

# Florida hubs eye Panama expansion possibilities

**US state's ports believe their unique location will enable them to attract more post-panamax and transshipment post-2014**

FLORIDA harbours have an upbeat view on the Panama Canal expansion, believing that their unique geographical location would enable them to straddle the twin areas that have come into focus as a result — post-panamax cargoes and transshipment.

In theory, the case for Florida has strong legs. A mother ship of 10,000 teu transiting the canal would find it more cost-effective to call at Miami or Jacksonville (assuming they have the water depths) instead of New York or Norfolk, especially if it also has thousands of boxes headed for onward markets such as Brazil.

The recent interest by Brazilian investors in developing Cuban ports is another interesting prospect. Optimists like to believe that the Castro brothers would one day be no more, and Uncle Sam would then see his way to opening trade with his tiny southern neighbour.

In such a scenario, a Cuban transshipment operation with a parallel "sister company" in Miami would entail a two-day rotation between that port and Havana.

Three Florida ports, each in its

own way, have striven in recent years to prepare for this golden tomorrow. Thanks to the spanking new \$300m TraPac terminal launched in 2009, the Port of Jacksonville has already started posting impressive volume gains. Cognisant of the post-panamax potential, Jacksonville is deploying all efforts to get its water depth down to a level that could accommodate post-panamax ships.

The Port of Miami is already equipped with the requisite authorisations to deepen to 50 ft. This project received a major boost last month, when Miami got \$22m under the federal Transportation Recovery grant programme (Tiger II) for rail improvements and dredging.

Over on Florida's Gulf Coast, the Port of Tampa has begun a highly productive relationship with Zim. Albeit on a scale smaller than the grandiose size of the post-

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*Paul Bingham, Wilbur Smith Assoc*

panamax business, this has already enabled Tampa to carve a niche for itself in overall US box trades.

On the larger backdrop of transshipment post-2014, would



TraPac terminal, Port of Jacksonville, which opened in 2009: volumes have risen since and it is trying to get water depth down to a level that could see post-panamax berth. MOL

these efforts enable Florida ports as a whole to pose meaningful competition to their Caribbean rivals?

No, said noted economist Paul Bingham, the head of transportation consulting at Wilbur Smith Associates.

The Jones Act is an obvious hurdle when it comes to transshipment. Should US cargoes have to be feedered off from Miami to, say, Houston, it would require a US-built, US-owned and US-crewed ship. Never mind the cost implications: there are no ships.

"There are theoretically some old ships available for this trade, but they are not economic to operate in such a service," Mr Bingham said.

Mr Bingham pointed out a second impediment: security. All cargoes that pass through the US, even transshipment cargoes, are bound by the 24-hour reporting rule, as well as other security regimes enforced by US Customs and Border Protection.

"The security limitations would practically apply only for non-US bound transshipments, which otherwise could avoid them if the vessels did not call US ports at all directly," Mr Bingham said.

"Because of these requirements, calling first in Miami would make no sense for a shipper bringing boxes from China to Mexico, just because the shipper also has boxes to be offloaded in America." ■

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## National Maritime mulls foreign expansion as it predicts big increase in ship arrests

NATIONAL Maritime Services, the biggest ship arrest and custody company in the US, is planning to establish fully-fledged operations in foreign countries.

In the Florida-based company's view, rising asset prices and banks' need ultimately to do something about non-performing loans would see more ship arrests around the world in 2011 and beyond.

The company therefore believes the time is right to establish a more permanent foreign footprint. National Maritime Services has conducted one-off ship recoveries in places like Canada and the Caribbean, but such an expansion would be a first in its 22-year history.

G Robert Toney, National Maritime Services chairman, said the company is working with legal counsel in many foreign jurisdictions where arrests are common, to learn about the legal issues involved in setting up operations there.

Several obvious jurisdictions known for arrest actions are under study: South Africa, Singapore, the Netherlands, and Australia. Of this list, it has so far been established that there are no legal barriers to setting up shop in Australia. However, the process is still very premature and there is no definite news to impart, Mr Toney stressed.

Nonetheless, in the larger

context, the company's story paints a clear synopsis of the financial climate in shipping today.

Just as an epidemic means good business for doctors and hospitals, shipping industry fortunes over the years have been inversely proportionate to those at National Maritime Services. The firm and its sister company National Liquidators, a pleasure yacht recovery and sales operation, reaped the benefits of the two previous US-centric recessions of the 1980s and 1990s, as well as the dotcom bust of 2000.

The 2008-09 recession proved no different. Vessel sales reached record proportions in 2008, and the 2009 performance too was stellar. National Maritime Services enjoyed particularly good business



Toney: establishing if any legal barriers exist to operating in other countries.

in the June 2009 bankruptcy of New York shipping company Eastwind Maritime.

However, the forecast Mr Toney made at the end of 2008 — that lower bank lending, which meant fewer new ships hitting the water, would at some point catch up with his business — has slowly started coming true. Although arrest activity so far into 2010 has shown a 50% increase over last year, the dollar value of the deals has started to decline.

"Default rates among borrowers went down recently, and on that backdrop we would not be surprised if business in 2011 turns out to be slightly weaker than this year," he said.

However, National Maritime Services' newly appointed president Alan Swimmer said two external factors have helped the company maintain a better-than-expected business level through the last 12 months.

The October 2009 evisceration of the use of Rule B to attach electronic funds transfers meant that serious attention again focused on using the rule to attach ships. National Maritime Services benefited in the bargain.

Secondly, the post-Deepwater Horizon drilling moratorium caused many offshore support vessels to be idled, with no cash flow. Some of these owners could not keep up with mortgage payments. Again, this meant good

business for National Maritime Services.

Mr Swimmer, who joined the firm in May with extensive experience in ship finance, said of the next year: "Banks will eventually have to write the value of their sub-performing loans down to the ultimate value of the collateral. Should ship values increase sufficiently after a write down, we would expect to start seeing banks enforcing their mortgages, so that

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they can recognise some profit and recoup a portion of their capital."

The company's sustained diversification since 2005 has also helped. Apart from commercial arrest and custody, its affiliate is a giant in yacht repossessions and re-sales. To these core businesses, it has added a ship repair facility in its home city of Fort Lauderdale, where vessels meant for onward sale are made ready for the market.

The portfolio of services is complemented by a finance arm to assist buyers, and a transportation company. These business units do third party business as well. ■

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