Optimising freight pricing with PortLog

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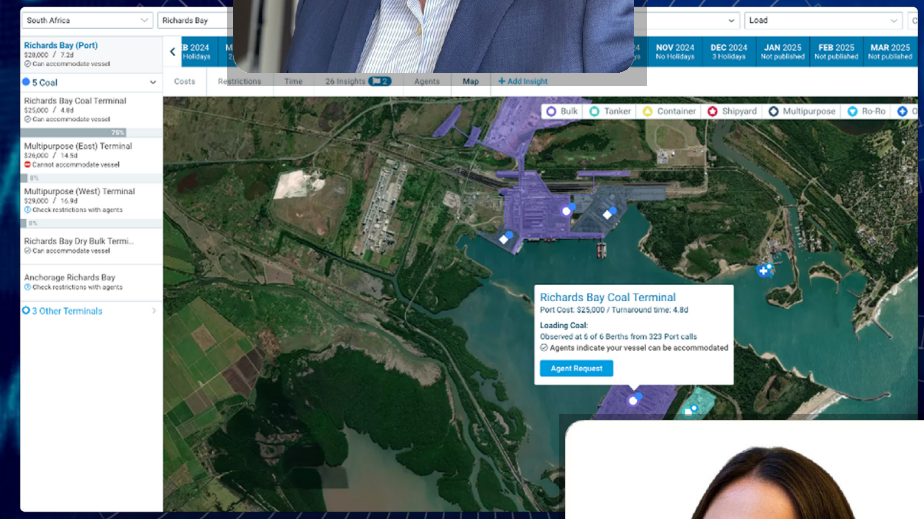
SVP, Product



Nellie Hoey
Senior Marketing Manager

Agenda

- Welcome
- What are the current industry challenges?
- In the words of our customers
- How we do it
- Live demo
- Q&A

Industry challenges

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Pricing port risk into freight rates

Jan Rindbo,
CEO, NORDEN

"Shipping is really about pricing risk. Risk is good if you understand how to price it, it gives you a competitive edge compared to others. If there is no risk, everybody can price it."

Martin Fruergaard,
CEO, Pacific Basin

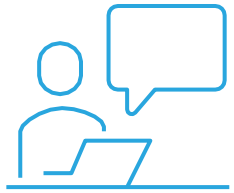
"The problem is not really data we have, you know tonnes of data, but it's really getting that data organised so that the people that are making decisions can actually use it. And then, of course, you need to have a culture in your company where actually people want to use it"

Jason Martinet,
Head of Dry Freight,
Montfort Trading

"There's a lot more time at port. So getting it wrong and pricing it wrong is a very, very costly exercise"

Source: https://splash247.com/shipping-is-really-about-pricing-risk-agri-commodities-session-at-geneva-dry/

The challenges of estimation are widespread

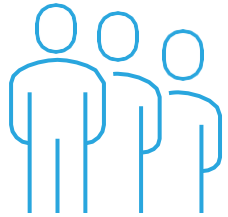


Chartering/Freight Traders

Quick and easy access to data to make best possible decisions on demurrage, vessel fit/intake, port costs and other risks before pricing and fixing

Finance

Reduce uncertainty between estimated and actual voyage result; predict cash flow impact of demurrage; reduce TCE leakage from time-not-on-demurrage



Operations

Optimise port call planning and execution; spend less time assisting chartering colleagues and contacting agents; support post-fix on demurrage calcs/disputes

Today's standard practice for estimating port calls

Estimation of port costs

- Copy from previous estimate / port call
- Check your manual port file
- Ask an agent or colleague

Verify port and terminal restrictions

- Check your manual port file
- Ask an agent or colleague

Unpaid time

- SHEX factor + 12h Turn Time
- Rest is covered by demurrage... Or not?

“Covered by demurrage”

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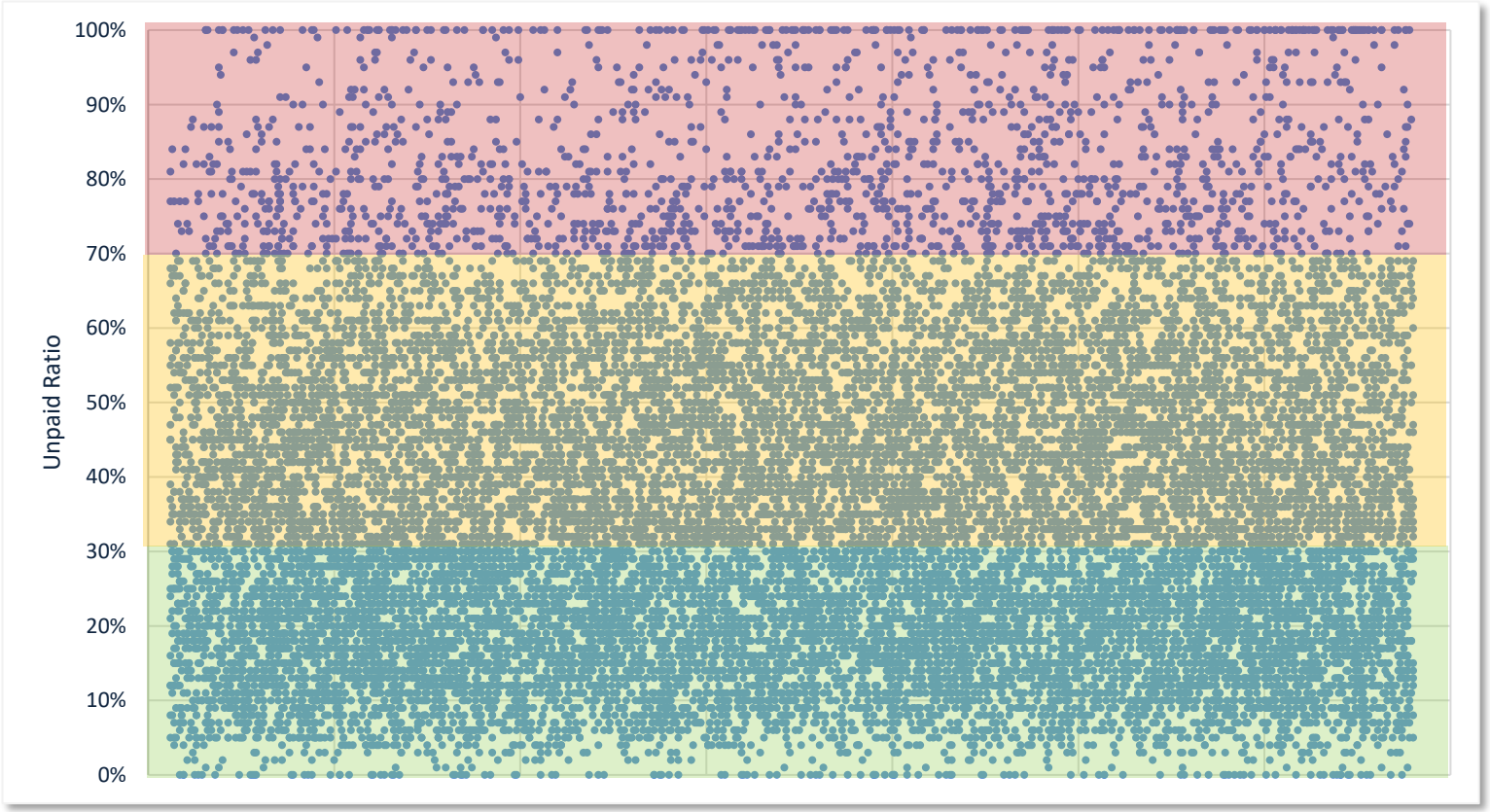
“Covered by demurrage?”

We conducted a study of over 20,000 dry bulk laytime calculations to evaluate the proportion of actual time spent by a vessel in port vs. the time counting on the laytime statement.

Unpaid Ratio – One dot is one port call



Source: ~20,000 laytime calculations; Unpaid days = Total time in port – Net days counting

On average, 38% of the actual time in port is unpaid.

For 9% of the port calls, even +70% of the time in port is not counting.

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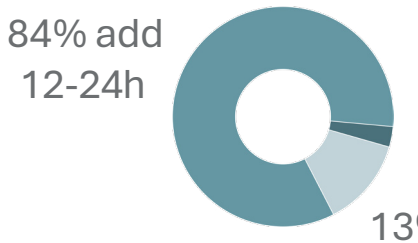
Estimating and allocating unpaid time in voyage estimates

All dry bulk companies seem to have followed the same practice for estimating unpaid time for decades. No matter which voyage management system is being used, the calculation remains the same.

$$\frac{\text{Cargo quantity}}{\text{L-D rate}} \times \text{SHEX factor} + \text{turn time} + \text{XPD}$$

Commercial CP rate, not the actual terminal efficiency

Flat factor, 1.0 – 1.6, without seasonality being considered



Added to less than 3% of voyage estimates

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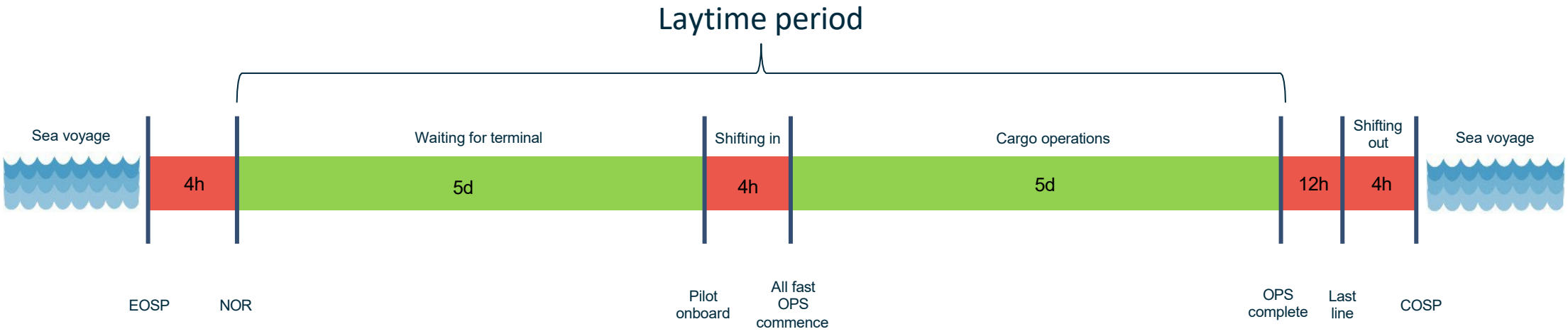
The challenge of estimating unpaid time

Nice and simple case



Factors:

- **SHINC terms**
- Allowed time 6d
- No rain or other deductions
- **Turn time buffer 12h**

Estimate:

Paid time	5.5d
Unpaid time	**0.5d**

Result:

Demurrage	4d
Unpaid time	1d
Underestimated unpaid time	**0.5d**

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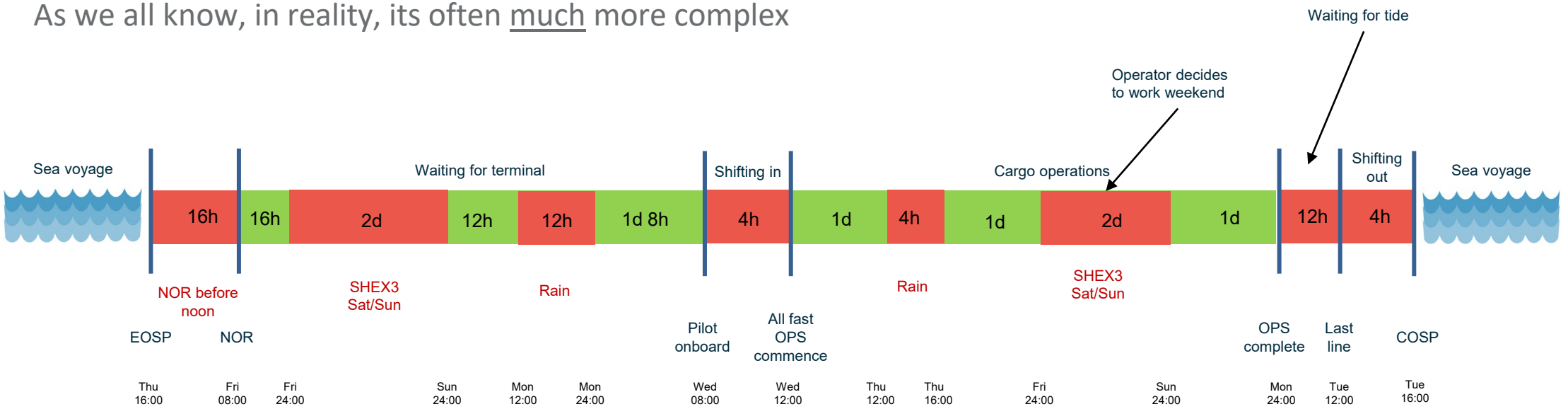
The challenge of estimating unpaid time

As we all know, in reality, its often much more complex



Factors:

- **SHEX3, factor 1.4 = 2.5d**
- Allowed time 6d
- **Turn time buffer 12h**
- 2 x rain
- "Once on demurrage" never happened

Estimate:

Paid time	6d
Unpaid time	**3d**

Result:

Despatch	**0.5d**
Unpaid time	6d 4h
Underestimated unpaid time	**3d 4h**

And operator paid for working overtime

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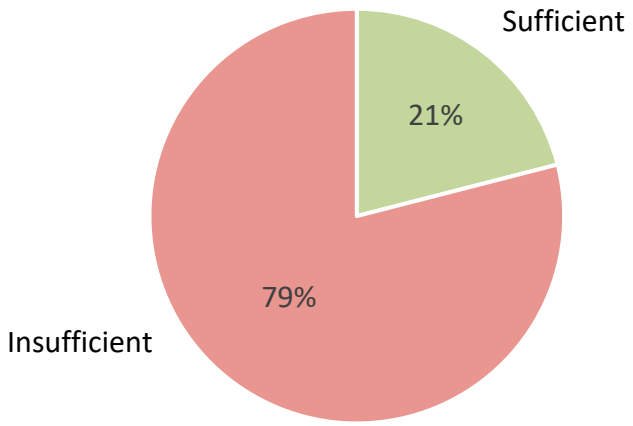
Did that ever happen to you?

You’re not alone !

Is this unpaid time expected and estimated?

How often is the unpaid port time correctly estimated and factored into the voyage estimates during the fixing process?

Ratio of sufficient unpaid time estimates



Source: ~20,000 laytime calculations

For 79% of the calculations we studied, the allocated unpaid time was not sufficient to cover for what really happened

For the fixtures where the provided buffer was adequate, 72% of cases were more than 1 day over-estimated

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In the words of our customers

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On dealing with risk and combining experience with data

Rasmus Saltofte. Head of Dry Cargo

“Each and every of our commercial chartering people use PortLog daily, and our job is to make the best decision for the company based on the amount of information we have.

Calculating cargoes is our daily job, and having PortLog for every calculation helps us to make the best possible decisions.

The decisions we make are based on a lot of variables, not only ships and weather and markets but also the actual time spent in the ports. So having PortLog is essential in ensuring that the decision you take is based on the most accurate information.”

Mikael Schultz – Head of BI & Business Transformation

“It’s a conservative industry. Historically, we’ve been doing what we’ve been doing for at least 30 years.

The old way of doing business doesn’t really work as well as doing it based on data, or even preferably a combination of data and knowledge.

Having a tool that provides insightful data on each of your port calls will enable you to see risk where it is.”

Visit portlog.com for more video conversations

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How we do it

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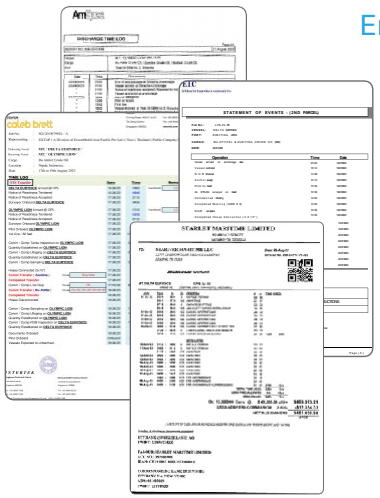
High complexity port data with frequent updates

Data	Source	# Data points (Dry business)
Locations	Marcura proprietary	4,000 ports 11,500 terminals 40,000 berths
Port costs	DA-Desk	600,000 historic FDAs
Port times and delays	Digitalised SOFs	350,000 historic SOFs 38.2m events / delays
AIS positions and derived port calls	AIS and geo polygons	5m AIS reports 650,000 port calls
Climatological data, rain, temperature	Weather providers	Rain fall and temperature, all ports 1,500 ports with seasonal rain factor from SOFs
Terminal efficiency	Digitalised SOFs	6,500 terminals
Terminal restrictions	Agents	200,000 restrictions across 6,000 terminals
Holiday calendar	BIMCO	35,000 local holidays

PortLog simulates a future laytime result



Digitalised and harmonised historic SOFs

Enriched AIS reports

Terminal efficiency

Predictive analytics

Rain patterns

Bad weather

Predicted SOFs

BIMCO Holidays

Digitised DAs

Predictive analytics

Digitalised charter parties

Likely terminal prediction

Predictive laytime

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Live demo

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Q&A

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