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Tankcontainer MAGAZINE

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Suttons Group CEO John Sutton discusses trends and regional differences

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The Middle East: mirage or opportunity?

This issue of *Tankcontainer Magazine* focuses on the Middle East or, more specifically, the Gulf Cooperation Council (GCC). The GCC comprises Saudi Arabia, the UAE, Qatar, Oman, Kuwait and Bahrain.

The region's 2,000-a-month tank container market has attracted all the deepsea tank container operators, many positioning themselves for the growth in liquid specialty chemical production in Saudi Arabia, the key market.

Current specialty chemical producers – and therefore major users of tank containers – include Saudi Kayan, Aminat, Sipchem, Chemanol, Farabi and Synthomer. These companies move a variety of specialities such as molten naphthalene, dimethyl formamide, 37% and 85% formaldehyde, ethyleneamines, ethanol, methanol, hydrochloric acid and synthetic latex dispersions

To date, the GCC's supporting depot infrastructure has been limited. It has occasionally taken a month to clean a tank container at certain depots and not all tank cleaning depots are acceptable to producers. There are no MDI cleaning facilties in the region – 400,000 tonnes a year of which will be produced from 2017 by the huge Sadara project in Jubail. We report on the Pavlovian response to this in terms of new depot investments in Saudi Arabia and the UAE.

As elsewhere, the market is over-supplied with tank containers and rates have plummeted. Lease rates are as low as $5-a-day. In Europe, there are 9-high canyons of empty tank containers in the major hubs.

However, costs have also fallen – marine freight costs have fallen substantially, in line with lower bunker costs, and finance costs and tank container prices remain close to historic lows. Tank container prices fell to as low as $15,000 for a bulk purchase of standard tanks, driven down by manufacturers - mainly Asian - looking to fill lines based on marginal costs and much lower stainless steel prices. The largest manufacturer saw revenue drop by 20% in 2015. Tank operators and leasing companies have seized the opportunity to renew and/or expand their fleets leading, unsurprisingly, to low utilisation.

We report on how those manufacturing special tank containers have done much better than those manufacturing standard tanks, for which China is the biggest market opportunity. Specialising in too narrow a niche can, however, be fatal. This strategy drove WEW in Germany to bankruptcy, leading to its acquisition on 2 May by the Thielmann-Group. Looking for a niche in the market is fine – there's just got to be market in the niche.

We also report on the major economic changes facing Saudi Arabia as a result of low crude prices. Mohammed bin Salman, Saudi Arabia's 31-year-old deputy crown prince, has unveiled a 'Vision 2030' for the kingdom.

A former German Chancellor once remarked once remarked: "People who have visions should go see a doctor". While this says more about the German psyche than the power of visions, the consensus among the Saudi business community is that it will still be a good thing if even 25-50% of the Vision of MbS (as the deputy crown prince is known) becomes a reality. The associated National Transformation Plan will have consequences for tank containers.

The progress of Suttons Arabia is discussed by John Sutton, CEO of Suttons Group, in our cover interview. He also describes the rationale behind the company's recent acquisitions and comments on some industry trends.

There's also a report on the ITCO Village and a personal view from Jaap Huigen on how the commoditisation of the tank container industry has raised the barrier to entry into the industry.

Lastly, we include a GPCA Supply Chain conference review. Nearly 340 supply chain professionals discussed the huge increase in the capability and scope of the GCC's petrochemical supply chain infrastructure, an expansion driven by both the rapid increase in export volumes and an expanding product portfolio.

The conference acknowledged that supply chain challenges remain – the GCC has the longest and most complex (and therefore most costly) supply chains, an infrastructure that has not kept pace with the rapid growth in petrochemical production, port congestion, long clearance procedures, complicated customs documentation and a lack of specialised supply chain professionals. The region cannot rely on price competiveness alone to compete.

The conference's main conclusions were that GCC production volumes will continue to grow, the wider portfolio of products will increase supply chain complexity, logistics assets and services are becoming more diverse and supply chain standards are being driven up.

A year on and Seaco is back on the M&A trail

In January 2015, Bohai Leasing, Seaco's parent, acquired Cronos. Seaco is now the largest container leasing company in the world by CEU (as of December 2015), with approximately 15% market share.

HNA Group (Bohai's parent), is now a Fortune Global 500 company which is keen to grow further through mergers & acquisitions. Funding is in place for Seaco to pursue further M&A activity and build on the success of acquiring Cronos.

Following integration of Cronos, Seaco realised greater than expected synergies of over $30 million given the overlap in office locations and IT systems.

Whilst shipping lines are over boxed with capacity, exceeding current demand and leading to lower utilisation (UTE) and rental rates, Seaco's diversified fleet has helped mitigate against excessive downward erosion.

Seaco has in fact grown market share for Tanks, Reefers and Specials, thereby compensating to a large degree, the downward performance in Dry Boxes. Seaco has grown the customer base from 350 to 792 with 1.29m units currently on lease.

"We have been delighted with our acquisition and integration of Cronos, which was achieved through the strong financial sponsorship of the HNA Group. The current troubled market environment gives opportunity for us to continue to grow the business through further M&A" said Jeremy Matthew, CEO.

The amalgamation of Seaco and Cronos has strengthened Seaco's

Seaco CEO Jeremy Matthew

presence worldwide, including further expansion in Europe, with sales offices in Antwerp to cover the Benelux and Gothenburg for the Nordic region.

Seaco has added a marketing resource in South America and established a Houston sales office to service North America Tank customers. Further investment in Africa with representation in Durban and Cape Town.

At the same time, Seaco has grown considerably in Australia, with sales offices in Brisbane and Sydney, growing the team of 11 versus 2 previously, servicing the Oceania region and more recently, established a new team based in Tokyo, Japan.

Seaco has 25 offices worldwide, serving a wide range of global and regional shipping lines, as well as Tank and Petro-chemical Operators.

Container fleet summary as at December 31, 2015: approximately 2.3 million TEU; approximately 3.6 million CEU; NBV of $5.5 billion

APC opts for Amfico marketing in India

Amfico Agencies Pvt. Ltd. announced a new agreement with Advanced Polymer Coatings Inc. (APC), based in Avon, Ohio, USA for marketing representation of APC's ChemLine® coatings for the Indian market

Advanced Polymer Coatings (APC) is an industry-leading corrosion prevention company, focused on innovative high performance ChemLine®-brand coatings that protect industrial structures and transportation equipment and tanks around the world.

Amfico Agencies is part of the K.B. Cooper Group of Companies, specializing in handling chemicals and liquid cargoes in bulk vessels, tank containers, IBCs, and other types of specialized containers, as well as allied services. The company represents international firms to provide smooth entry into India's industrial markets. Amfico Agencies is headquartered in Mumbai and is well-networked in India, either directly or through agents in Kandla, Mundra, Pipavav, Delhi, Goa, Chennai, Vizag, Kochi, and Kolkata, as well as other parts of the Indian sub-continent, UAE and Saudi Arabia. The company most recently celebrated its 50 anniversary since its founding in 1965.

According to Mr. Farhad K. Cooper, Managing Director of the K. B. Cooper Group, who has been instrumental in developing the tank container business, "The chemical market in India continues to grow and expand. There is an expanding need for special tank containers with superior protective linings such as ChemLine® that can handle corrosive chemicals.

These types of tank containers offer higher value and produce greater revenue. In addition, as Amfico Agencies starts to bring ChemLine® coatings into other industrial markets beyond transportation, such as Power-Generating Facilities, Chemical Processing, and Tank Storage Depots, this will provide great benefit to the Indian industrial sector," he adds.

Unlike other coatings, ChemLine® cross-links through an ether (carbon-oxygen-carbon) linkage. This eliminates high concentrations of hydroxyl groups (found in epoxies) and precludes formation of ester groups (found in vinylesters) that are subject to hydrolysis and acid attack.

After curing, the ChemLine® has a smooth gloss finish that is easily cleaned.

ChemLine® serves several functions; to protect equipment from leakage and corrosion, and when applicable, to protect the chemical and/other liquid contained inside to ensure product purity.

ChemLine® is ideal for a number of applications such as over-the road tankers, rail tank cars, IBCs, tank containers, bulk storage tanks, chemical processing and reactors, power generation equipment, scrubber columns, FGC units, stacks, ducks, mining, structural steel, concrete protection, waste-water treatment, secondary container areas, slurry tanks, pits, sumps, clarifiers, pipes, petroleum and refining, and floors.

According to Mr. Farhad K. Cooper, "ChemLine® is definitely a superior coating. As Indian companies now move to higher spec chemical products, they need a high performance protective coating to ensure against corrosion protection. ChemLine® is the solution, he says."

(Left) Mr. Donald J. Keehan, Chairman of Advanced Polymer Coatings and (Right) Mr. Farhad Cooper, Managing Director of the K.B. Cooper Group of Companies, the parent company of Amfico Agencies Pvt. Ltd.

Mr. Donald J. Keehan, Chairman of Advanced Polymer Coatings adds, "We are pleased with our new marketing relationship with Amfico Agencies. India is fast-growing market in the chemical sector and our ChemLine® coatings are ideally suited to solve many challenging corrosion problems."

Safety first with new Spill Tank Container

Langh Cargo Solutions has introduced a Spill Tank Container, which is specially designed for container terminals and harbours in order to protect human health and local environment.

Tank containers and even dry cargo containers often contain harmful and even dangerous chemicals and a leakage in these may cause a small scale environmental disaster.

The 40' Spill Tank Container by Langh Cargo Solutions is designed for the demanding Nordic climate. It has a removable hard top roof, which guarantees that the tank stays clear of rainwater, snow and other dirt and stays always ready for service.

The new high chromium ferritic stainless steel, Outokumpu Core 4622, gives high corrosion resistance and maximizes the lifetime of the container.

"Built from ferritic stainless steel and also having a roof, the Spill Tank Container is the first of its kind built specifically for

Nordic conditions," says Markku Yli-Kahri, Product Manager for Langh Cargo Solutions. Besides the environmental value of the container's purpose of use, the stainless steel used has its environmental value as it is made from recycled raw materials and once the spill tank reaches the end of its long life cycle, it can be once again recycled to 100 %.

The 40' ISO compatible corners and the industry standard forklift pockets make it possible to handle the container with the cranes and other loading equipment that typically exist in harbours and terminals. The container can be easily transported on road and railway because the tank container is built according to ISO standards including CSC Safety Approval.

Talke and Tetra build on co-operation

Talke and the European branch of calcium chloride producer Tetra Chemicals have strengthened their co-operation. Talke has now also taken on the transport of calcium chloride from Ham, Belgium, to Germany, Austria and Hungary.

Product will be transported by road as well as combined road and rail movements.

Talke Group and its Spanish joint venture Global-Talke have already worked together with Tetra for several years. From a production site in Frankfurt, each year Talke transports around 11,000 tonnes of calcium chloride to destinations in Germany, Belgium and France.

At the Spanish port of Tarragona, Global-Talke is now responsible for complete shiploads of calcium chloride, totalling some 15,000 tonnes a year, transporting product from its logistics location there to customers throughout Spain.

Fort Vale appoints new sales director

Fort Vale Engineering Limited announced the appointment of Andrew Bishop to the position of Sales and Marketing Director.

Based at Fort Vale's headquarters and manufacturing site in the UK, Andrew will have global oversight for customer development and support across all of Fort Vale's equipment platforms in

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the tank container, road tanker, rail car and process sectors.

Andrew has a career history with the company spanning over 30 years with roles in Sales, Marketing, Product Development and Distribution and Manufacturing Management, both at Fort Vale's main sites and also at their satellite and separate manufacturing operations. His most recent role has been that of Head of Sales and Marketing for Fort Vale UK.

"Andrew has a vast experience of the company and our industry," says Managing Director Ian Wilson. "Andrew will be taking the lead role in developing our future sales strategies for our core business where we have a high percentage market share, and he will continue to build on this. In addition, Fort Vale will be focusing its sales and marketing activities on new and growing markets."

Andrew comments, "I will be looking at ways that Fort Vale can strengthen its customer service and support, combined with raising awareness of the wide scope of our product offering. I will also be seeking expansion opportunities in our development markets."

Ian concludes, "As we at Fort Vale approach our 50th Anniversary, we can all take pride in what we have achieved over that time, and be very excited about the next successful 50 years plus!"

Your View: Are composite tanks acceptable for DG at sea?

Dear Sir,

I was interested to read the piece in the December 2015 issue of Tankcontainer Magazine concerning the development of tank containers and swap body tanks with shells made of composite materials.

I note that no mention was made of the tank containers having gained approval for the transport of dangerous goods by sea.

This is understandable in that paragraph 6.7.2.2.1 of the IMDG Code (derived from the same paragraph in the UN Model Regulations) states that "shells must be made of metallic materials suitable for forming" (my italics) thereby prohibiting the use of composite materials for the construction of shells intended for the transport of dangerous goods by sea.

Similar restrictions are imposed for pressure liquefied gas tanks (T50) at 6.7.3.2.1 and for cryogenic tanks (T75) at 6.7.4.2.1.

This is in contrast to the provisions for what are essentially European tank containers, where there are provisions for the use of these materials, as is made clear in the article.

I served on the United Nations Committee of Experts Portable Tanks Working Group in the mid-1990s which effectively reviewed and redrafted what we now see in the RID/ADR/IMDG Code as Chapters 4.2 and 6.7 giving the provisions for UN certified portable tanks. Though a lone voice, I did at the time argue for allowing the use of non-metallic tanks for the transport of dangerous goods. My pleas were not accepted.

The use of these materials is not new for tank containers. As far back as the mid-1970s I was operating a few made from GRP although I could only use them for the transport of substances not regulated as dangerous. They were perfectly successful. I therefore welcome the renewed interest in the use of these materials for the construction of tank container shells.

One thing I managed to ensure was sustained in the UN Model Regulations when I was participating in the UN working group on portable tanks are the provisions at 6.7.1.2 of Chapter 6.7 which states that "In recognition of scientific and technical advances, the technical provisions of this chapter may be varied by alternative arrangements. These alternative arrangements shall offer a level of safety not less than that given by the provisions of this chapter with respect to the compatibility with the substances transported and the ability of the portable tank to withstand impact loading and fire conditions. For international transport alternative arrangements portable tanks…. shall be approved by the applicable competent authorities."

This paragraph does give an opening for those who wish to promote the use of non-metallic materials to seek approval for the transport of dangerous goods by sea as well as by the other [European] modes of transport. Of course, should such approvals be granted, there is a requirement to mark the data plate with the letters "AA" to indicate this.

Yours sincerely,

Roy Boneham, New Alchemy Training and Consultancy Organisation

26 Hawkshead Street, Southport, Merseyside PR9 9HF

Van den Bosch launches joint-venture with Aspen International

Van den Bosch has concluded a joint venture with the South African company Aspen International. With this joint venture two new sites have been opened: one in Cape Town and one in Dubai.

The name of the new company is Aspen International. Aspen International will offer a full range of transport solutions to and from the South African market from the strategic hubs in Cape Town and Dubai.

The main focus is on shipping liquid bulk products (food as well as chemicals) in tank containers in cooperation with Van den Bosch DMCC in Dubai.

Moreover, the business includes shipping liquid bulk products in flexitanks, palletized dry goods in 6m and 12m general purpose containers, as well as perishable goods in reefer tanks and containers.

Aspen International has built up a good reputation in the reefer market in South Africa, providing an outsourced logistic solution, including freight forwarding.

"Therefore it's a deliberate choice to keep using the name Aspen International", director Peter van den Bosch of Van den Bosch explains.

"With the new hubs in Cape Town and Dubai, we want to build on the solid base which owner Gary van Niekerk and his partners have built over the past 18 years."

For Aspen International, the joint venture offers the opportunity to expand its services with the tank container activities of Van den Bosch.

Aspen International will cooperate intensively with Van den Bosch DMCC in Dubai, for that very purpose.

"The cooperation will mean a one stop shop concept with access to a wide range of transport solutions, all under one roof for our clients", Gary van Niekerk explains.

"Moreover we can also take care of the local transport handling, taking advantage of our strong intermodal network in Europe, Africa and Asia.

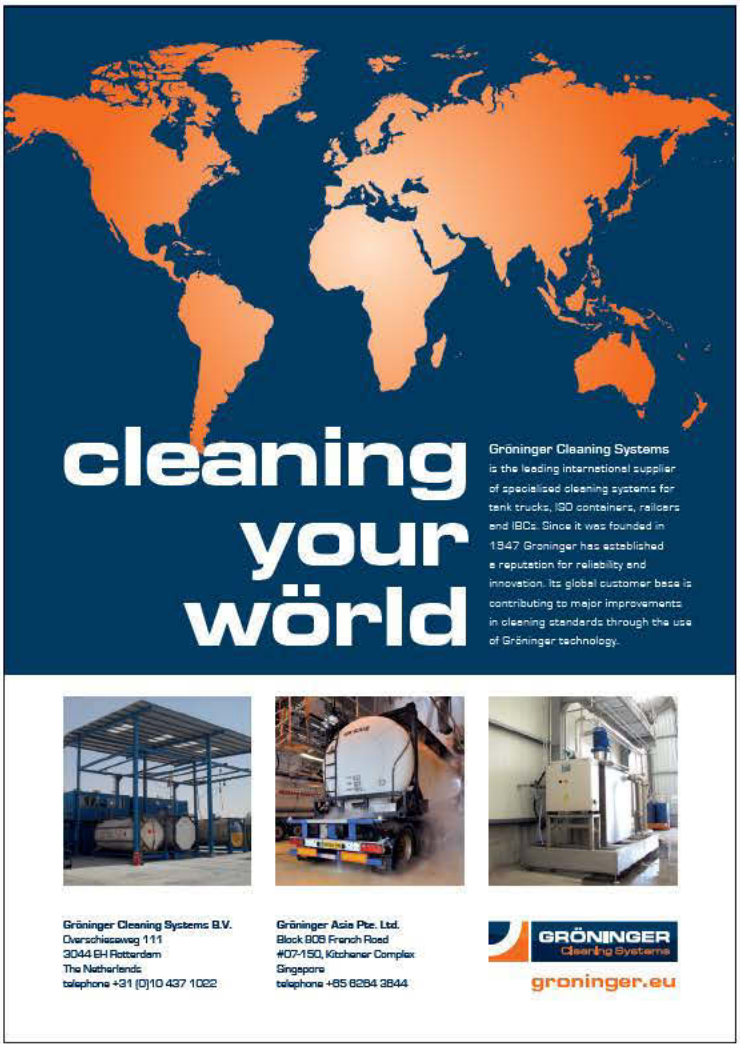
"In this way we offer a complete door-to-door solution for the South African market."

For Van den Bosch, the cooperation is another new step ahead in the African market.

"We believe in Africa's potential and want to further develop this growth market", Peter van den Bosch explains.

"We have built a strong network in the past few years and we are now shipping various liquid bulk goods from, to and in Africa.

"Thanks to the new office in Cape Town, we will be locally represented in South Africa, so we will be able to support our clients even better in setting up and optimizing their flows of goods from and to Africa."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Hoyer in new collaboration with GAC

The Hamburg-based logistics company HOYER has appointed the global provider of integrated shipping, logistics and marine services, GAC as its official agency partner in 17 countries in the Middle East, the Indian subcontinent and Africa.

GAC will support HOYER within the Deep Sea business unit in processing shipments by road, rail and sea in these regions.

With GAC's assistance HOYER also has a presence at locations where it has no official branch offices. The locations covered through the collaboration with GAC include Kuwait, Iraq, Qatar, Oman, Saudi-Arabia, the United Arab Emirates, India, Angola, Benin, Ivory Coast, Ghana, Kenya, Nigeria, Senegal, South Africa, Tanzania and Togo.

HOYER's CEO, Ortwin Nast said: "With GAC we have found a professional partner in a region that is important to us, and we look forward to a successful collaboration." As well as chemicals, the products to be handled by the strategic partnership in the future will also include foods, gases and petroleum.

Thielmann in WEW takeover

Thielmann Container Systems acquired the assets of WEW on 2nd of May 2016 and will continue operations under WEW Container Systems GmbH.

WEW is a specialist container manufacturer serving a broad global customer range from various industries.

As part of the Thielmann Group, WEW is lining up with companies such as Portinox and Ucon, leaders in their fields of the container industry.

Thielmann with its 275 years of history is the world leader in stainless steel containers from 5L – 5,000L offering standard products as well as tailor made solutions especially for customers in the food, beverage, pharmaceutical, chemical and oil & gas industries.

Thielmann sees WEW as a perfect complement to

its range of products and services, given its activities as a specialist container manufacturer especially in the range of 3,000L – 50,000L.

Furthermore Thielmann will widen its range of industrial customers and gain new access to further industries, such as defense & government, emergency services and nuclear, while strengthening its activities in chemical and oil & gas industries.

Given the profound knowledge of WEW and their specialized resources Thielmann sees opportunities to expand WEW´s business and manufacturing operations, which will remain in Weitefeld, Germany. Furthermore UCON´s sales office in Haiger will be moved to Weitefeld.

Singamas and Tankwell embrace telematics

Tankwell and Singamas are the first tank container manufacturers who have chosen to pre-install telematic systems capability as a standard on every tank container they produce.

As a technology driven company, all Tankwell's composite tank containers will be fitted with IMT's wireless thermometer as the standard temperature gauge.

The gauge has a sensing accuracy to within 0.3 degrees Celcius, does not require recalibration over time and has a 10 year battery life.

The large internal memory logs measured temperatures for up to five years which can be extracted if necessary.

Built-in radio frequency (RF) capability allows the temperature to be transmitted every minute to the optional IMT terminal, enabling the user to see the exact temperature of the container online at any time. Alerts can be set on min/max thresholds and historical temperature charts show the exact temperature during filling, transport, heating, etc…

Singamas will equip every newly produced tank with the IMT telematics cradle, enabling the user to install the IMT terminal in less than five minutes.

The IMT wireless thermometer will also be a standard option on every Singamas tank container.

Tankwell and Singamas have chosen Intermodal Telematics BV (IMT) as their solution provider, based on their proven quality, innovative way of thinking and total solution approach.

Tailoring assets and services to needs

John Sutton, CEO of Suttons Group, discusses trends and regional differences with Editor Leslie McCune

LM: Suttons have been on the acquisition trail. What have been the drivers of these acquisitions and what are the group's assets now?

JS: We have been on the acquisition trail following a strategic review of the business in 2014. We subsequently acquired Imperial Tankers in the UK to consolidate our market-leading position in the chemical sector. The acquisition positions us as the largest bulk chemical transport company in the UK, with over 700 vehicles. The integration of this business has gone well and we have now completed all the restructuring associated with what was a major acquisition.

We also acquired a trucking company in Shanghai. This was a smaller acquisition with 20 vehicles. The reason for the acquisition was to give us better control over our large domestic business in China. As the China market continued to develop, our customers wanted us to invest in top quality equipment and truck drivers to ensure that we continued to deliver the same levels of health and safety as in other parts of the world. We have a plan to double the size of this business over the next year.

In Singapore, we bought a majority share in IS logistics. The logic was similar in terms of being able to offer high levels of customer service and health and safety standards.

As part of this acquisition, we also developed a warehouse and drumming operation in order to offer more services to our customers. We now have the capability to move bulk liquids internationally, break bulk into smaller quantities such as drums or IBC's, store locally and then manage the onward distribution.

LM: What are the most important trends in the ISO tank container market, and what will be the impact of Den Hartogh's acquisition of InterBulk?

JS: Following a few "strong" years in the ISO tank container market, driven in part by the huge growth in the China market, there have been a number of new entrants into the market both on a global scale and on a regional Asian scale.

In addition to this, there appears to me to be more operators going for scale at any (short term) cost. Couple this with a global slowdown, and a big reduction in new build costs, and you have a difficult market for ISO tank container operators.

This should inevitably lead to consolidation in the sector and we have seen this with Den Hartogh's acquisition of InterBulk.

John Sutton C.V.

John Sutton is the Chief Executive Officer (CEO) of Suttons Group, one of the UK's fastest-growing private logistics companies and a leading international logistics and supply chain specialist for the chemicals, fuels, gases and food sectors.

The company has offices in Europe, the US, the Middle East, South East Asia, China and Asia Pacific.

Grandson to the company's founder, Alf Sutton, John has worked in the family's business since 1997. Previously, John was Managing Director of Suttons International Division, which he grew from a turnover of £40m in 2005 to one of more than £90m in 2012 while quadrupling profit margin.

I believe this is a good thing for the market in that rather than adding to the problem of overcapacity, Den Hartogh has bought an existing business.

LM: Is the logistics out-sourcing trend maturing?

JS: In mature markets the outsourcing opportunities are getting fewer. However, there are still a number of markets where there is huge opportunity. China continues to grow and markets such as Indonesia, Thailand and Vietnam are also developing rapidly.

The Middle East has not yet lived up to its expectations in terms of domestic downstream activities, most likely affected by the low oil price and the inevitable delays when developing such huge infrastructure projects. We are still very confident that this market will develop. We are working closely with our joint venture partner in Jubail, Saudi Arabia to develop our domestic logistics business. To this end, we are in the process of obtaining land from the Royal Commission for Jubail and Yanbu on the Logistics Park in Jubail - adjacent to Sadara, the huge $20 billion Saudi Aramco/Dow Chemical joint venture - where we plan to develop an integrated logistics hub providing ISO tank container services, drumming and warehousing for the local market.

LM: There are a number of tank operators with strong asset bases and support services – why would a customer choose Suttons?

JS: There will always be a need for a medium-sized operator who can provide flexible service and strong technical support. Suttons has the ability to tailor our offering to suit a customer's requirements, rather than a one-size-fits-all approach.

We also have a varied fleet offering a lot of combinations. We have one of the largest fleets of baffle tanks and these provide flexibility. We also have a large number of electrically heated and cooled tanks.

The cooled tanks have been very useful in the Middle East, where ambient temperatures cause problems for certain product categories. In addition to this, we are putting infrastructure on the ground in key locations such as China, Singapore and the Middle East to offer our customer a broader range of services.

LM: What are the advantages of a privately-owned logistics company over a publicly-owned one?

JS: The benefits are that a family company can take a longer term view of the market and take decisions that are for the long term rather than the short term share price. An example of this historically would be when Suttons entered China more than 20 years ago. At the time, this was a risky move and had a long payback period. Looking back now, it was a great decision.

Our decision to set up our joint venture in Saudi Arabia presents similar challenges in terms of the maturity of the local market. It currently does not provide us with a great return, and delays in the start-up of key facilities in Saudi

Activity at Suttons' busy depot at Shanghai

Suttons has high hopes for its joint-venture in saudi Arabia

Arabia have slowed progress. However, as things develop in the kingdom, we will have the network and the infrastructure in place to provide a broad range of services to our customers at high levels of health and safety.

LM: What are the company's priorities in market terms - liquids, gas or food? International intermodal or road tankers?

JS: The priorities of Suttons are very much in the liquids and gas sectors.

LM: What are the unique challenges of China and how does its market differ from the Middle East?

JS: The China market has developed considerably over the past 20 years. Initially, the key challenges were of safety, finding suitable equipment in the country and the development and training of people. There is now a lot more experience on the ground and a number of service providers have developed to supply the market.

The influence of multinational chemical companies has been one of the key drivers of the improvement in the quality and safety of logistics providers in China. Their insistence and drive to implement safe standards similar to the levels they were used to in Europe or the US - together with an understanding that this comes at a premium in terms of cost - has meant that a good quality supplier base has developed to serve them.

Saudi Arabia has similar challenges which need to be overcome. The level of infrastructure is still very poor considering the scale of the petrochemical developments in Jubail in the Eastern Province. Road conditions and vehicle conditions also have a long way to go before they are at the same level as we see in Europe and the US.

Suttons has invested in a new fleet of tractor units and skeletal trailers in Saudi Arabia – these are been specifically designed for ISO tank containers. We have also flown our driver trainers from the UK to spend four weeks training our drivers in the kingdom and, specifically, one lead local driver trainer who will perform refresher training on a regular basis. This focus on health and safety, and applying international standards, has been well received by our customers in Saudi Arabia.

LM: What has been the impact of the oil price collapse on tank container operators?

JS: The oil price collapse has obviously introduced a lot of uncertainty in the market which has put pressure on rates and utilisation levels with most operators. This seems to have bottomed out now and Suttons are confident that volumes and confidence should return later this year.

The changing face of

Jaap Huigen, MD of Tankformator in Singapore, gives a personal view of some of the industry's changes

There has been a lot of change in the tank container industry since its inception over fifty years ago. Important milestones occurred in design, design technology, manufacturing and manufacturing processes before the shift away from western Europe to South Africa in the nineties and, later, to China. Today, of course, China takes up the largest portion of global manufacturing pie.

What first began as a specialised shipping container for niche markets is now the global packing-of-choice for intermediate bulk liquid parcels and is now part of what has become a large global industry. ITCO's 2015 census revealed that the world tank container fleet is now over 440,220 units and has double digit growth on 2014.

Change is measured differently by different people at different times. In my opinion, there has been plenty of change since the seventies. Tank container quality has reached a level of excellence due, in large part, to the success of the collar design but also due to the valves and fittings. These have contributed to tank containers exceptional operational safety and reliability.

There has also been fundamental change in tank container economics as a result of the commoditisation of the tank container. This inevitably impacted the industry's economic dynamics and the way operators and lessors price their products and services. Inevitably, the industry has been forced to become leaner, despite a lot of tank container capacity being stored in depots.

This capacity overhang had a predictable impact on the industry's competitive landscape and earnings. It is now looking forward to better economic conditions.

Keep a level playing field

It is no surprise that there is currently little or no appetite for a qualitative change to tank specifications such as more corrosion-resistant shell material. This could reduce or avoid the cost of shell corrosion repairs, even though options are available. Shell corrosion has become the new normal and something the tank container industry should at some point begin to 'manage out' as a priority.

Despite 'the math' suggesting that more corrosion-resistant shell materials make economic sense, large tank container fleet owners appear to be loath to make any changes to the standard T11 tank specification in case this distorts the so-called level playing field.

But that is not to say, there is no qualitative change. However, the change is limited to niches and niche players. The September issue of Tankcontainer Magazine featured the innovation of the Finnish, Langh Group. For the shell material of their vacuum service tank containers, Langh selected Supra 316 plus stainless steel. This grade of stainless steel has enhanced corrosion and wear resistance. Langh expects the longer life span to offset additional cost of the stainless steel grade.

A by-product of the commoditisation of tank containers and the currently depressed tank container market is to raise the entry barrier into the industry. Today, it is hard to imagine building and sustaining a tank container business in leasing - and/or logistics - without scale. The need to scale a business before it becomes a viable proposition is something the tank container industry shares with the general purpose box container shipping and the marine container leasing industry. That should be good news but there are still opportunities for smaller size niche players.

Green shoots in the economy?

So what is the Main Street's view of the state of the economy? The good news is that leading indicators in some parts of Asia point up (and that includes the price of crude oil, which has risen to $44/barrel).

In addition, the structural rebalancing of the economy in China towards a domestic market driven economy recently received some good news from the services sector, which grew 7.6% in the first quarter of 2016. India also shows steady economic growth. Are we finally turning the corner?

Political leaders around the world are currently having a 'rethink' about globalisation and the sometimes undesirable effects this could have

'normal'

on businesses, jobs, skills and skills retention in their own countries.

Free trade is increasingly being held responsible for exporting jobs. Entire industries can get sucked into these migratory slipstreams and there is a price to pay for the country of origin. The main drivers behind migration of businesses are the cost of labour (together with other operating costs), proximity to markets and productivity. As is commonly acknowledged, China became the workshop of the world simply because they could make products of the same specification and quality as developed nations at lower cost.

The strong undercurrent of migration represents a major challenge for those countries that have seen businesses leave. These countries need to try to fill the void with new higher-end businesses – further up the value chain - where the cost of business is offset by higher product values. However, when businesses leave, they leave behind workers that are often ill-equipped to contribute to higher value products as they often lack the necessary skill set.

The search for higher value goods and services in an economy - and the measures to develop a corresponding match with the skill requirements and education system – has the potential to adversely impact industries. This includes the tank container industry in that it becomes a challenge to find and recruit locals to work in, for example, a tank container depot.

That is not to say that container depots are about to vanish in countries that are moving up the value chain. Container repair depots continue to be essential services and their continuation remains vital.

However, highly educated work forces bring challenges for tank container depots. Businesses often migrate from first world countries with high labour costs to developing countries with low labour costs. But cheap labour also moves in the opposite direction, to first world countries.

Singapore, for example, is surrounded by developing countries. This enables tank container depots to recruit workers from Malaysia, India and China. However, these are not experienced workers – they have to start from scratch and learn on-the-job, with the required training.

The lack of skilled workers can be traced to the depots output, be it the inspection, the repair estimate or the workmanship. Under current market conditions, pricing repairs fairly has never been more important but in order to price fairly, an inspector needs a competitive fees, a good technical understanding and good judgment. However, an inexperienced inspector can be expected to raise the charges to avoid being blamed for undercharging.
As a result, pre-surveys have become ever more important.

Keeping on top of things

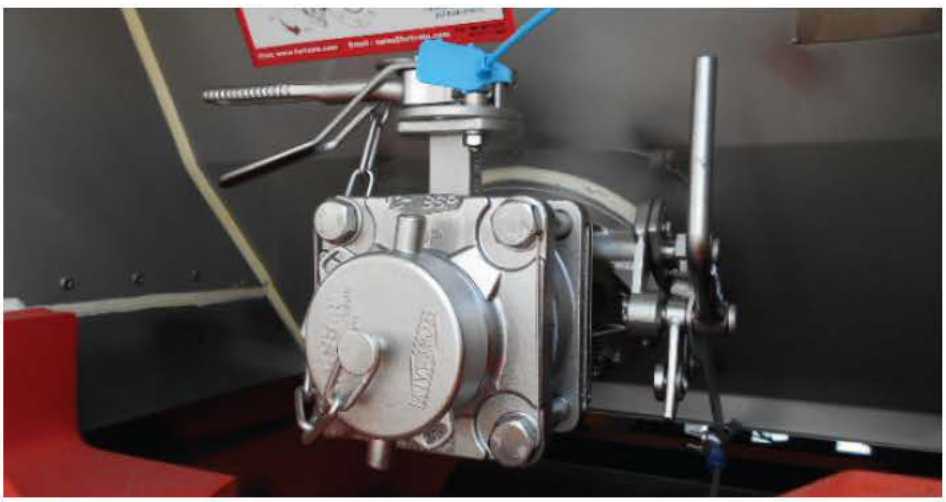
Two things stand in the way of more training. The first, and currently biggest obstacle, is cost. The second is the scarcity of qualified trainers. The cost argument can be one of false economics, both for the depot and its customers. However, the dearth of qualified trainers is a concern.

The industry has a number of trainers. These include UK-based New Alchemy, which offers an array of training courses across modes of transport and industries. The company has been providing this service since 1987.

Singapore-based Paul Sireci, who has been involved with the tank container industry for three decades, operates Seatrain, a training tank container training academy. Seatrain provides customised training for tank container operators, leasing companies and cleaning and repair depots.

The training focuses on operational safety, maintenance, repairs and statutory tests. The company also conducts courses that train participants in the main regulatory platforms such as IMDG, ADR and CFR-49.

ATCA Academy – the academic arm appointed by the Asia Tank Container Association – is led by Andrew Ann. The academy conducts training courses in its own right and collaborates with other training organisations.



Barley, hops and satellites

Gavan Murphy reports on how space technology is helping craft ales to bring the right amount of fizz to US beer lovers

For over 20 years Connecticut-based B. United International Inc. has been importing high-quality craft beers from all around the globe. Its founder and proprietor, Matthias Neidhart, originally from Germany, unquestionably one of the world's great brewing nations, is on a mission to broaden the beer drinking horizons of American beer lovers. He aims to highlight the complexity and depth that only true craft and microbrewery produced ales can deliver.

Neidhart was inspired by the historic work of the late English beer expert, Michael Jackson. In 1986, Jackson pioneered the ranking of beers by their level of flavour and aroma complexity. B. United now represents world class breweries that are all committed to producing high-quality artisanal brews, including ciders and meads. Nearly three quarters of the hundreds of beers which B. United imports originate in Europe, all with exclusive agreements, giving B. United a unique position in the US marketplace. The company sources its hoppy nectars from around the world.

Brewing high-quality beers and ales that truly represent the craftsmanship of the brewer is a complex task. While the list of basic ingredients in beer can often seem simple - yeast, barley, hops and water – it is vital that they are combined in the conditions that yield the best possible taste and aroma. This requires a tightly-controlled environment. Moreover, transporting the beer across thousands of miles by land or sea comes with many risks. These can have seriously detrimental effects on the product by the time it eventually reaches its destination. Shipments conveyed in tank containers that are at the wrong temperature or pressure, or which have suffered impacts, almost inevitably result in beer of insufficient quality and taste. This usually ends up as expensive wastage.

However, Neidhart became aware of a hi-tech monitoring solution for tracking and monitoring his temperature- and pressure-controlled tank containers that looked like it could eliminate this costly waste. In addition, the technology could ensure that the beers reached customers in the US in the best possible condition, tasting as good Stateside as they do in their country of origin.

In 2015 he deployed Ovinto Sat, a tracking platform that enables the location and conditions of any tank to be closely monitored. A fundamentally important element of the solution is that at its backbone is the STX3 satellite chipset. The STX3 operates off the worldwide fleet of Globalstar satellites encircling our planet in low earth orbit. Ovinto Sat also includes small sensor devices which Neidhart had installed in each of his seven large stainless steel tank containers. The sensors monitor numerous metrics that help ensure optimum beer quality, including verifying that the correct temperature range and pressure in each tank are maintained. Critically, since there is no power source in a closed tank container, these sensors consume a very low amount of energy. They can therefore continuously monitor the contents of the tank container, even on long journeys.

The Ovinto Sat solution ensures that B. United minimises the beer's exposure to pressure and temperature fluctuations, resulting in complex and naturally-refermented brews which taste exactly the same on arrival in the US as when they left the brewery in their home country.

Furthermore, the sensors in Ovinto Sat enable B. United to know precisely where the containers are on their often lengthy journeys - even when they travel well beyond the reach of cellular networks. This helps supply chain operations run smoothly and enables the company to give accurate delivery times to its customers.

Due to the Globalstar satellite network, B. United always knows how far the beer has travelled and can constantly monitor environmental conditions within the tanks. Neidhart and his team can be confident that the beers, ales and meads they import are delivered to their retail customers in peak condition.

B. United decided that it would share data in real-time with both its hospitality industry business customers and consumers - a policy Neidhart believes demonstrates his commitment to satisfying his customers.

Kris Herteleer owns Belgium-based De Dolle Brouwers. His operation supplies beer to the US market through B. United and he shares Neidhart's confidence that the satellite monitoring solution is making a real difference in his ability to guarantee top-quality taste and freshness in the beers he provides to American consumers. "By bringing technology innovation into the craft beer sector, B. United is introducing unprecedented levels of transparency on the condition of our beer as it travels to the US. This innovation is a testament to our shared commitment to delivering the best possible product to American beer drinkers."

As is well-known, Belgians take their beer very seriously. Herteleer is not only a supplier to B. United but is also involved in an academic investigation of how technology can help beer distribution in a research study called "VIS-Project", spearheaded by the University of Antwerp. He explains: "Some scientists know that beer is essentially not in the same state in the brewery as compared to when it is transported somewhere else. Sometimes the 'else' is far away, not only in distance but also in time."

"So the beer researchers want to know, like every scientist does, what happens when conditions change - in this case, such as during transportation, if the beer is agitated or shaken, they want to understand the principles and patterns that emerge."

Herteleer explains that brewers, if they are successful, already know from experience how conditions can affect beer. "Brewers have long known that refermented beers age better, as do hoppy, strong and sour beers," he explains. "In other words, the more complex the beer, the more they can withstand oxidation. However, the temperature and pressure must be stable."

This University of Antwerp study is investigating how beers change while in transit, and examining the effect that fluctuating environmental factors have on the final tasting experience.

It's all about the bubbles, explains Neidhart. Traditionally, brewers often had to use forced carbonation after transporting beers, rather than the natural refermentation that can take place in the tanks while in transit. The results were sub-optimal at best and thoroughly disappointing - or undrinkable - at worst, he says.

"From a flavour and aroma perspective, natural refermentation and forced carbonation are like day and night," Neidhart explains. "Natural refermentation produces the tiniest possible carbon dioxide bubbles and these integrate very well with the complex flavour and aroma

compounds of highest quality brews."

"Forced carbonation, on the other hand, results in giant carbon dioxide bubbles that can greatly distort the true flavour and aroma profile of any brew. What is the measuring stick for the highest quality champagne? The size of the carbon dioxide bubbles - the tinier the bubbles, the higher the quality."

As for B. United, the Ovinto Sat deployment ensures its beers' exposure to pressure and temperature fluctuations are minimised, resulting in complex brews naturally-refermented and tasting exactly the same on arrival in the US as when despatched. "After a journey of ten days from Europe or four weeks from Japan, the taste of craft beers can change. On arrival in the US, we review the data from Ovinto and analyse samples in our lab to determine the best way for us to put the beer in kegs for onward delivery to our customers," said Neidhart.

B. United is now examining how the Ovinto Sat solution can further help the business, Neidhart explains.

B. United currently has a fleet of seven large compartmented tank containers, with each tank capable of carrying 14,000 litres. However, many of its global suppliers create beers in small batches, including barrels, and many shipments headed for B. United will not even fill one of its smaller tank sub-compartments. Fortunately, after much searching, Neidhart found a Germany-based supplier of stainless steel tanks that are as small as 1,000 litres - just the right size to meet the needs of small batch brewers. Using these small vessels represents yet another technical innovation on the part of the company since the new tanks have typically been used as holding tanks for juices and concentrates. This will be the first time these micro-tanks will be used primarily for overseas transportation. Importantly, the project of fitting the new tanks with the Ovinto Sat monitoring devices has already been kicked off, Neidhart shares.

Whether the tanks are large or small, the passion that drives Neidhart remains the same: "We are determined to provide the American market with unique world beers that are truly alive, with live yeast, not over-manufactured, pasteurised or bland' industry beer'," Neidhart attests.

"With the large tank containers and these new smaller shipping containers, we are bringing all of our beers over to the US at their absolute peak - our reputation depends on it," Neidhart says.

"To achieve our goal we are not hesitating to employ the very latest technology, including satellite communications, to ensure the beers reach their final destination in the best possible condition," he adds. "We've been a successful and growing company since our inception over 20 years ago: I know that our commitment to these highest standards are what underpins our competitive advantage."

Continued growth for Tank Container Village at *transport logistic China*

A total of 28 ITCO members will present the latest technology and services at this year's Tank Container Village in Shanghai

ITCO, the International Tank Container Organisation, announces that this year's Tank Container Village - organised as part of the transport logistic China 2016 trade show - will be the largest that it has organised at the Shanghai event. A total of 28 ITCO members will be exhibiting, representing an increase of 20 percent on 2014. The Exhibition takes place from Tuesday 14 to Thursday 16 June at the Shanghai New International Expo Centre.

"I'm very pleased to see how the Tank Container Village has developed at the transport logistic China trade show", comments Heike Clausen, President of the International Tank Container Organisation.

"The increased attention in tank containers as a safe and efficient intermodal transport alternative for bulk liquid, gas and powder is driving more and more exhibitors to participate in our exhibition. We anticipate a wider range of visitors to come to the Tank Container Village and discuss their transport needs with our Members."

A wide range of equipment and services will be displayed in the Village, with many of the world's largest tank container operators, leasing companies, manufacturers and component suppliers participating in the exhibition. In addition, there will be tank container surveyors and inspection companies, together with a number of leading tank cleaning and repair facilities.

Safety remains the top priority for ITCO members, while there is also much focus on technical innovation and improved operational efficiency.

ITCO will use the Tank Container Village to update visitors on a number of projects which it is presently working on. One of these will be the publication of the 2016 ITCO Global Tank Container Survey, giving details of the size, ownership and growth of the world's tank container fleet.

There will also be information about the ITCO's Corporate Responsibility Guidelines, published in January.

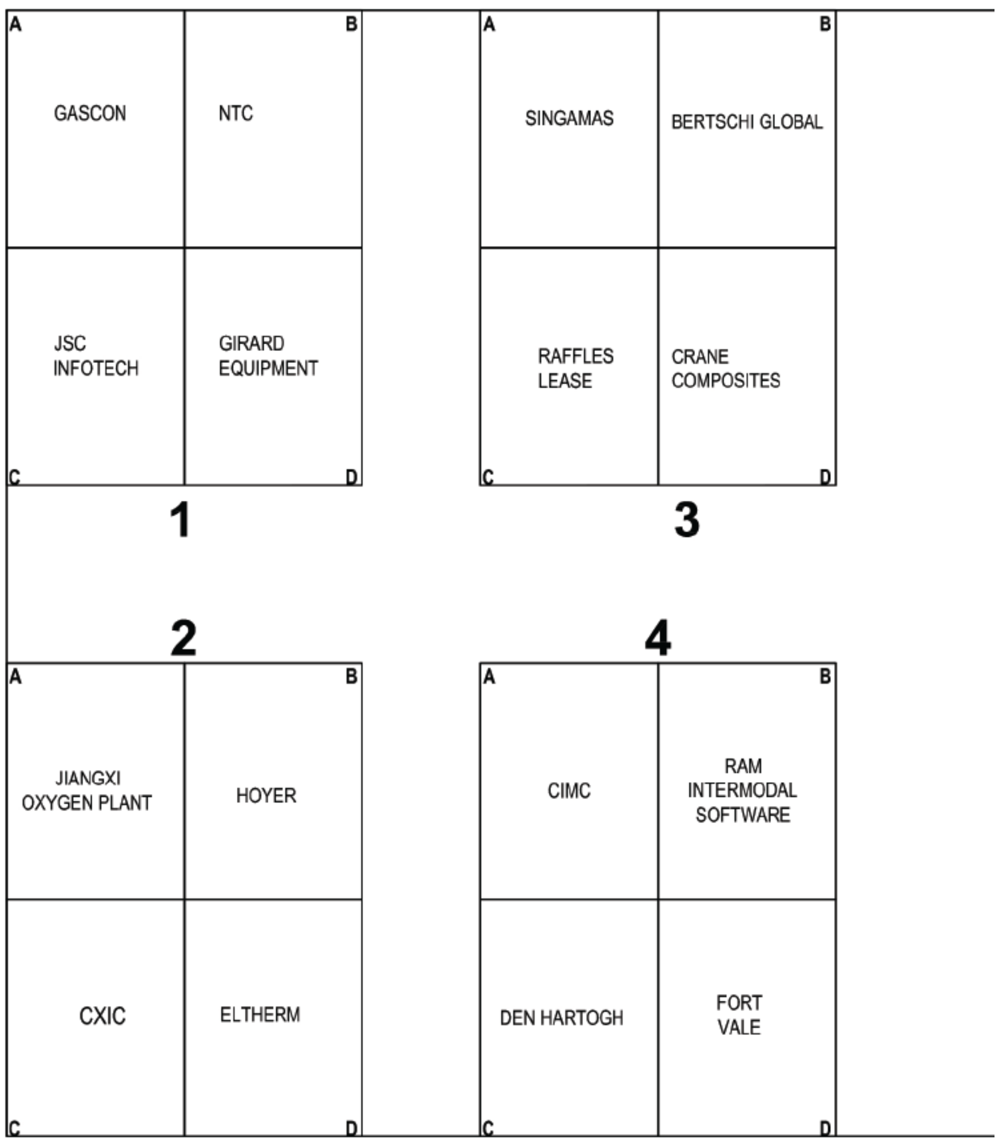
Later this year, ITCO will be launching its online Tank Container E-Learning Course, providing online information for those who need to know more about the industry.

Tank Container Operators exhibiting within the Exhibition include: Bertschi Global, Den Hartogh Global, Hoyer, Infotech-Baltika M, M&S Logistics and VTG Tanktainer.

Tank lessors include: Eurotainer Asia-Pacific, Raffles Lease and TWS Tankcontainer-leasing.

Manufacturers of Tank Container and related equipment who will be exhibiting include:CXIC, Crane Composites, Fort Vale Engineering, GasCon Ado Southey Holding, Girard Equipment, Grande-Tek Flow Control, Groninger Asia, Jiangxi Oxygen Plant,

ITCO Tank Container Village:



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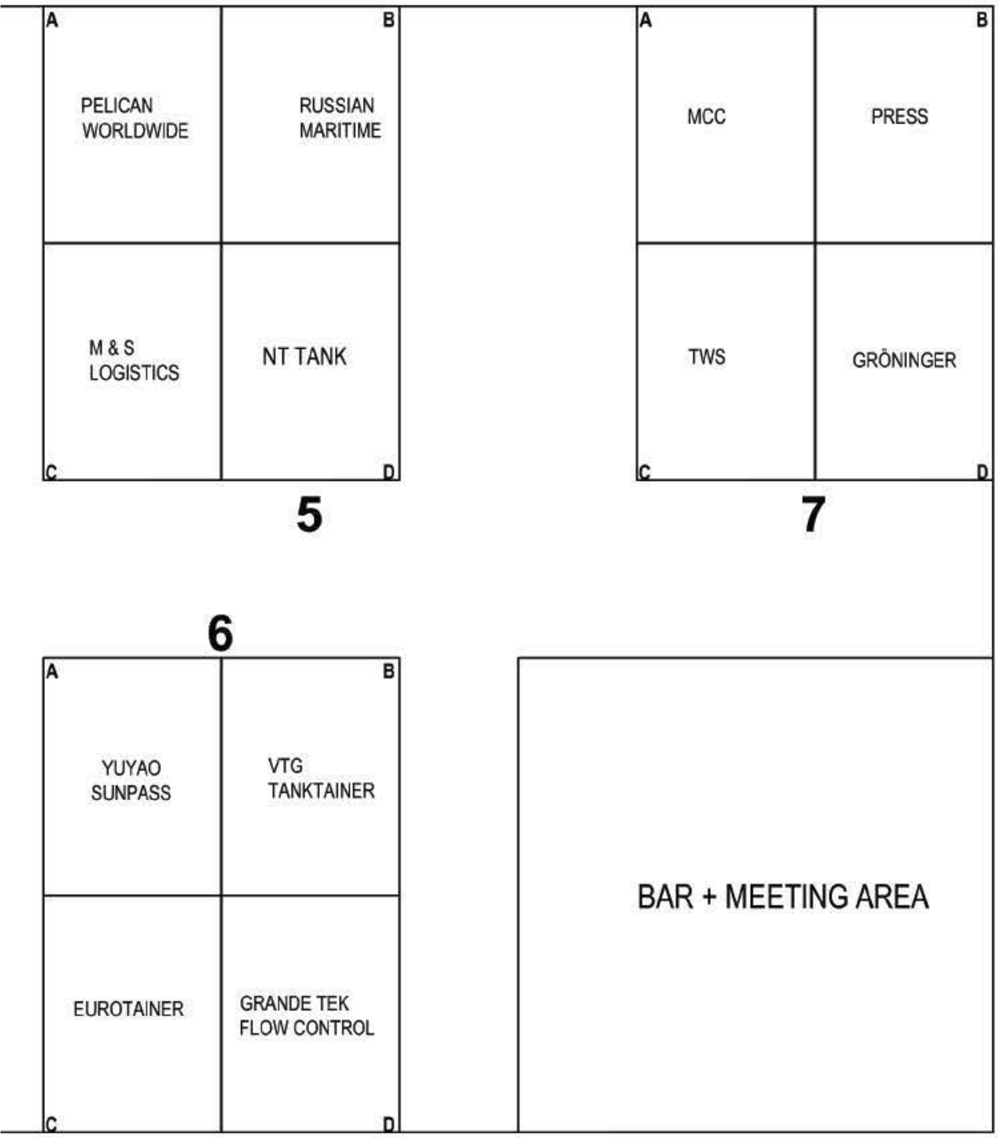

MCC TianGong Equipment, Nantong CIMC Tank Equipment, Nantong Tank Container, Pelican Worldwide, Shanghai Pacific International Container and Yuyao Sunpass International.

Members of ITCO's Tank Service Providers and Inspection Divisions in the Tank Container Village are as follows: Russian Maritime Register of Shipping, Eltherm, NTC Tankcontainer Services Botlek and RAM Intermodal Software.

With its expanded area, there will be plenty of opportunities for customers and exhibitors to meet – either at the exhibition stands, or in the central bar and meeting-lounge. The ITCO "Welcome to Shanghai" reception is being organised at the end of the first day of the Exhibition (Tuesday 14 June 2016).

Visitors to transport logistic China 2016 will find the Tank Container Village in Hall E2 of the Exhibition Hall (Stand 380).

ITCO members exhibiting

1A	Gascon
1B	NTC
1C	JSC Infotech
1D	Girard Equipment
2A	Jiangxi Oxygen Plant
2B	Hoyer
2C	CXIC
2D	Eltherm
3A	Singamas
3B	Bertschi Global
3C	Raffles Lease
3D	Crane Composites
4A	CIMC
4B	RAM Intermodal Software
4C	Den Hartogh
4D	Fort Vale
5A	Pelican Worldwide
5B	Russian Maritime
5C	M&S Logistics
5D	NT Tank
6A	Yuyao Sunpass
6B	VTG Tanktainer
6C	Eurotainer
6D	Grande Tel Flow Control
7A	MCC
7B	Press
7C	TWS
7D	Groninger


DOCUMENTS


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The GPCA Supply Chain Conference

Tankcontainer Magazine assesses the mood at the Middle East's premier petrochemical supply chain conference

The much-anticipated Gulf Petrochemicals & Chemicals Association (GPCA) Supply Chain conference was held in Dubai on 2-4 May. Now in its eighth year, the conference theme was "Supporting Downstream Development - Creating Integrated Supply Chain Linkages".

There were 339 supply chain professionals from 119 companies and 24 countries who attended the event, which provided an opportunity to network with the Gulf Cooperation Council (GCC) member states' most important petrochemical supply chain leaders.

The petrochemical industry is a cornerstone in the GCC's economic diversification drive and the industry's next phase of growth revolves around the development of its downstream industries. A world standard supply chain is critical to making this strategic imperative successful and an increasingly efficient intermodal capability will cut delivery times and costs.

With 80% of output exported, the petrochemical industry is leveraging the GCC's proximity to burgeoning global markets in Asia and Africa. Member states are rapidly investing in solid and liquid bulk chemical transport and port infrastructure as the region adds yet more capacity and new products to its petrochemical production base.

Petrochemical production capacity has trebled since 2004 to 151.1 million tonnes in 2015. The region's annual growth rate over this period of 9.5% was exceeded only by China, making the GCC a pivotal region on the global stage.

The compound annual growth rate for the next decade is projected to be 3.5%.

Chemical imports and exports totalled 87 million tonnes in 2014, with 67 million tonnes of chemical exports.

The conference noted the huge increase in the capability and scope of the GCC's petrochemical supply chain infrastructure, an expansion driven by both the rapid increase in export volumes and an expanding product portfolio. Eighty-five chemical products were produced in 2013; 143 products will be produced in the GCC by 2020.

But supply chain challenges remain – the GCC has the longest and most complex (and therefore most costly) supply chains, a supply chain infrastructure that has not kept pace with the rapid growth in petrochemical production, port congestion, long clearance procedures, complicated customs documentation and a lack of specialised supply chain professionals.

Dr Abdulwahab Al Sadoun, Secretary General of the GPCA, and Saleh Al Shabnan, Vice Chairman of the GPCA Supply Chain Committee, facilitated a special round table session for students in the pre-conference session.

Conference delegates were welcomed with a speech on the importance of reliability from Mohammad Husain, CEO of EQUATE and chairman of the GPCA's Supply Chain Committee. He stressed that"the GCC cannot rely on price competiveness alone to compete", and asserted that supply chains "were more critical in bad times than good".

The keynote address was made by Saleh Al-Rasheed, the Director General of MODON, Saudi Arabia's industrial property investment agency.

Other opening presentations highlighting the importance of supply chain excellence in creating downstream success. International best practices in downstream supply chains were addressed by Moneef Al-Moneef, Director - Supply Chain Project Management, Global Supply Chain Centre of Excellence at SABIC. Richard Forrest, A.T. Kearney's Global Head of its Energy Practice presented on the implications of cost pressures on downstream activities and considered how to maximise downstream value by leveraging an integrated supply chain.

Breakout sessions focused on how the GCC makes the bridge with Africa and how collaboration helps drive new value from supply chains in Australia and the GCC.

Other conference speakers included Mohammad Husain, CEO of EQUATE and Chairman of the GPCA Supply Chain Committee, and the CEO of Al Majdouie Logistics.

Jay New, Chief Executive Officer and General Manager of International Ports Services, Dammam Port, presented a case study on the port, which stimulated an animated question and answer session.

Melroy Nazareth, the Regional Commercial Manager for Stolt Tank Containers, gave a presentation on the "Growing market for ISO tankers in the GCC". This included the ITCO global fleet numbers and the generic advantages of tank containers compared with drums and flexi bags.

Unsurprisingly, little information was given on the GCC tank container market; some producers found it disappointingly simplistic.

The second day included presentations on digital supply chain planning in chemicals. Richard Heath, TALKE's Middle East & Africa Director and Vice Chairman of the Gulf SQAS T&A Committee, gave a Gulf Safety & Quality Assessment System (SQAS) update and shared learnings from the transport services and warehouse modules.

One message was the difficulty of convincing independent truck owners ñ who are often sub-contracted into the trucking fleet of large transporters – to adhere to SQAS standards.

Behaviour-based safety operations were seen to be essential, supported by driver handbooks and training programmes. From a supply chain efficiency perspective, the entire chain had to be considered – excellent warehousing practices could be compromised by poor trucking practices in and out of the warehouse facility; new efficiencies within, say, Dammam port could be eroded by the current wide scale traffic congestion getting into the port.

Mark Appleyard, the widely-respected leader of the GPCA's Dangerous Goods Transport Regulations Task Force, presented a road map for land transportation.

He noted that the movement of Dangerous Goods (DG) in the GCC had increased significantly, driven by economic growth, a developing minerals sector and increased downstream petrochemical production.

However, DG road transport regulations have developed in different ways in each of the GCC member states and this has resulted in fragmented, inconsistent and misunderstood regulations for the movement of trucks between, and within, member states.

Many regulations were not enforced and/or are out of date. The GPCA has concluded that aligning with ADR regulations is the way forward, with SQAS being used as a tool to ensure compliance with ADR procedures.

While the GCC supply chain has developed at a rapid rate, the relative lack of coverage still causes supply chain inefficiencies. Driven by the lack of drumming facilties in Saudi Arabia's Eastern Province, one leading petrochemical producer, for example, moves product in tank containers from Eastern Province to a well-known distributor in Jebel Ali, where the product is drummed and sent back to Saudi Arabia.

The 390 nautical mile sea movement to Jebel Ali costs $1,500 per tank, nearly as much as a 4,300 nautical mile movement to Singapore.

Many of the presentations focused on taking costs out of the supply chain. However, some of the standard-raising initiatives in the GCC supply chain will actually put costs into the supply chain.

The conferences main conclusions were that GCC production volumes will continue to grow, the wider portfolio of products will increase supply chain complexity, logistics assets and services are becoming more diverse and supply chain standards are being driven up.

The InterContinental, Dubai, venue for the GPCA Supply Chain Conference

The GCC* market for tank containers

Editor Leslie McCune reveals some market details and outlines Saudi Arabia's new vision

For good reason, we start this review of the GCC's 2,000-a-month tank container market by considering the seismic after-shocks of the US shale revolution. These continue to reverberate around the globe, redefining regional competiveness, restructuring companies and reshaping entire kingdoms.

Oil prices have collapsed by two-thirds since the $112/barrel peak in the summer of 2014. Saudi Arabia - OPEC's de facto policy maker and price-setter - maintained near-record production to protect its market share in target markets such as China and India, thereby contributing to global over-supply.

As the Saudi government said: "It makes no sense for the Kingdom to support high oil prices. Saudi has the lowest production cost in the world, and high oil prices simply allow other, higher-cost producers, to sell more of their oil at Saudi's expense".

Shale bankruptcies have impacted only 1% of US production

The common belief was that US shale producers had to be put out of business for the crude oil market to rebalance. But a curious paradox has frustrated this Grand Plan - while more than 50 North American oil and gas producers have entered bankruptcy proceedings since early 2015, there has been little impact on production levels since these firms account for less than 1% of US production.

Filing for bankruptcy protection in the US often results in increased levels of production – creditors usually judge that maximising short-term production is the most effective way to recover their debts and, if cash needs to be raised by a sell-off, operating wells are more valuable assets than idled ones. New debtor-in-possession finance can also be raised from existing creditors to cover operating expenses, which sustains production.

What has become clear is that Saudi Arabia significantly under-estimated the ability of US shale oil producers to reduce their breakeven costs. Day-to-day well operating costs for most US wells are now well below $40/barrel, according to Reuters, not least because of major productivity gains - a well drilled late in 2015 produces twice as much as one drilled in late 2013.

Low oil prices inflicting economic pain

So, oil supply has continued to out-pace demand, prices have collapsed and Middle East oil producers with huge national development expenditures are running significant budget deficits. Saudi Arabia, with crude oil lifting costs of only $5/barrel and dependent on oil for 90% of its revenues, has eaten up $139 billion of its $723 billion of foreign currency reserves between end 2014 and the end of February 2016 with the current burn rate estimated to be $10-15 billion a month.

Low priced oil has created real pain in the kingdom – the Saudi Binladen Group, one of Saudi's most powerful firms, has reportedly laid off 77,000 foreign workers in Saudi Arabia, a third of its expatriate workers. In addition, 12,000 of its 17,000 Saudi workers are expected to be let go, according to Al Watan.

Saudi Arabia's Vision 2030 response

In response, the 31-year-old Saudi deputy crown prince Mohammed bin Salman – known as MbS and second in line to the Saudi throne – has developed a National Transformation Plan, as part of Saudi Arabia's Vision 2030, which is designed to reduce the kingdom's heavy dependence on oil.

Up to 5% of state oil giant, Saudi Aramco, will be sold in the world's largest ever IPO, making the company theoretically the world's most valuable. The proceeds will be added to Saudi's $5 billion Public Investment Fund to form part of a de facto sovereign

*GCC, Gulf Cooperation Council (Saudi Arabia, UAE, Qatar, Oman, Kuwait, Bahrain)

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wealth fund which - at $2,000 billion - will become the world's largest. Direct investments will be made in companies outside Saudi Arabia, with the investment income from the fund eventually replacing the kingdom's oil income.

A former German Chancellor once remarked: "People who have visions should go see a doctor". While this says more about the German psyche than the power of visions, the consensus among the Saudi business community is that it will still be a good thing if even 25-50% of MbS' vision becomes a reality.

Possible derailers

Three dangers lurk – poor execution of the plan needed to deliver the vision; inertia - and even downright resistance to change - by those responsible for making it happen but who may feel threatened by it (or who may even disagree with it); high oil prices – the higher the price, the less incentive there is to change. Ironically, Saudi Arabia now doesn't want higher oil prices as it would risk it getting complacent about the National Transformation Plan.

Assertions by MbS that Saudi will be 'independent of oil by 2030' are ambitious. Other claims that this will happen by 2020 are, frankly, fantasy.

What happens to Saudi Aramco is important because its goal is to become the world's largest energy and chemicals company – meaning far more opportunities for tank containers beyond the current needs of Sadara and Petro Rabigh, its petrochemical joint venture partners in the kingdom. It currently leases several hundred tank containers and is expanding its fleet by a further 500 units.

As crude oil has collapsed, so too has the price of feedstock naphtha for the petrochemical sector (for the geeks – and those with dim and distant recollections of rather unhappy statistics lessons – there is a straight line R^2 correlation factor of 0.96'. The regional competitiveness of gas-based GCC petrochemical producers has therefore fallen relative to the naphtha-based regions of Asia and Europe.

Saudi's petrochemical feedstocks increase; competitors' decrease

Worse still, the price of Saudi ethane petrochemical feedstock has increased to $1.75/million Btu from $0.75/million Btu and, even at that price, is as elusive as a desert mirage. Despite all the official justifications for Middle East petrochemical investment, the fact remains that - in the view of top management consultancy McKinsey – "if there is no feedstock advantage in the Middle East, the region is not an ideal place for chemical production".

Tank container growth will continue

Has the road run out for tank containers in the Middle East then? No - the region still has the world's lowest cost gas-based petrochemical feedstock (although its comparative competitive advantage is less); gas feedstocks generally produce dry bulk polymers, not liquid specialty chemicals requiring tank containers; more liquid naphtha feedstocks will be used, which create a broader range of liquid specialty chemicals (needing tank containers); the government is pushing hard to drive companies downstream into value-added specialty chemicals.

The GCC market for tank containers is running at 25,000-a-year. Demand is seasonal and the market includes occasional - but substantial - waste streams from refineries, by-products being exported for reprocessing and intermediates being moved for local and export markets.

Sadara, the $20 billion Saudi Aramco/Dow Chemical in Jubail, represents the largest short term opportunity but there will be no significant need for tank containers until 2017. 450 tank containers were

planned to move in hydrogen peroxide feedstock in the second half of 2015, and further 'priming' deliveries were planned of polyethylene solvent and glycerine.

Because linear low density polyethylene production was started on 8 December, there is a common misconception that the cracker has started. It hasn't. Instead, ethylene is being bought-in from SABIC. Other products, such as benzene will also have to be purchased as the mixed feed cracker will only generate enough pyrolysis gasoline for 280,000 tonnes p.a. of benzene. This will be used to produce nitrobenzene, the precursor for Sadara's 390,000 tonnes p.a. of MDI isocyanate production. The obvious benzene source - Saudi Aramco – is fully committed at the moment so alternative sources such as Chevron Phillips might be considered.

Beware traders of refinery streams

Tank container operators should be very diligent about the terms and conditions of contracts, especially the product specification, when moving waste streams and surplus refinery streams such as heavy base oil and 'white oil'. The volumes can be alluringly large and these categories of products are usually moved on behalf of traders. Anecdotal evidence suggests there is an unusually high incidence of clearance problems, contamination and demurrage disputes.

Some operators limit their exposure to this opportunistic business, focusing instead on the strategically more sustainable demand of producers such as Saudi Kayan, Aminat, Sipchem, Chemanol, Farabi and Synthomer. Products moved in tank containers include molten naphthalene (from Europe), dimethyl formamide, 37% and 85% formaldehyde, ethyleneamines, ethanol, methanol, hydrochloric acid and synthetic latex dispersions.

The future movement of MDI and TDI isocyanates in tank containers has stimulated the most thought. Sadara's combined annual production of isocyanates will be 600,000 tonnes. There are currently no cleaning facilities for MDI in the Middle East and the material, given its acute toxicity, has local restrictions. In Jebel Ali, the storage of MDI and TDI is not permitted.

The depot deluge

For depots, there appears to have been a Pavlovian response to the potential growth in tank containers in the GCC. However, new ones are needed - one particular cleaning station is so poor that not all producers will accept tank containers that have been cleaned in it, but it's cheap.

On 24 April, Globe Tank Solutions announced the opening of their new tank cleaning depot in Jubail. Other companies will be building tank container depots, including possibly the new involvement from a company based in The Pelican State.

In Jebel Ali, RSA-TALKE's new tank container depot opened on May 22. Tank container-drumming operations are also being considered by two parties in Jebel Ali.

The GCC's under-developed tank container leasing market is well-defined, where global rates have been as low as $5/day for 'plain vanilla' leases. With interest rates so low, and debt cheaper than equity, why would anyone save up to buy anything?

GCC depots-operators-lessors

To summarise, if you're thinking of building a tank container cleaning station and depot in the GCC, take the trouble to do the market research – the 'Field of Dreams' model ("Build it, and they will come") doesn't hold true. If you're a tank container operator thinking of becoming established in the GCC, you're too late. If you're a tank container leasing company thinking of a local joint venture in the GCC, you'll have first-mover advantage in an immature market and increasingly receptive market but you'll have to do the on-the-ground market research and 'sell' the benefits of the leasing concept.

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Innovation and specialisation

South African tank container manufacturers may face challenges, but three companies have shown they can compete with the best in the world, reports Debbie Owen

GasCon's Sales and Marketing Director, Brian Sparg

Constant focus on quality and innovation has given Cape Town-based GasCon and Port Elizabeth-based Welfit Oddy a certain reputation in the global tank container manufacturing market.

Operating in the challenging South African business environment, both companies have grown their presence in the export market thanks to their innovative use of technology and their ability to meet the increasing demands of the market for sophisticated, high quality, cost-competitive product and reliable supply.

Cape Town-based GasCon - an internationally-accredited pressure vessel and fabrication designer and manufacturer owned by the Southey Holdings Group - has met customer demand by improving production quality and investing significant resources in state-of-the-art equipment, research and development and training.

According to GasCon's Sales and Marketing Director, Brian Sparg: "Research and development is an important part of our business. While there are global manufacturers who focus more on volume, our focus is on specialisation, building high quality, low maintenance products and helping clients identify solutions to their unique logistic and product challenges. Very few of our products are standardised; in fact, each one is customised in some or other way."

The company, which has its own welding laboratory, recently developed a new lightweight, larger capacity, robust cryogenic tank. A prototype of the low-maintenance T75 tank container recently successfully completed UN portable testing and will be especially suited to the US market due to its low tare weight.

The GasCon product range also includes static pressure vessels, heat exchangers, columns, drums, tanks, silos, gas tank containers, gas road tankers, filter vessels, dive bells and decompression chambers for both non-refrigerated and refrigerated (cryogenic) gases.

The manufacture of heat exchangers and pressure vessels for the project market currently accounts for approximately one third of GasCon's business. The other two thirds includes the provision of high pressure gas tanks for the oil and gas industry and specialised tank containers for the cryo-industry.

Approximately 80% of the company's products are destined for the global market.

"The cryo-business is where we're seeing the most growth and the LNG market, in particular, is showing great potential" explains Sparg.

GasCon has gone to great lengths to earn its reputation as a reliable supplier in the tank container market.

"On-time delivery is crucial in our business and last year, when demand for electricity at times outstripped supply, we decided to purchase generators to ensure our production capacity would be unaffected by power cuts."

The company is also an important employer in Cape Town's Elsies River industrial area. The company employs around 130 permanent staff and an additional 100 employment opportunities are offered to factory personnel employed on limited duration contracts, depending on demand.

Demand for specialised skills is high and GasCon will continue to upskill and train its existing personnel to meet this demand.

Innovation and specialisation

Innovation and specialisation are also a focus for Port-Elizabeth based Welfit Oddy, one of the only specialist steel tank container manufacturers in the world outside China.

Welfit Oddy has served the global shipping industry for nearly 30 years and is a key player in the manufacturing of intermodal ISO tank containers and specialist steel tank containers for the export market.

Initially a wholly-owned subsidiary of a family-owned and run South African-based group, the company was acquired by the Buhold Industries group in the Netherlands (formally Burg Industries), which is also family-owned.

Welfit Oddy designs, manufactures and sells tank containers, bulk liquid containers and transport containers for the international chemical and food grade logistics market.

Welfit's production facilities in Perseverance, Port Elizabeth can produce up to 30 containers per day in various configurations. Good customer relationships, customisation and innovation – as well as providing a 'cradle to grave' solution - are some of the company's key success factors.

Examples of customisation of product are the option of including various baffle designs, glycol systems, electrical and steam heating systems, GPS/data logger systems, high insulation specifications and special connections in its products.

Skills development and training are also major focus areas for Welfit Oddy which is constantly on the lookout for cost-effective, innovative ways to develop a highly-skilled workforce.

South African manufacturers may face several challenges but companies such as GasCon and Welfit Oddy have demonstrated their ability to be compete among the world's leading – and most innovative – tank container manufacturers.

Following the road

Cape-based GRW, which originally produced tank containers for the local and export market, is today solely focused on serving the road trailer market.

The company has experienced significant growth in the 20 years since its formation in 1996.

According to CEO Gerhard van der Merwe: "Growth over the past five years has been over 400% thanks to the introduction of new products such as a new 'tautliner' and flat deck trailers as well as a constant focus on product innovation, specialist training, a close relationship with customers and constantly improving production and operating standards."

Van der Merwe expects growth and demand for GRW trailers to continue as its growing customer base leverages the financial and product benefits associated with the initial purchase price, the longevity of the product and the cost of maintenance.

"The primary objective is to lower the cost of ownership of our products in the long run while offering the safest and highest quality vehicle at a competitive price."

The tautliner is the most recent addition to the GRW product range, launched after three years of intensive research and development and produced in a new state-of-the-art manufacturing facility.

GRW has built on the popularity of the 'tautliner' - the commercial curtain-sided trailers patented in the UK in 1969 and popularised by Eddie Stobart in the '70s – by improving build, component and material quality while supporting this with high quality after-sales service and back-up.

"This is a top-notch product offering unrivalled features and lifespan, a two-year warranty and full after-sales customer service support in line with the highest international standards," explains van der Merwe.

GRW was also first to introduce multi-level fuel monitoring to South Africa.

"The Bartec system made it possible for our customers to reduce fuel losses by measuring the litres of fuel loaded into the tanker. The system also provides information on how fuel and product is lost, irrespective of how it is removed from the tanker. Furthermore, the system saves time by offering metered discharge speeds of up to 1200 litres/min and the option of discharging three compartments simultaneously."

Predominantly focused on providing road trailers to the South African construction, mining, petroleum, chemical, FMCG, palletised goods, break-bulk, general cargo and perishable temperature-controlled goods market, the company currently produces around 1,400 road tankers a year and has successfully increased exports to the Middle East, Australia and the UK.

Africa and Australia are seen as the high potential markets of the future.

"We are particularly excited about the Australian market following the launch of GRW's first road tanker in Australia in May 2016," concludes van der Merwe.

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