

## ***Heavylift - Energy industry rewards transporters' knowledge***

*Forwarding - Gas and oil exploration have put forwarders in demand, writes Alex Lennane*

Alex Lennane   

Next year, say freight forwarders, will be the year of the shipowners. When oil prices began to rise a few years ago, the majority of oil-producing countries decided to invest in more refineries. Two years on, the shipments for plant equipment are starting to take place with demand for traffic in the Middle East, eastern Europe, the CIS, China and India.

"There has been a substantial increase in the number of heavylift equipment projects," says Jawad Kamel, president and CEO of AdvanceInternational in Istanbul.

But, he adds: "The amount of heavylift equipment moving will be greater than the number of vessels. The price of transportation will go up - and prices are already at astronomical levels." The other beneficiaries, he says, are the shipyards that are building increasingly sophisticated vessels.

James Baker, chartering manager at Danbrit Shipping, agrees. "Over the last five years the amount of modern project tonnage available on the market has vastly increased, with geared vessels having ever greater lifting capacities.

"The result is that effective shipping costs are increasing as the more highly specialised a vessel, the greater its running costs.

"Furthermore, as the trend for ever larger tonnage has affected the coaster markets, intraEuropean and coastal shipping costs have also increased - project cargo is infrequently able to benefit from the economies of scale that these larger coasters are able to offer to bulk commodities." However, says Kamel, high prices will not slow down the market.

"Transport cost is a fraction of a percentage of a project's total value. Some 99% of projects are turnkey, and some are BOT contracts - so the price of transport is not an area of negotiation." Lack of capacity in specialised vessels, however, has changed the business in ways other than price.

"The larger carriers are full, so we have been doing charters with some of the smaller carriers," says project manager Mark Fuller, from forwarder Bellville Rodair.

Much of the equipment now has to be containerised. "As there can be problems finding heavylift services, a lot of the cargo is transhipped and broken down in Antwerp, as there are regular and reliable container services. The lack of capacity does affect what we do," says Fuller.

Better still for operators, the market will remain shut to outsiders looking to capitalise on the industry's current high.

"It is an extremely closed niche area, and you need years of experience for heavylift and project cargo," says Kamel.

It is a sentiment echoed throughout the industry.

"Nobody is an island," says Kevin Stephens, general manager of The Worldwide Project Consortium (WWPC).

"In project forwarding there is always something new to learn.

When you are moving complicated project cargo, you definitely need someone with knowledge of the country of origin, transit and destination." Not only that, says Baker, but legislation is becoming more cumbersome, and the goalposts are moving.

"With project cargo there will always be a lot of planning involved, and the most significant change has been the awareness of health and safety in the port and work environments." There has also been a shift in routes, requiring greater knowledge of new markets. Baker says there has been a complete reversal in the past 10 years.

"We are continuing to see a trend in the dismantlement of secondhand turnkey sites throughout Europe and their export to China, India, and the Middle East.

"As a result, the cargo flow for finished products is turning Europe into a net importer, with some raw materials - particularly in the form of scrap metals - exported for refinement." Bellville Rodair's Fuller says Iraq has been a key area for the company, which is now delivering an oil treatment processing unit by barge from Louisiana to Houston, then by chartered vessel to Iraq.

"It is easier to move things in Iraq than it was," he says. "Lots of these projects are government backed and are top priority, so they are careful with security." He adds that the infrastructure is also good for project cargo.

"It's quite surprising how well set up they are in the region because of the equipment needed for the oil. The initial problems were just in organising the shipments." He expects the market to continue for many years.

Russia and the CIS is also a key market for forwarders, although, says Kamel, the recent death of the president of Turkmenistan may mean some gas projects are put on hold.

Bellville Rodair is working on an oil treatment project in Severodvinsk, northern Russia.

Fuller explains that most cargo for Russia and the CIS is moved through inland waterways or rail.

"The Russian rail system is tremendously well organised and run. The system was originally set up for the military, so it's well set up for project cargo," he says.

"The handling is done very professionally, and there is no competition as using roads in Russia is notoriously complicated. You must apply for permission well in advance of the movement, so it's impossible to react quickly." All are upbeat about the coming year.

WWPC's Stephens says: "Our members are all experiencing positive growth, and overall increased market share. Business has been on the rise."