIC HUBS

Shanghai challenges Hong Kong as logistics hub

Shanghai’s free trade zone (FTZ) is launching a challenge to free port Hong Kong. “But it won't be a serious threat to Hong Kong in the next five years,” Samuel Lau, Director of Kerry Logistics said. DHL expects that the establishment of the free trade zone will facilitate links between existing ports and airports in Shanghai and increase the efficiency of cargo flow. Bond-to-bond transfer of goods without the need to pay import tax between the existing custom-bond areas in Waigaoqiao port, Yangshan port and Pudong airport could reduce declaration times by about a day, said Victor Mok, Chief Executive of DHL's supply chain in North Asia. The “fast clearance” channel of goods from Pudong airport also will save half a day. The zone allows value-added services that have been mainly carried out in Hong Kong to be performed in Shanghai. But Hong Kong could still edge out Shanghai in flexibility and productivity, Lau said. “The front-line workers in Hong Kong are still more productive than those in Shanghai,” he added. But in terms of logistics hardware, Hong Kong is at a disadvantage. The logistics centers in Shanghai are low-rise buildings spanning huge areas so that all the products from one company can be consolidated and processed more effectively on the same floor. Most of the logistics centers in Hong Kong are often in industrial buildings of more than 20 stories.

Qingdao’s Shinan district to become logistics hub

Shinan district, the central district of Qingdao, has mapped out a grand plan to become an international shipping service center in Northeast Asia. After years of development, Shinan district is now the center of the city's politics, economy, culture and finance. In 2012, Shinan's trade volume reached USD14.7 billion, ranking first among all districts of the coastal city in Shandong province. More than 80% of shipping and logistics companies in Qingdao are located in Shinan district. More than 3,000 logistics companies have either headquarters or subsidiaries in Shinan. Qingdao’s construction of a free trade zone (FTZ) with South Korea and Japan will create unprecedented opportunities within the district. The shipping industry will be high on the agenda for the future development of Shinan. The district hopes to attract a large number of international shipping companies to set up headquarters. The goal is to introduce 10 top shipping companies with global influence and 20 large shipping service companies by 2016. The district has implemented preferential policies to improve its investment environment and attract companies. It set up a credit-rating system for logistics companies. Those with a higher rating will gain more government support in their brand building. Qingdao has more than 450 shipping lanes to all parts of the world. It is also home to about a quarter of the marine science institutes in China with more than 80% of academicians in the marine field, which gives the city a strong lead in marine technology. Qingdao port handled 410 million metric tons of cargo last year, making it the seventh largest in the world.

EXPRESS DELIVERY

Staff at YTO Express accused of selling customer data

Staff at Shanghai courier firm YTO Express are suspected of selling millions of pieces of customers' personal information to online traders, who use the data to forge transaction records. Some 3,000 traders are selling courier numbers and customer information on taobao.com. Much of the information appears to come from YTO. Each piece of information costs CNY1 and discounts are offered if 1,000 pieces are bought. An industry selling personal information to online store owners has developed in major Chinese cities among some delivery staff, Xinhua news agency has reported. Personal information may also be used in scams, extortion and theft. To better protect personal data, local courier STO Express has been working with security organizations to destroy customer delivery forms and stop the information falling into the hands of criminals. In March, the government issued a new regulation, the Management Measures of the Express Market, stipulating that courier companies and employees are forbidden to provide personal information obtained in the course of their work. Those found guilty of breaking the regulation will be given a fine ranging from CNY10,000 to CNY30,000.

Couriers busy after November 11 online shopping surge

November 11 – Single’s Day – is China’s major online shopping festival, launched by e-commerce firm Alibaba Group Holding five years ago, when millions of online shoppers hunt bargains, leading to a very busy period for courtiers who have to deliver the goods. More than 20,000 vendors on Alibaba's sites – Tmall and Taobao – knock 50% off full-priced items on November 11. According to consultancy Bain & Co, it is a day when more people visit the most popular e-commerce sites than the entire population of Brazil. More transactions were recorded this year than during the U.S. Cyber Monday. The sheer volume of orders overwhelmed the nation's courier companies and delayed deliveries, although express delivery companies chartered aircraft to serve high-volume areas, among other measures. More than 100 cargo jets were leased by major couriers, according to a statement from Alibaba. SF Express (Group) Co, the first privately-run courier in China to have its own air fleet, deployed 31 cargo planes at the delivery peak. YTO Express (Logistics) Co used two Boeing 737 cargo planes on the Beijing-Shenzhen route to move packages from North to South and Southwest China within 24 hours. EMS, the express delivery unit of the State Post Bureau, leased 26 freighters under a deal with Air China Cargo and PEMCO International. Two foreign companies – FedEx Corp and United Parcel Service of America – signed agreements with the railway authorities to use trains for deliveries. The China Express Association said the country's 13 major couriers would add about 4,000 temporary vehicles to their regular fleet to deal with the volume, along with 30% more air freight. Shentong, which is based in Shanghai and moves shipments for Alibaba's online shops, said it had hired more than 45,000 temporary workers to help its regular staff of 150,000.

Logistics companies also formed partnerships with e-commerce platforms by using “big data” analysis to streamline operations and resources. The drive for a data-driven logistics system was crucial this year, as the number of Tmall brands joining the event doubled compared with last year, said Tan Biao, Director of Alibaba Group's logistics business unit. Tmall shared data with its logistics partners through an online “dashboard”, which identifies potential problems in the supply chain and allows companies to adjust their operations accordingly. The company also worked with the China Meteorological Administration to provide up-to-date weather information to shippers.

Chinese courier firms have received more than 60 million parcels, double the number of last year, for delivery following the Single’s Day online shopping frenzy, the State Post Bureau said. Online shopping platforms received a total of 180 million orders on November 11, a surge of 85% from last year. The nine major Chinese couriers received a record-setting 10 million parcels on Single’s Day.

LOGISTICS INDUSTRY

Advanced technology and better management needed

Chinese logistics companies should use advanced technologies and better management to embrace new challenges in the industry, said Ma Zengrong, Director General of the China Logistics Technology Association. China’s logistics industry now accounts for some 7% of the nation's GDP. It has been growing at an average annual rate of 20% over the past decade. According to statistics from the China Logistics Information Center, the industry registered year-on-year growth of 9.1% in the first eight months of this year, 0.6 percentage points lower than the same period last year. Though it showed a slight decline, compared to 2012 when growth dropped 3.8% in the period, the industry is making up ground this year, Ma said. He added that several factors are influencing the country's logistics industry – overall economic development, market demand, technology, rising costs and pressure for environmental protection. As a result, China's logistics industry will show several new trends. “The first trend is that the overall logistics industry will maintain good momentum,” Ma said. The second is that the industry will gradually be concentrated in the hands of a few leading enterprises that have competitive facilities, networks and management systems. With the rise of the information industry, Ma said electronic businesses will have a great impact on the logistics industry. “Information technology will make the whole logistics chain more intelligent, and the Internet of Things will have a big impact on the logistics industry,” said Ma, as reported by the China Daily.

Firms in Yangtze Delta to enjoy lower shipping costs

The China (Shanghai) Pilot Free Trade Zone is expected to catalyze demand for logistics facilities in the eastern region of the city, helping reverse an imbalance that sees demand for such services heavily concentrated west of the Huangpu river. Since the Chinese government approved the new FTZ, companies dealing with trade, logistics and manufacturing have flocked to register businesses there. The FTZ is likely to benefit logistics companies in the Yangtze River Delta region by lowering their transportation and export costs. Investors will be encouraged to raise their stakes in the warehouse and logistics sector, driving rents and property prices to new highs. But while office rents in the FTZ have begun to soar, warehouse rates are relatively stable. “This is because most of the warehouse and storage facilities in Waigaoqiao are occupied. It will take time for the rent to go up as most of the tenants have signed three-year leases,” said Su Zhiyuan, head of industrial operations for real estate services company DTZ China. The FTZ will generate huge demand in the long run for high-quality warehouses situated there, said Chen. There are about 780,000 square meters of premium warehouse space within the zone. Daily rents are CNY1.1 to CNY1.5 per sq m, and the average vacancy rate is 20%. The corresponding rate in west Shanghai is just 1.4%.

PORTS & SEA TRANSPORT

Shippers won't be able to steer clear of volatility

Shipping freight rates are set to stay volatile next year despite increasing cuts in the number of sailings as new supply of capacity is set to flood the market over the next two years, say analysts. Cancellations of sailings have been on the rise in the past two months and are set to continue well into the winter as shipping lines try to suppress supply to push up freight rates, which have stayed dismally low after a brief peak in August, according to shipping research agency Drewry. But with carriers unwilling to postpone delivery of new ship orders, which will provide the market with 1.9 million of additional TEU in the next 15 months, any increase in freight rates is likely to be minimal and short-lived. “While there is a 2% overall reduction in capacity on the Asia-Europe routes, the average size of vessels has been increasing over the past three years, bringing down carriers' cost by USD100 to USD200 per TEU”, Tan Hua-joo, Executive Consultant of shipping research firm Alphaline, told a maritime conference in Shenzhen in October. Despite sailing cancellations, carriers are not expected to risk losing market share by making more long-term reductions in capacity. Among the 21 biggest carriers that make up four-fifths of the 1.9 million TEU extra capacity, Taiwan-based carrier Evergreen topped the list with 22 new ships due to be delivered over the next two years, bringing an additional capacity of 235,000 TEU.

China's “maritime silk road” linking Southeast Asia faces a rocky birth

Beijing's vision of reviving the “maritime silk road” with Southeast Asia has caught the imagination of policymakers and observers in the region. Experts say China's neighbors welcome closer economic ties. But doubts about whether strings may be attached to the project appear to be making some reluctant. Many analysts expect better connectivity between ports and maritime cooperation to further enhance economic ties between China and Southeast Asia. The revival of the maritime silk road was proposed by President Xi Jinping and Premier Li Keqiang during their visits to the region in October. Recalling the historic sea trade route that linked China with the world in the 15th century, the vision of a new maritime silk road signals a systematic approach to expanding China's economic, political and security ties in the region, but Beijing’s unwillingness to compromise on territorial disputes remains a challenge. Both President Xi Jinping and Premier Li Keqiang called on members of the Association of Southeast Asian Nations (ASEAN) to “make better use” of the CNY 3 billion

China-Asean Maritime Cooperation Fund set up in late 2011 as part of the silk road initiative. But some of the countries involved believe using the fund might compromise their interests. So far China has only released a list of potential areas of cooperation, said Karl Lee, Malaysia-based Researcher with the Anbound Research Center. Xu Liping, Expert on Southeast Asia with the Chinese Academy of Social Sciences (CASS), said one way to improve links would be to build industrial parks in Southeast Asian countries' ports. China's state-owned Guangxi Beibu Gulf International Port Group is expected to buy a 40% stake in Malaysia's Kuantan port to expand it and double its capacity.

Duopoly on interport business could end

Major Chinese shipping lines that now dominate the domestic container business are set to face competition from smaller rivals following the establishment of the Shanghai free trade zone (FTZ), which allows foreign-registered vessels owned by Chinese shipping lines to carry seaborne goods between Shanghai and the other ports along the coast. Analysts said that could bring an end to what they called a “duopoly” by China Shipping Container Lines (CSCL) and China Cosco on the interport business, which was previously opened only to Chinese-registered vessels. Although all wholly Chinese-owned companies can register their vessels in China, few – apart from China Cosco and CSCL – actually did so because not only is the ship registration process lengthy and complicated, but vessels flying the Chinese flag are subject to many restrictions on their operations and financing, and the cargoes they carry are also liable to hefty duties amounting to 33% of the value of the goods. Many Chinese-owned vessels, as a result, are registered in jurisdictions such as Hong Kong, Panama or Honduras, which charge very little or no tax. But with Shanghai opening its domestic shipping trade to non-Chinese vessels, the hundreds of small local shipping lines owning just a couple of vessels now hope to take a slice of the cake. “The opening up of the market would definitely bring challenges to CSCL and China Cosco, which have long dominated the sector, although the new rule also gives the two companies advantages in better deployment of their vessels,” said Kelvin Lau, Shipping Analyst at Daiwa Capital Markets. Although the domestic sea trade fell 35% to 31.9 trillion tons over the first three quarters of this year, the domestic container trade was accelerating thanks to increasing demand for consumer goods. Huang Zhongming, an official at Shenzhen's Transport Bureau, said China aims to improve its antiquated vessel registration system. “China is indisputably a maritime giant. Its total berth capacity exceeded 200 million DWT in 2011, the size of its ocean-going fleet was the world's fourth-largest and six of the 10 busiest ports in the world are in China. However, vessels that fly the Chinese flag made up just 2% of global fleet capacity, causing an outflow of assets that should have belonged to China,” he said, as reported by the South China Morning Post.

Disposal gains propel Cosco Pacific profit

Cosco Pacific saw its net profit jump 2.3 times year-on-year to USD640.4 million in the first nine months on one-off disposal gains. Stripping out the USD393.4 million gain from the disposal in June of China International Marine Containers (CIMC), however, underlying net profit dipped 0.8% to USD224 million. The lukewarm global economy, hit by the slowdown in emerging markets, was to blame. “During the first three quarters of 2013, the recovery of the world's major advanced economies was strengthening but the growth of major emerging economies became moderate,” the company said in an announcement. The currency crisis in emerging markets, including India, Brazil, Indonesia and Thailand, since August, combined with a strong yuan, have made Chinese products less attractive to these markets. The utilization rate of the containers owned or managed by Cosco Pacific dropped to 94.6% by the end of last month from 95.7% a year earlier. The company bought fewer containers in the first nine months – 99,622 TEU, compared with 114,580 TEU previously. The total container fleet of Cosco Pacific grew 2% to 1.88 million TEU by the end of September. Cosco Pacific's container terminals handled 12.5% more containers – 4.5 million TEU – in the third quarter while 9.7% more boxes were moved in the nine-month period, hitting 12.7 million TEU. Both throughput figures were computed on the company's equity shareholding in the terminals not fully owned by it. Its terminals in the Bohai Rim and the Yangtze River Delta performed much better than the operations in the Pearl River Delta, which are much more export-oriented than the first two. In the first nine months, throughput rose 11% at the Bohai ports and jumped 13.7% at the Yangtze River Delta, compared with a 1.4% gain at the Pearl River Delta. Its overseas terminals saw throughput grow 7%, driven by the operations in Piraeus, Greece, the South China Morning Post reports.

China’s shipping sector improving in fourth quarter

Data indicate that the fourth quarter should be a turning point for the recovery of China's shipping sector. The Shanghai International Shipping Institute's index shows that the prosperity level of the country's shipping industry in the third quarter rebounded by 15 points to 101.7 points, quarter-on-quarter. It is the first time that the index surpassed the 100-point neutral reading since the third quarter of 2011. Due to weak demand, depressed freight rates and price wars, China's shipping industry has been stuck in a recession for more than four years. But Han Yichao, Industrial Analyst with Changjiang Securities Co, said new signs reflect a shipping recovery, as both emerging and developed economies are eager to adjust their policies to boost trade. The Shanghai Containerized Freight Index, which measures outbound container rates, rose to one of its highest points of the year. The cost of sending a container to Europe was about USD765 in October, a rise of about USD45 since the start of 2013. “With growth gaining impetus in the third quarter, regional trade among China, Europe, Southeast Asia and South America will be more dynamic,” said Zhou Zhicheng, Deputy Director of the Research Department of the Beijing-based China Federation of Logistics and Purchasing (CFLP). Meng Lingru, Industry Analyst with Shanxi Securities Co, said demand for shipping commodities and raw materials should rise at a fast pace, especially in developing countries. Even as demand rises, Chinese shipping companies continue to grapple with overcapacity and high operating costs. They have slowed container and bulk ship investments after years of losses, and many are scrapping high-cost vessels and selling off assets to improve their financial position. Liu Bin, Professor at the Dalian Maritime University in Liaoning province, said that both Chinese and foreign shipping companies are bowing to current conditions by ordering larger vessels with low-carbon-emission engines. This development will put huge pressure on small and medium-sized shippers, he added.

Slump in ship orders rocking industry

Even though China's shipyards received a surge of orders in the first three quarters of 2013, a recovery is still far off, industry experts said. Low prices and a preponderance of orders for low-value vessels are undermining the sector, they added. New orders totaled 38.06 million DWT, up about 147% year-on-year, according to the Ministry of Industry and Information Technology (MIIT). The order backlog stood at 114 million DWT, down 5.7% year-on-year. However, it was up 6.6% from the end of 2012. CSSC Jiangnan Heavy Industry Co, a Shanghai-based subsidiary of China State Shipbuilding Corp (CSSC), reported that its January-September operating revenue dropped 18.25% to CNY583 million. The company's main products are large container ships, steel products, machinery and ship fittings. Jiangnan said that its performance was hurt by low ship prices and rising operating costs such as power, steel and labor, as well as delayed debt payments from 17 other CSSC-affiliated shipyards. Geng Weixiang, Vice Chief Engineer of Shanghai Waigaoqiao Shipbuilding Co, another subsidiary of CSSC, said that even though it received many orders in the first three quarters, the prices of container and bulk ships hadn't gone up much. “There's plenty of evidence that this industry is adrift amid hefty losses,” Geng said. Chinese shipyards are only good at producing low-end ships such as container and bulk vessels, he added. Meng Lingru, Industry Analyst with Shanxi Securities Co, said a 30,000 DWT bulk carrier could sell for more than CNY300 million before 2009 in any shipyard in Nantong, a shipbuilding base in Jiangsu province, but the price of such vessels has since sunk to CNY170 million. Our company is preparing for another difficult year in 2014, said Ji Fenghua, Board Chairman of Nantong Mingde Group, a privately-owned shipyard with 7,000 workers based in Jiangsu province.

China Cosco saw losses widen in the third quarter

China Cosco posted a net loss of CNY2 billion for the first three quarters of the year, compared with a CNY990 million loss for the first half, meaning it doubled its first-half losses in just three months. While the company said its shareholders had already approved its plan to sell three commercial properties – which could add CNY3.67 billion of profit to its books before the end of the year – China Cosco's container and dry-bulk business must not lose more than CNY1.67 billion in the fourth quarter if the company is to return to the black this year. A firm that reports three consecutive years of losses is liable to be delisted from the Shanghai stock exchange. While the number of boxes Cosco handled increased 7.8% in the third quarter, it generated 7% less in revenue than a year ago, reflecting falling freight rates. The volume of its dry-bulk business fell 9.5% during the same period. As traders and shipping lines report a rebound in business ahead of the Christmas season, analysts are cautiously optimistic that China Cosco may be able to avoid being delisted, although it will take time for it to see a real turnaround. The company has disposed of its logistics business, stakes in a container manufacturer and office buildings this year in order to return to profitability. Without those gains, it would have seen a loss of CNY5.76 billion in the first three quarters of the year. China Cosco is set to add five new container vessels to its 178-strong fleet, boosting its current capacity by nearly 10%.

PSA International acquires stake in Lianyungang Port

Singapore's PSA International has won a tender floated by China Shipping Container Lines (CSCL) for a 49% stake in Lianyungang port in Jiangsu. The transaction will fetch CNY260 million in proceeds for CSCL. The Lianyungang city government will acquire a 6% stake, so the government will retain a majority in the port. PSA already has 37 berths in seven terminals in five cities in China. Recently, it invested in the country's gateway port of Fujian Jiangyin International Container Terminal, which is next door to a feeder port in Fuzhou, where it also has a stake. The latest acquisition is the group's first foray into the Yangtze River Delta region and Lianyungang was important because it was located midway between major sea and rail cargo routes connecting China, Europe, the United States and the rest of Asia. The port made a net profit of CNY142 million in the first three quarters of the year, 4.76% more than in the same period last year despite an 8.57% drop in revenue. Analysts say the port is facing intense competition from its rivals in Qingdao and Rizhao. The setting up of the P3 alliance by the world's three largest liners – Maersk, MSC and CMA CGM – will further intensify the competition for cargo as sailings and port calls are reduced.

Shenzhen’s Da Chan Bay to build second terminal

Da Chan Bay Terminal One, the fastest-growing port in Shenzhen last year, said it wants to triple its throughput over the next three years. The port, controlled by Wharf's Modern Terminals, expects to see its annual throughput reach 1 million TEU this year. Talks are ongoing to build a phase-two terminal that would add four berths of at least 3.5 million TEU capacity to the Shenzhen west port cluster before 2020. Terminal One is operating at just one-fifth of its 5.5 million TEU capacity so far, but throughput has more than doubled to 742,000 boxes during the first three quarters. By comparison, its three Shenzhen rivals – Yantian, Chiwan and Shekou – saw flat or negative growth over the same period. Da Chan Bay’s growth is mainly attributed to the acquisition of several transpacific and intra-Asia routes by Grand Alliance and Orient Overseas Container Line. In April, a number of shipping lines including Maersk diverted their routes to Shenzhen from Hong Kong after a 40-day dockworkers' strike hampered operations at the Kwai Chung Container Terminal. The strike drove throughput down by 4% during the first nine months and is expected to push Hong Kong from a long-standing position as the world's third-busiest port this year, following Shanghai and Singapore.

- Three bulk carriers – Leopold, La Briantais and Guimorais – ordered by French shipping company Louis Dreyfus Armateurs, were named at a ceremony at the Tianjin Xingang Shipbuilding Heavy Industry Co yard in Tianjin in October.
- Shipping lines hope the return of manufacturing to the United States will correct the imbalance of cargo on vessels plying transpacific trade lanes, but the prospect remains distant with the U.S. trade deficit remaining wide. Bronson Hsieh, Senior Vice Chairman of Taiwan-based Evergreen Group, which operates airline and shipping businesses, told a maritime conference in Shenzhen that increased production of shale oil and shale gas in the U.S. had pushed down production costs, expecting to boost U.S. exports in the long run.
- Three universities in China are offering courses in maritime law with 1,200 students in total: Dalian Maritime University, Shanghai Maritime University and Jimei University in Xiamen. Dalian Maritime University is the only one to have established a comprehensive training system for undergraduates, postgraduates and postdoctoral researchers. Several comprehensive universities such as Fudan University and East China University of Political Science and Law are also training postgraduate students in maritime law. There are 10 maritime courts in China, which heard more than 15,000 cases in 2012.
- Hong Kong should seek help from Beijing to join the Asean-China free trade agreement, Tung Chee-chen, Chairman of Hong Kong's biggest container line Orient Overseas (International) (OOIL) and a member of the Hong Kong Port Development Council, said, as Asean was increasingly shipping cargo directly to mainland ports

instead of through Hong Kong. “Since the setting up of the free trade area, cargo from Asean countries entering China through Hong Kong must present a certificate to prove its origin before it can enjoy tax exemption. Shippers who found that cumbersome have stopped coming to Hong Kong”, Tung said.

- China Shipping Development, which lost CNY1.2 billion in the first three quarters, said in an exchange filing that it was set to record a full-year loss.
- Cosco Holdings Co Vice President Xu Minjie has been detained in a corruption investigation. The company said its operations were continuing normally. Xu is believed to be the first person from China’s shipping industry to be caught up in the crackdown on corruption. Xu, 54, joined Cosco in 1980 and became Vice President of Cosco Group in 2011. He also served as Vice General Manager of Cosco Holdings and General Manager of Cosco Pacific. Former Cosco Chairman Wei Jiafu is also under investigation and is barred from leaving China.
- Cosco subsidiary Piraeus Container Terminal and Piraeus Port Organization (OLP) have agreed in principle to invest an extra €230 million in Piraeus, Greece’s largest port. The deal, which had been under negotiations since June, paves the way for the construction of OLP’s West Pier Container Terminal III and upgrade of Pier II by PCT, as well as the building of a new oil pier on Container Terminal III. The new investment will create 700 new jobs directly and some 1,500 indirectly. The deal boosts Cosco’s investments in the port to €500 million and Piraeus will be able to handle up to 6.2 million TEU per year.

RAIL TRANSPORT

Block train service to Russia on fast track

DB Schenker plans to offer regular block train services between China and Russia, as well as China and Central Asia, over the next two years. Having set up regular block trains from a number of major Chinese cities to Europe starting in 2011, DB Schenker now is working with partners such as Russian Railways and China Railway Corp. The block train service could cut rail cargo travel time between China and Moscow by half, the German company said. A subsidiary of the Deutsche Bahn rail network, DB Schenker ran 250 container trains between China and Europe in 2012. It started its westbound block train service from Chongqing to Duisburg and eastbound from Leipzig to Shenyang in 2011. Bernhard Wiezorek, Director of Rail Logistics and Forwarding of Schenker (China), said that increased financial and environmental awareness, as well as improved product categories, make rail transportation a preferred option. China’s railways used to mainly carrying bulk goods such as coal, steel, ore and agricultural products. DB Schenker has established a field office network of more than 62 offices, 90 warehouses and 5,000 employees in China. “Rail service today is able to offer economic solutions to large international brands with high standards for speed, reliability and safety,” Wiezorek said. The China-Europe rail system's key clients belong to the electronics, automotive, high-end manufacturing and consumer goods industries. The German carrier was the first company to implement a regular train service on the so-called New Silk Route that runs through Kazakhstan, Russia and Belarus to Europe. “Nowadays, there are regular block trains from Chongqing, Chengdu and Zhengzhou to Europe,” Wiezorek said. “They enable door-to-door transport from almost anywhere in China to most European cities in 19 to 22 days.” To connect inland cities, rail often is twice as fast as ships and a fraction of the cost of air, the China Daily reports.

ROAD TRANSPORT

China hopes to develop “Southern silk road” to India

Beijing is keen to develop a Bangladesh-China-India-Myanmar (BCIM) economic corridor along the “southern silk road” that extends from Yunnan to India. The road, dating back to the second century BC, would shorten travel time, cut transport costs, provide landlocked Yunnan province with access to the Bay of Bengal, open up markets, and create production bases along the way. The plan for the BCIM corridor is also at the center of Premier Li Keqiang's offer of a “handshake across the Himalayas”. It was during Li's visit to India this year that the corridor was first mentioned in official statements, even though it was mooted more than a decade ago. India, on the other hand, is fearful of the security implications of allowing China direct access to its border states and being overrun by China's more developed economy. But several Indian experts see in the BCIM plan the promise of economic salvation for the country's impoverished northeastern states and are urging the government to seize the opportunity. “As Yunnan is the most advanced in the cluster, India fears that it will become BCIM's economic center, with the rest of the region reduced to its periphery,” said Binoda Kumar Mishra, Director of India's Center for Studies in International Relations and Development. The proposed route would run from Kunming to Imphal in northeast India through Ruili in Yunnan and Mandalay in Myanmar. The idea of the BCIM is to first put in place a highway system along the land route and then turn it into an economic corridor with trading entrepots, tourism infrastructure and manufacturing hubs, possibly hosting production lines displaced from China and creating jobs along the corridor. But the sheer logistics of the 1.65 million square kilometer corridor, encompassing an estimated 440 million people, worry Ravi Bhoothalingam, who is on the Indian government's panel on BCIM. “The area is huge, ecologically complex, ethnically diverse and needs the cooperation of multiple administrations. All these issues need to be studied”, he said. A strong Defense and Commerce Ministry lobby in India is still blocking development of the BCIM, the South China Morning Post reports.

WAREHOUSING

Shanghai FTZ ban on London Metals Exchange warehouses remains

The central government will retain a ban on overseas commodity exchanges setting up warehouses, dashing expectations for London Metal Exchange (LME) warehouses in Shanghai's new free trade zone (FTZ). Although the LME has been cautious about its chances, state media had reported that the exchange would be allowed to authorize commodity warehouses in the zone, while warehousing facilities did not appear on a list of banned activities. Bringing the LME to China was one of the major rationales the Hong Kong stock exchange gave last year for its USD2.2 billion acquisition of the LME. Warehouses in China would give LME direct access to the top consumer of its metals. The ban on warehouses was issued by the China Securities Regulatory Commission (CSRC) in 2008. “The overriding concern is that letting the LME have a mainland presence would pose a serious challenge to the Shanghai Futures Exchange (ShFE),” a source said. The ShFE lists futures in copper, aluminum, zinc and lead, placing it in direct competition with the LME for traders looking to hedge against or speculate on price movements for the physical metals. The LME has sought for many years to set up delivery networks in China, a move that would help draw Chinese investors and end-users who would be able to better take advantage of the price arbitrage between the domestic and London markets, the South China Morning Post reports.

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