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Full-Shipload Tramp Ship Routing and Scheduling with Variable Speeds

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Abstract

This paper investigates the simultaneous optimization problem of routing and sailing speed in the context of full-shipload tramp shipping. In this problem, a set of cargoes can be transported from their load to discharge ports by a fleet of heterogeneous ships of different speed ranges and load-dependent fuel consumption. The objective is to determine which orders to serve and to find the optimal route for each ship and the optimal sailing speed on each leg of the route so that the total profit is maximized. The problem originated from a real-life challenge faced by a Danish tramp shipping company in the tanker business. To solve the problem, a three-index mixed integer linear programming formulation as well as a set packing formulation are presented. A novel Branch-and-Price algorithm with efficient data preprocessing and heuristic column generation is proposed. The computational results on the test instances generated from real-life data show that the heuristic provides optimal solutions for small test instances and near-optimal solutions for larger test instances in a short running time. The effects of speed optimization and the sensitivity of the solutions to the fuel price change are analyzed. It is shown that speed optimization can improve the total profit by 16% on average and the fuel price has a significant effect on the average sailing speed and total profit.

Keywords: tramp shipping, speed optimization, heuristic column generation

1. Introduction

Sea shipping is one of the most important transportation modes especially for large-volume goods between continents. It is estimated that sea cargo is responsible for around 80% of global trade by volume and over 70% by value, and these percentages are even higher in most developing countries (UNCTAD 2013). Among the various operational costs of sea shipping, fuel cost accounts for a large proportion. For example, in a liner shipping company, bunker cost can be around 50% (Notteboom 2006)

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7 or even above 60% (Goliás et al. 2009) of the total operational cost. In addition, the large consumption
8 of fuel results in significant CO₂ and NO_x emissions, which have recently attracted media attention for
9 their negative impacts on climate change and air pollution. According to the International Maritime
10 Organization (Buhaug et al. 2009), CO₂ emissions from the maritime sector in 2007 has increased by
11 86% compared to 1990 and accounted for 3.3% of the world's total emissions. These emissions are
12 expected to continue to increase by 150-250% in 2050 if no action is taken.

13 The fuel cost, and consequently CO₂ emissions, are strongly dependent on the sailing speed. Ryder
14 and Chappell (1980) and Ronen (1982) showed that a cubic function can describe the relationship between
15 fuel consumption and speed. The ocean conservation group OCEANA states: "Reducing commercial ship
16 speeds, by only a few knots, yields salutary results for both shipping companies and the environment."
17 (OCEANA 2008). Therefore optimizing sailing speed in order to reduce fuel cost and CO₂ emissions is
18 an important issue to investigate.

19 Speed optimization for shipping routes has attracted some attention recently. For liner shipping, most
20 of the previous work focuses on optimizing the speed for one or several fixed route(s) (Corbett et al. 2009,
21 Ronen 2011, Lindstad et al. 2011 and Wang and Meng 2012). In these studies, the sailing speed is treated
22 as a variable, which not only determines the fuel consumption but also determines the required ship
23 and/or fleet size to maintain the given service frequency. The yearly profit is expressed as a function of
24 sailing speed, and the optimal sailing speed is obtained when the marginal profit equals zero. Both Ronen
25 (2011) and Corbett et al. (2009) concluded that when the fuel price is increased, the optimal speed is
26 likely to be reduced when maximizing the profit. This reduction of speed also leads to a reduction of CO₂
27 emissions. Wang and Meng (2012) dealt with the problem of finding the optimal route for containers and
28 the optimal speed for the ships given fixed shipping routes and origin-destination pair of each container.
29 They proposed an outer-approximation method, which uses piecewise-linear functions to approximate
30 the fuel consumption as a function of speed within a predetermined tolerance level.

31 In contrast to liner shipping, tramp shipping does not consider service frequency. A ship can sail at
32 different speeds on different sailing legs of a route. The objective of tramp shipping is to minimize the
33 total cost or maximize the total profit for transporting cargoes. Fagerholt et al. (2010) considered the
34 problem of optimizing the speed on each leg of a single fixed route. Gatica and Miranda (2011) and
35 Norstad et al. (2011) studied simultaneous routing and speed optimization for a full-shipload problem
36 and a less-than-shipload problem respectively. In Fagerholt et al. (2010), the sequence of ports and the
37 time window of visiting each port on a given route are fixed. Three models were presented for solving the
38 problem. The first two models are non-linear models, where the speed is a continuous variable between
39 a minimum and a maximum, and the fuel consumption per distance unit is expressed as a quadratic

40 function of speed. The third model discretizes the time window and converts the problem into a shortest
41 path problem on an acyclic graph. These models were tested on data with up to 16 ports and 10-day
42 time window. It was shown that, compared to the continuous model, the discrete model is able to provide
43 quality solution within short computational time. [Gatica and Miranda \(2011\)](#) applied the same idea of
44 discretized time window to the solution of a full-shipload routing and speed optimization problem. They
45 tested their method on generated data instances with up to 15 discretized time-window points, 50 cargoes
46 and 9 ships. [Norstad et al. \(2011\)](#) formulated the less-than-shipload routing and speed optimization
47 problem as a pickup and delivery problem with an extra continuous decision variable for the speed on
48 each leg. They proposed a recursive smoothing algorithm for determining the optimal speed for a given
49 route, which is shown to be superior to the discretization of arrival time presented in [Fagerholt et al.](#)
50 [\(2010\)](#). To solve the routing and speed optimization simultaneously, they proposed a multi-start local
51 search heuristic and tested it on data with up to 10-day time windows.

52 The problem of routing and scheduling for tramp shipping is very similar to the well-know vehicle
53 routing problem ([Eksioglu et al. \(2009\)](#), [Laporte et al. \(2013\)](#)), which has been studied intensively in the
54 literature. [Christiansen et al. \(2007\)](#) and [Christiansen et al. \(2013\)](#) gave a good overview of maritime
55 transportation and present different models for routing and scheduling of both tramp and liner ships. A
56 few variations of tramp shipping problems have also been addressed in the previous work. [Gatica and](#)
57 [Miranda \(2011\)](#) studied a full-shipload problem, where each cargo corresponds to a full-shipload and a
58 ship can only carry one cargo at a time as mentioned above. [Brønmo et al. \(2007a\)](#), [Korsvik et al. \(2010\)](#),
59 [Lin and Liu \(2011\)](#) and [Norstad et al. \(2011\)](#) studied the less-than-shipload problem, in which several
60 cargoes are allowed to be onboard at the same time. The cargo size is fixed in their studies. [Brønmo](#)
61 [et al. \(2007b\)](#), [Korsvik and Fagerholt \(2010\)](#) and [Brønmo et al. \(2010\)](#) allowed the shipping company to
62 choose the quantity of each cargo to be transported, and therefore the delivery quantity becomes a variable
63 between given upper and lower bounds. In [Henrik et al. \(2011\)](#), [Korsvik et al. \(2011\)](#) and [Stålhane et al.](#)
64 [\(2012\)](#), a single cargo can be split between multiple ships.

65 The work described in this paper originated from a routing and scheduling problem encountered
66 by a large Danish product tanker shipping operator, who transports oil products in full-shipload mode.
67 The shipping operator has a fleet of heterogeneous ships with different sizes and fuel consumptions. It
68 receives cargo orders from the customers, each of which has a specific pickup port, a delivery port and a
69 time window within which the cargo should be picked up. The operator needs to decide whether to accept
70 the cargo, which ship should pickup the cargo at what time, and at which speed each ship should sail
71 on each leg in order to maximize the overall profit. This problem is similar to the full-shipload routing
72 and speed optimization problem considered in [Gatica and Miranda \(2011\)](#). The difference is that, in

73 our problem, the fuel consumption of each ship depends individually on the sailing speed and the load
74 of the ship, i.e., whether the ship is loaded (laden) or empty (ballast); whereas, in [Gatica and Miranda](#)
75 [\(2011\)](#), the fuel consumption only depends on the speed. To the best of the authors' knowledge, the load
76 dependent fuel consumption has not been considered in the literature. In addition, [Gatica and Miranda](#)
77 [\(2011\)](#) did not propose any tailored solution method but relied on solving the models using an IP solver.
78 We have formulated two mathematical models for the problem, developed a Branch-and-Price (B&P)
79 algorithm with heuristic column generation, and tested the proposed algorithm on instances generated
80 from real-life data. The computational results show that the branch-and-price heuristic produces optimal
81 or near-optimal solutions in relatively short time.

82 The main contribution of this paper is the proposed heuristic. The heuristic is able to find high
83 quality solutions in short computation time. It clearly outperforms a commercial IP solver when it comes
84 to computation time and size of the instances that can be handled. In terms of modeling, the present
85 paper is one of the first to consider variable speeds in a tramp shipping planning context and it is the
86 first to consider a load dependent fuel consumption. Although the modeling is greatly simplified by the
87 assumption of full-vessel loads, the assumption itself is realistic. The company used as a case in this
88 project does not carry multiple orders simultaneously on a single ship.

89 The remainder of the paper is organized as follows. Two mathematical formulations are presented in
90 Section 2 and the heuristic B&P algorithm is described in Section 3. The computational results are given
91 in Section 4, followed by conclusions in Section 5.

92 2. Mathematical Model

93 Our problem can be defined on the graph $G = (N, A)$, where N is the set of all the nodes and A is the
94 set of feasible arcs in the graph. Let S denote the set of ships. Each ship $s \in S$ starts from node $o(s)$ and
95 ends at dummy node $d(s)$. Let O and D denote the set of all origins and destinations of the ships. Let
96 N_0 denote the set of cargoes. As this is a full-shipload problem, each node $i \in N_0$ corresponds to a cargo,
97 which is transported directly from its load port to discharge port, and is associated with a sailing distance
98 g_i from the load port to the discharge port, a port service time t_i for loading and unloading the cargo and a
99 time window $[a_i, b_i]$, within which the cargo should start being loaded. For $i \in O \cup D$, we set $g_i = 0$, $t_i = 0$,
100 $a_i = 0$ and $b_i = \max_{j \in N_0} \{b_j\}$. The set of all the nodes is $N = N_0 \cup O \cup D$. Let $N_i^+ = \{j : (i, j) \in A\}$ and
101 $N_i^- = \{j : (j, i) \in A\}$ be the set of nodes that can be reached from node i and can reach node i respectively.
102 The distance between two nodes i and j is denoted as d_{ij} , which is the distance from the discharge port
103 of cargo i , or the location of i if $i \in O$, to the load port of cargo j . For the dummy nodes $j \in D$, we set
104 $d_{ij} = 0$, since we do not decide in advance where the ship should end its journey. The ships can sail at

105 different speeds. Let V denote the set of speeds and l^v the time of sailing one distance unit at speed $v \in V$.
 106 The fuel consumption depends on the ship, the sailing speed and the load of the ship. Let e_s^v denote the
 107 ballast fuel cost of ship s sailing one distance unit at speed v . Let c_{is}^v be the cost of ship s sailing one
 108 distance unit at speed v with cargo i . It should be noted that c_{is}^v is determined by the light weight of the
 109 ship s , the weight of cargo i and the speed. Examples of approximation functions of c_{is}^v can be found in
 110 [Psaraftis and Kontovas \(2013\)](#). Due to the fact that the ships are different, not all the ships can serve all
 111 the cargoes. For example, a small ship cannot carry a large cargo, and a large ship with deep draft cannot
 112 serve a cargo with a shallow load or discharge port. Let binary variable p_{is} be 1 if is feasible for ship s to
 113 serve cargo i and 0 otherwise. Let r_i^v be the reward of cargo i when served at speed v .

114 2.1. A Three-Index Formulation

115 Let binary variable x_{ijs}^v be 1 iff ship s sails from cargo node i to cargo node j at speed v , and let binary
 116 variable y_{is}^v be 1 iff ship s serves cargo i at speed v . Let variable z_{is} denote the time when ship s starts
 117 loading cargo i , and auxiliary variable w_{ijs} denote the time span of ship s from arriving at the loading port
 118 of cargo i to arriving at the loading port of cargo j . The mathematical model can be presented as follows:

$$119 \min \sum_{i \in N_0} \sum_{s \in S} \sum_{v \in V} c_{is}^v g_i y_{is}^v + \sum_{(i,j) \in A} \sum_{s \in S} \sum_{v \in V} e_s^v d_{ij} x_{ijs}^v - \sum_{i \in N_0} \sum_{s \in S} \sum_{v \in V} r_i^v y_{is}^v \quad (1)$$

120

121 subject to:

$$\sum_{j \in N_i^+} \sum_{s \in S} \sum_{v \in V} x_{ijs}^v \leq 1 \quad \forall i \in N_0 \quad (2)$$

$$\sum_{j \in N_{o(s)}^+} \sum_{v \in V} x_{o(s)js}^v = 1 \quad \forall s \in S \quad (3)$$

$$\sum_{j \in N_i^+} \sum_{v \in V} x_{ijs}^v - \sum_{j \in N_i^-} \sum_{v \in V} x_{jis}^v = 0 \quad \forall i \in N_0, s \in S \quad (4)$$

$$\sum_{j \in N_{d(s)}^-} \sum_{v \in V} x_{jd(s)s}^v = 1 \quad \forall s \in S \quad (5)$$

$$t_i + \sum_{v \in V} g_i l^v y_{is}^v + \sum_{v \in V} d_{ij} l^v x_{ijs}^v = w_{ijs} \quad \forall (i, j) \in A, s \in S \quad (6)$$

$$z_{is} + w_{ijs} - M(1 - \sum_{v \in V} x_{ijs}^v) \leq z_{js} \quad \forall (i, j) \in A, s \in S \quad (7)$$

$$a_i \leq z_{is} \leq b_i \quad \forall i \in N, s \in S \quad (8)$$

$$\sum_{v \in V} y_{is}^v \leq p_{is} \quad \forall i \in N_0, s \in S \quad (9)$$

$$\sum_{j \in N_i^+} \sum_{v \in V} x_{ijs}^v = \sum_{v \in V} y_{is}^v \quad \forall i \in N_0, s \in S \quad (10)$$

$$x_{ijs}^v, y_{is}^v \in \{0, 1\} \quad \forall i, j \in N, v \in V, s \in S \quad (11)$$

$$z_{is} \geq 0 \quad \forall i \in N, s \in S \quad (12)$$

$$w_{ijs} \geq 0 \quad \forall i, j \in N, s \in S \quad (13)$$

122

123 The objective function (1) minimizes the sum of the transportation cost minus the total reward of the
 124 served cargoes. It can also be reformulated as maximization of the total profit. It should be noted that
 125 other ship costs, such as maintenance costs and crew salaries, are not considered in this work. Constraints
 126 (2) ensure that each cargo is served by at most one ship at one speed. If a subset of the cargoes is
 127 mandatory, we need to change the inequality in this constraint to an equality for those mandatory cargoes.
 128 Constraints (3) to (5) are flow conservation constraints. Constraints (6) calculate the time span w_{ijs}
 129 of ship $s \in S$ from the arrival at the loading port of cargo i to the arrival at the loading port of cargo
 130 j , which is the sum of the loading and unloading time of cargo i , the sailing time between the load
 131 and discharge ports of cargo i and the sailing time from cargo i to cargo j . Constraint (7) imposes
 132 that if ship s sails from i to j , then $z_{js} \geq z_{is} + w_{ijs}$. Parameter M is a sufficiently large number, and
 133 is set to $b_i + (t_i + \max_{v \in V} g_i l^v + \max_{v \in V} d_{ij} l^v) - a_i$. Constraints (8) are the time window constraints.
 134 Constraints (9) ensure that each cargo can only be served by a compatible ship. Constraints (10) enforce
 135 the relationship between x and y variables. Constraints (11), (12) and (13) define the variables.

136 In order to tighten and simplify the model, it is advantageous to only generate variables corresponding
 137 to arcs that are feasible. An arc (i, j) is infeasible, if $b_j < a_i + t_i + (g_i + d_{ij}) \cdot l^{v_{\max}}$, where v_{\max} corresponds
 138 to the highest possible speed.

139 This model is solved by CPLEX 12.5. The tests show that removing infeasible arcs reduces compu-
 140 tational time significantly. For an instance with 100 cargoes, 20 ships and a 60-day planning horizon, the
 141 number of arcs in the graph and the computational time is reduced by 78% and 66% respectively. This
 142 is because our problem is a full-shipload problem and the service time of a cargo, including the loading
 143 time, transportation time from pickup to delivery and unloading time, is relatively long compared to the
 144 pickup time window. Further computational results will be presented in Section 4.

145 2.2. Set Packing Formulation

146 This problem can also be formulated as a Set Packing problem. Let P^s be the set of feasible routes for
 147 ship $s \in S$. Let c_p^s denote the cost of route p for ship s , calculated as the transportation cost minus the total
 148 reward of the cargoes served on the route. Let a_{ip} equal 1 if route p covers cargo i , and 0 otherwise. Let

149 the binary variable y_p^s be 1 if route p is taken by ship s , and 0 otherwise. The problem can be formulated
 150 as follows:

151

$$\min \sum_{s \in S} \sum_{p \in P^s} c_p^s y_p^s \quad (14)$$

152

153 subject to

$$\sum_{s \in S} \sum_{p \in P^s} a_{ip} y_p^s \leq 1 \quad \forall i \in N_0 \quad (15)$$

$$\sum_{p \in P^s} y_p^s \leq 1 \quad \forall s \in S \quad (16)$$

$$y_p^s \in \{0, 1\} \quad \forall p \in P^s, s \in S \quad (17)$$

154

155 The objective is to minimize the cost of the selected routes in such way that each cargo is covered by
 156 at most one ship and each ship is assigned to at most one route.

157 The LP relaxation of the set packing formulation will always provide the same or better lower bound
 158 compared to the LP relaxation of the three-index formulation.

159 3. Solution Method

160 Solving the set packing model (14)–(17) by listing all possible ship routes in P^s for all $s \in S$ and
 161 passing this problem to an IP solver seems impossible given the many possible routes for each ship and
 162 the many choices of sailing speeds for a single route. As a consequence, the model is solved using a
 163 heuristic branch-and-price algorithm (see e.g. Barnhart et al. 1998). The branch-and-price algorithm
 164 solves the linear programming (LP) relaxation of the problem (denoted as LP-SP in the following text),
 165 where (17) is replaced by

$$y_p^s \geq 0 \quad \forall p \in P^s, s \in S.$$

166 This problem can be solved by column generation, where only a subset of the ship routes are firstly
 167 considered in the model and the rest of the routes that have the potential to improve the objective function
 168 are gradually generated and added to the model. Let \bar{P}^s be the restricted set of routes for ship s , which
 169 can be initialized by single-cargo routes. The restricted LP with the restricted sets \bar{P}^s is called *the master*
 170 *problem*. Solving the master problem gives dual variables π_i and λ^s corresponding to constraints (15) and
 171 (16), respectively. Using these dual variables, we can calculate the reduced cost of a path p for ship s as

172 $\hat{c}_p^s = c_p^s - \sum_{i \in N_0} a_{ip} \pi_i - \lambda^s$. If $\hat{c}_p^s \geq 0$ for all $s \in S$ and all $p \in P^s$ (that is, considering all feasible routes),
173 then the current LP solution to the restricted problem is optimal for the full LP model. If there exist an
174 $s \in S$ and a $p \in P^s$ such that $\hat{c}_p^s < 0$ then the corresponding variable has a chance of producing improved
175 LP solution. It should be added to \bar{P}^s and the LP should be resolved to obtain new dual variables. Finding
176 the $s \in S$ and $p \in P^s$ that results in the lowest \hat{c}_p^s is done by solving a *pricing problem*. In our case the
177 pricing problem is an elementary shortest path problem with time windows and variable speeds. We solve
178 a problem for each ship $s \in S$, aiming at finding the cheapest path from $o(s)$ to $d(s)$ satisfying the time
179 windows. The information given by the dual variables is encoded in the arc costs of the shortest path
180 problem. More precisely, in the shortest path problem related to ship s , the cost $\bar{c}_{ij}^{v_1 v_2}$ of an arc (i, j) with
181 a traverse speed v_1 on the laden part of the journey, i.e. the sailing distance between cargo i 's load and
182 discharge ports, and speed v_2 on the ballast part of the travel (from node i to node j) is set to

$$\bar{c}_{ij}^{v_1 v_2} = \begin{cases} c_{is}^{v_1} g_i + e_s^{v_2} \cdot d_{ij} - \pi_i & \text{if } i \in N_0 \\ e_s^{v_2} \cdot d_{ij} - \lambda^s & \text{if } i = o(s) \end{cases}$$

183

184 By using these arc costs, it is easy to show that the cost of a path will equal the reduced cost of
185 the corresponding variable. The resource constrained shortest path problem is usually solved by using
186 labeling algorithms (Irnich and Desaulniers 2005). However, in this paper, we use a simple heuristic to
187 ensure that the computational time of the pricing problem is short even for large instances. The heuristic
188 is described in Section 3.2. Using a heuristic for solving the pricing problem implies that we do not know
189 if the algorithm has solved LP-SP to optimality. Even if the heuristic cannot find a path with negative cost,
190 we cannot rule out the existence of a path that could improve the current solution to LP-SP. However, the
191 algorithm proceeds as if we had solved the LP to optimality. If the LP relaxation only takes integer values,
192 the algorithm stops and outputs the solution. If some variables take fractional values, the algorithm will
193 branch in order to find an integer solution. We choose to branch on the arcs used in the subproblem, i.e.,
194 whether the ships should use an arc or not. From an implementation point of view, it is handled in the
195 way described by Desrochers et al. (1992).

196 The algorithm uses strong branching in order to decide which arc to branch on. A number, β , of
197 branching candidates are evaluated by enforcing the branch and computing the resultant improvement in
198 the lower bounds (Δ_1 and Δ_2) in the two child nodes. Following Linderoth and Savelsbergh (1999), the
199 algorithm chooses the branch that maximizes

$$\alpha \min\{\Delta_1, \Delta_2\} + (1 - \alpha) \max\{\Delta_1, \Delta_2\}$$

200 where $0 \leq \alpha \leq 1$ is a parameter.

201 If the pricing problem were solved to optimality and the branch-and-bound algorithm were allowed
202 to run until all relevant nodes in the search tree had been explored, it would either return the optimal
203 solution or state that no feasible solution exists. Since the implemented algorithm only solves the pricing
204 problem using a heuristic, we cannot guarantee that the optimal solution is found, but the solution quality
205 is in general good as will be seen in Section 4.2.

206 After finishing the branch-and-bound search, the algorithm uses a generic IP solver to solve (14)–
207 (17) using the generated columns. This can give improved solutions even when the branch-and-bound
208 search has run to the end. This is because the heuristic branch-and-price algorithm can fathom a node
209 erroneously due to the missing of an important column. If this column is generated at a later stage then
210 solving the model with these additional generated columns may yield an improved solution.

211 3.1. Preprocessing

212 The purpose of the preprocessing is to reduce the solution space by identifying incompatibilities
213 between the cargoes. Two cargoes are incompatible if it is infeasible to serve them on the same route
214 without violating their time windows, i.e., $a_i + T_{ij}^{\min} > b_j$ or $a_j + T_{ji}^{\min} > b_i$, where T_{ij}^{\min} denotes the
215 minimum time required to serve cargo i and to travel from cargo i to cargo j . The first inequality states
216 that cargo j can not be reached before the end of its time window even if a ship starts serving cargo i
217 at the beginning of its time window, uses the minimum time to service cargo i and sail to cargo j . The
218 second inequality describes the opposite. Any route that contains two incompatible cargoes is infeasible.

219
220 Let N_i^{INF} denote the set of cargoes that are incompatible with cargo i and $|N_i^{\text{INF}}|$ the number of cargoes
221 incompatible with i . Figure 1 shows $|N_i^{\text{INF}}|$ for each cargo in an instance with 160 cargoes in a 90-day
222 planning horizon. The cargoes (x-axis) are sorted by their $|N_i^{\text{INF}}|$ in a non-decreasing order. As can be
223 seen from the figure, for most of the cargoes, the number of incompatible cargoes is larger than 60, and
224 there are 11 cargoes, with more than 100 incompatible cargoes. These cargoes are characterized by a
225 long distance between the load and discharge port and long service time, which makes it difficult for
226 other cargoes to fit in the same route.

227 The result of the preprocessing is used in solving the pricing problem. The pricing heuristic will
228 never try to put two incompatible cargoes into the same route. This helps to reduce the solution space and
229 shorten the computational time of solving the pricing problem. The tests show that, for an instance with
230 100 cargoes and 20 ships within a 60-day planning horizon, the proposed preprocessing can reduce the
231 computational time by more than 80% (from 46 seconds to 9 seconds).

232

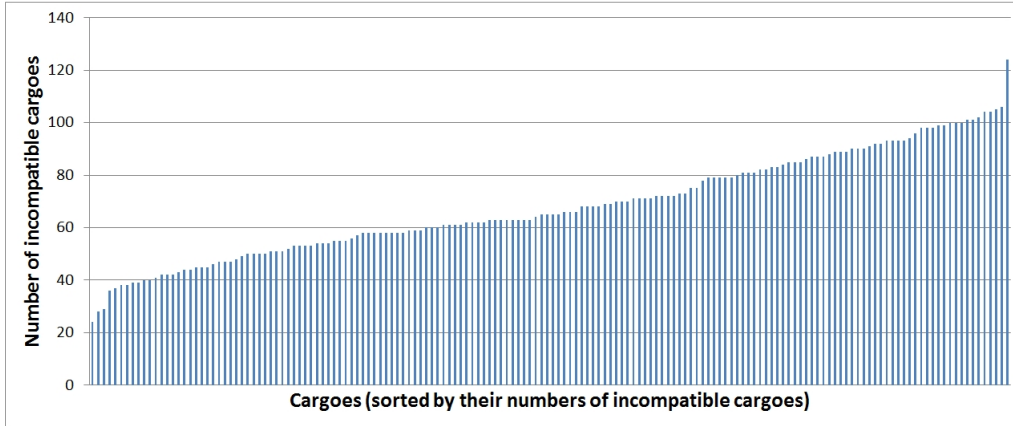


Figure 1: The number of incompatible cargoes for each cargo.

233 *3.2. Heuristic algorithm for solving the pricing problem*

234 Our pricing heuristic method is described in Algorithm 1. It initially makes a random permutation of
 235 the ships, which determines the order of processing.

236 For each ship s , the algorithm tries to find a list of routes, R , with negative reduced cost by means
 237 of an insertion heuristic. The insertion heuristic first initializes the route r with a seed cargo i (every
 238 cargo is treated as a seed node). Let the set of nodes N' denote the remaining candidate cargoes to be
 239 inserted, $N' = N_0 \setminus \{i\} \cup N_i^{\text{INF}}$. At each iteration, the algorithm attempts to insert every cargo $j \in N'$ into
 240 every possible position on route r at every possible speed on the sailing legs from the precedent cargo
 241 to j , between the load and discharge ports of j , and from j to the successor cargo. The best cargo j^*
 242 with the minimum insertion cost is selected for insertion and N' is updated by removing cargo j^* and its
 243 incompatible cargoes. Whenever a node is inserted, the reduced cost of the resultant route r is updated.
 244 If it is negative, then the route is added to R . Node insertion and updating of N' and R are repeated until
 245 there are no nodes left in N' . The same insertion heuristic is repeated for every feasible seed cargo. If
 246 the resultant route list R for ship s is not empty, the pricing heuristic stops, filters R by removing the
 247 dominated routes in a heuristic way. Otherwise, the algorithm proceeds with the next ship, and repeats
 248 the same procedure until it finds a ship, for which the route list R is not empty, or until all ships have been
 249 tried.

Algorithm 1 Heuristic algorithm for the pricing problem.

```
1:  $S$ : the set of ships sorted in a random order;
2:  $R$ : the list of routes to be added into the master problem;
3:  $N_0$ : the set of all the cargoes
4:  $N_i^{INF}$ : the set of cargoes that are incompatible with cargo  $i$ ;
5:  $R \leftarrow \emptyset$ 
6: for (ship  $s \in S$ ) do
7:   for (seed cargo  $i \in N_0$ ) do
8:     Create an empty route  $r$  for ship  $s$ 
9:      $N' \leftarrow N_0$ ;
10:    if ( $i$  can be inserted to  $r$ ) then
11:      Insert  $i$  into route  $r$ ;
12:       $N' \leftarrow N' \setminus \{i\} \cup N_i^{INF}$ ;
13:      if ( $r$  has negative reduced cost) then
14:        Update  $R$ ;
15:      while  $N'$  is not empty do
16:         $j^* \leftarrow$  Find the best node in  $N'$  that can be inserted into  $r$ 
17:        if  $j^*$  is empty then
18:           $N' \leftarrow \emptyset$ 
19:        else
20:          Insert  $j$  into route  $r$ ;
21:           $N' \leftarrow N' \setminus \{j^*\} \cup N_{j^*}^{INF}$ 
22:          if ( $r$  has negative reduced cost) then
23:            Update  $R$ ;
24:    if  $R$  is not empty then
25:      Return  $R$ ;
26: Return  $R$ ;
```

250 4. Computational experiments

251 Our algorithm is implemented in C++ and executed on a computer with a 2.90GHz Intel Core i7-
252 3520M processor that has two cores (and doubles the amount of virtual cores through the *hyper threading*
253 feature). The computer has 8 GB of RAM. The model (1)–(13) is solved by CPLEX 12.5 on the same
254 computer. CPLEX takes advantage of all available cores while our heuristic only uses one core. The data
255 used for testing the algorithm is described in Section 4.1 and the computational results are presented in
256 Section 4.2. The parameters α and β in strong branching were set to $\frac{3}{4}$ and 15, respectively, the same
257 values as in [Dabia et al. \(2013\)](#) and [Ropke \(2013\)](#).

258 4.1. Data

259 The test instances are generated from real-life data provided by the tanker shipping operator. The
260 distributions of the generated cargoes in the test instances approximate the observed distributions in the
261 real-life dataset in terms of traveling distance, geographical location of the load and discharge ports, load
262 and discharge times, and time windows. In practice, a preferred service (laden) speed, at which the cargo
263 should be shipped, and the corresponding reward are fixed after a business negotiation between the cargo
264 owner and the shipping company. In this work, in order to investigate the effect of variable speeds, we
265 allow the cargoes to be served at different speeds and the corresponding rewards to be dependent on the
266 selected sailing speeds. Let $v_i^{\text{pref}} \in V$ denote the preferred service speed of cargo i . The reward of cargo i at
267 speed $v \in V$, r_i^v , is determined by the fuel consumption over the total sailing distance of the cargo and the
268 deviation from the cargo's preferred speed, i.e. $|v - v_i^{\text{pref}}|$, multiplied by a random element for variation.
269 The sailing speed is discretized in the real-life data and the set of speeds is $V = \{10, 10.5, \dots, 16\}$ knots
270 (1 knot equals 1.852 km per hour). As the fleet of ships is heterogeneous, the feasible sailing speeds and
271 the corresponding fuel consumptions vary between ships. For example, a heavy and slow ships can sail
272 between 12 and 15.5 knots, with a fuel consumption at 14 knots of 39.5 and 41.5 tons per day for ballast
273 and laden sailing respectively, while a lighter ship consumes 29.5 and 34 tons per day at the same speed.

274 Thus, the test data are generated by approximating the long-term statistics of the cargoes and using the
275 same practical sailing speed options and fuel consumption functions as in the real-life data. The dataset
276 consists of twenty instances involving up to 250 cargoes and 32 ships in a 135-day planning horizon. The
277 number of cargoes, the number of ships and the length of the planning horizon of each instance are given
278 in Table 1.

Table 1: The ten instances generated from real-life data.

	Number of cargoes	Planning horizon (days)	Number of ships
c40_d30_s20	40	30	20
c40_d30_s32	40	30	32
c70_d45_s20	70	45	20
c70_d45_s32	70	45	32
c100_d60_s20	100	60	20
c100_d60_s32	100	60	32
c130_d75_s20	130	75	20
c130_d75_s32	130	75	32
c160_d90_s20	160	90	20
c160_d90_s32	160	90	32

279 4.2. Results

280 We test our algorithm on the generated instances, and compare the heuristic solutions to the optimal
 281 solutions. We also investigate the effects of allowing variable speeds and analyze how the fuel price
 282 affects the solutions.

283 *The performance of the proposed heuristic method*

284 The problem of simultaneously optimizing routing and sailing speed is solved by the proposed heuris-
 285 tic approach and by solving model (1)–(13) using CPLEX 12.5. A comparison between the two solution
 286 approaches is given in Table 2. Columns Z^H and Z^* are the profits obtained by the heuristic method and
 287 CPLEX respectively. The computational time in seconds and the number of served cargoes are given
 288 in columns T and n_s . The last column shows the optimality gap in percentage, which is calculated as
 289 $\frac{Z^H - Z^*}{Z^*} \cdot 100$. The instances of which CPLEX runs out of memory are indicated by “–” in the table. The
 290 limit on the computational time for the heursitic is set to 3600 seconds and for CPLEX 24 hours.

291 As can be seen from the table, CPLEX managed to find the optimal solutions for all the instances with
 292 up to 160 cargoes. Larger instances can be solved directly by CPLEX for our problem than for the vehicle
 293 routing problems. This is because, as mentioned earlier, our problem is a full-shipload shipping problem
 294 and the service time of a cargo, including the loading time, transportation time from pickup to delivery
 295 and unloading time, is relatively long compared to the pickup time window. Therefore the solution space
 296 is not as large as for a vehicle routing problem of the same size.

297 Our heuristic is able to find optimal solutions to three small instances and near-optimal solutions to
 298 the remaining instances. The optimality gap is consistently below 4.08% for the instances that CPLEX
 299 succeeded in finding the optimal solutions. In terms of computational time, the heuristic approach out-

300 performs the exact method significantly. The average running time of the heuristic is less than 5% of
 301 that of CPLEX, and the heuristic managed to find solutions to all the instances. The numbers of served
 302 cargoes given by the two solution approaches are very close. In both heuristic and exact solutions, the
 303 ship's waiting time is approximately 15% of the entire planning horizon on average.

Table 2: The results obtained by the heuristic method and CPLEX for the ten test instances.

	Heuristic solution			Exact solution			Gap (%)
	Z^H	T (s)	n_s	Z^*	T (s)	n_s	
c40_d30_s20	5,497,357	0.2	20	5,497,357	3.0	20	0.00
c40_d30_s32	7,455,752	0.5	31	7,455,752	7.9	31	0.00
c70_d45_s20	8,222,284	2.5	33	8,222,892	52.8	33	-0.01
c70_d45_s32	11,735,410	3.3	49	11,735,410	117.6	49	0.00
c100_d60_s20	13,132,563	9.0	43	13,135,308	34.2	43	-0.02
c100_d60_s32	15,706,468	41.6	58	15,746,738	176.7	57	-0.26
c130_d75_s20	15,615,057	25.0	53	15,651,603	131.9	53	-0.23
c130_d75_s32	16,876,775	74.8	77	16,905,159	502.6	78	-0.17
c160_d90_s20	16,683,846	303.3	56	16,765,250	2,958.6	57	-0.49
c160_d90_s32	24,237,644	843.0	92	24,366,858	53,509.7	91	-0.53
Average	13,516,315	130.3	51.2	13,548,232	5,747.5	51.2	-0.17

304 In Table 3, we show detailed statistics for the heuristic. The first column shows the instance name.
 305 The second column shows the total time spent by the heuristic. The third column shows if the branch
 306 and bound search finished (X) or if it was stopped prematurely (-). The fourth column shows the number
 307 of branch-and-bound nodes explored. The fifth column shows the number of columns generated. And
 308 the last column shows the time spent in the pricing heuristic. It is obvious that most of the time is spent
 309 on the pricing problem, which means that only a small fraction of time is spent on solving LP and the
 310 necessary bookkeeping within the algorithm. It is also interesting to note that only a small number of
 311 branch-and-bound nodes have been searched.

312 *The effect of speed optimization*

313 In order to evaluate the effects of speed optimization, we compared the solutions to the multiple-speed
 314 case with those to the single-speed case. In the single-speed case, the laden sailing speed of a ship is equal
 315 to the preferred service speed of the cargo, and the ballast sailing speed is set to a constant speed, which
 316 is the smaller value of 12 knots (a realistic choice according to the company's statistic) and the ship's

Table 3: Detailed results for the heuristic

Instance	T_{tot} (s)	Fin.	#BB Nodes	#Columns	$T_{pricing}$ (s)
c40_d30_w1_s20	0.2	X	0	235	0.2
c40_d30_w1_s32	0.5	X	0	339	0.4
c70_d45_w1_s20	2.3	X	0	550	2.3
c70_d45_w1_s32	3.3	X	0	946	3.2
c100_d60_w1_s20	9.0	X	0	1112	8.9
c100_d60_w1_s32	41.6	X	2	1734	41.3
c130_d75_w1_s20	25.0	X	0	1810	24.9
c130_d75_w1_s32	74.8	X	0	2690	74.5
c160_d90_w1_s20	303.3	X	2	2185	302.8
c160_d90_w1_s32	843.0	X	2	3542	841.7

317 lowest feasible ballast speed, whereas in the multiple-speed case, both the laden and ballast speeds are
318 variables. The profit, computational time and number of served cargoes for both cases are provided in
319 Table 4.

320 For the multiple-speed case, column \bar{v}_{diff} shows the average difference in knots between the actual
321 service speed and the preferred speed over all the served cargoes. It is calculated as $\frac{\sum_{i \in N_S} |v_i - v_i^{pref}|}{n_s}$, where
322 N_S is the set of served cargoes, n_s is the number of served cargoes, and v_i is the actual service speed of
323 cargo i . The column Gap_1 presents the optimality gap of the single-speed case, which is calculated as
324 $\frac{Z_S^H - Z_S^*}{Z_S^*} \cdot 100$. The column Gap_2 shows the gap between the heuristic solution to the multiple-speed case
325 and that to the single-speed case, which is calculated as $\frac{Z_M^H - Z_S^H}{Z_S^H} \cdot 100$.

326 For the single-speed case, the heuristic finds the optimal solution for ten instances using on average
327 7% of the computational time used by CPLEX. By allowing speed variation, we gained a profit improve-
328 ment ranging from 9.82% to 21.80% and an average improvement of 16%. We can also see that adding
329 multiple speeds makes the problem significantly harder both for the MIP model and the heuristic branch-
330 and-price method. Although the running time of the multi-speed heuristic approach increases compared
331 to the single-speed heuristic method, it is still within an acceptable range, and shorter than that of CPLEX
332 for the single-speed case for almost all the instances. In addition, the multiple-speed solutions yield on
333 average 13% more served cargoes.

Table 4: A comparison between the multiple-speed case and the single-speed case.

	Heuristic solution (multiple-speed)				Heuristic solution (single-speed)			Exact solution (single-speed)			Gap ₁	Gap ₂
	Z_M^H	T (s)	n_s	\bar{v}_{diff}	Z_S^H	T (s)	n_s	Z_S^*	T (s)	n_s		
c40_d30_s20	5,497,357	0.2	20	1.35	4,636,034	0.03	18	4,636,034	2.4	18	0.00	18.58
c40_d30_s32	7,455,752	0.5	31	1.13	6,789,020	0.03	28	6,789,020	6.3	28	0.00	9.82
c70_d45_s20	8,222,284	2.5	33	2.00	6,750,725	0.05	26	6,750,725	22.1	26	0.00	21.80
c70_d45_s32	11,735,410	3.3	49	1.40	9,796,283	0.08	43	9,796,283	25.0	43	0.00	19.79
c100_d60_s20	13,132,563	9.0	43	1.30	11,438,435	0.09	40	11,438,435	31.7	40	0.00	14.81
c100_d60_s32	15,706,468	41.6	58	1.46	13,640,487	0.41	51	13,640,487	84.4	51	0.00	15.15
c130_d75_s20	15,615,057	25.0	53	1.35	13,554,505	0.19	49	13,554,505	167.9	49	0.00	15.20
c130_d75_s32	16,876,775	74.8	77	1.19	14,762,244	3.74	69	14,762,244	371.1	69	0.00	14.32
c160_d90_s20	16,683,846	303.3	56	1.46	14,139,457	0.44	51	14,139,457	372.4	51	0.00	18.00
c160_d90_s32	24,237,644	843.0	92	1.51	20,752,350	5.66	79	20,769,526	1,188.5	80	-0.08	16.79
Average	13,516,315	130.3	51.2	1.41	11,625,953	1.07	45.4	11,627,671	227.1	45.5	-0.01	16.43

334 Sensitivity to the fuel price

335 The price of fuel oil fluctuates in real life. Here we investigate how this affects the speed selection
336 and profit by running the instance c130_d75_s32 with different fuel prices, ranging from 50% to 200% of
337 the current price. The detailed results are illustrated in Table 5. The first column shows the price factor in
338 percentage relative to the price used in the previous simulations. Column $n_s^>$ gives the number of cargoes
339 served at a higher speed than preferred and column $n_s^<$ provides the number of cargoes served at a lower
340 speed than preferred. The last column \bar{v} is the average speed in knots for all served cargoes.

341 Figure 2 shows how the number of served cargoes, the number of cargoes served at a higher speed
342 than preferred, and the number of cargoes served at a lower speed than preferred change as the fuel price
343 increases from 50% to 200% of the current price. It can be seen that, as fuel price goes up, the number of
344 served cargoes n_s generally drops because some cargoes are no longer profitable given the high fuel price.
345 The tendency of serving the cargoes at lower speeds, as fuel price increases, is also clearly seen in the
346 figure. The number of served cargoes is especially sensitive when the fuel price goes beyond the current
347 price, whereas the number of cargoes served at a higher speed is very sensitive to fuel price throughout
348 the whole range. The number of cargoes served at a lower speed keeps increasing until the fuel price
349 reaches 160% of the current price and then drops. This is because in the beginning, it is preferred to serve

350 the cargoes at lower speeds but when the fuel price reaches a high level, it is more desirable to ignore
351 the unprofitable cargoes. The results in Table 5 show that when the price increases from 50% to 200%
352 of the current price, the number of served cargoes drops by 72.6%, the percentage of cargoes served at a
353 higher-than-preferred speed decreases from 86.90% to 8.70% and the percentage of cargoes served at a
354 lower-than-preferred speed increases from 0 to 86.93%.

355 Figure 3 depicts the profit and the average speed as a function of fuel price. The average speed
356 decreases approximately linearly as a function of the fuel price increases. The profit decreases very fast
357 as the fuel price increases and the decrease rate gradually slows down. When the price increases from
358 50% to 200% of the current price, the profit is decreased by 96.8% and the average speed is decreased by
359 30.1%.

360 In summary, the fuel price has significant effects on the profit and the average sailing speed, which
361 shows the importance and benefit of applying speed optimization in a market with changing fuel prices.
362 However, in practice, if the fuel price increases significantly, the reward for serving each cargo is expected
363 to increase as well, and thus, the increased cost will be shared with the cargo owners.

Table 5: The results of instance c130_d75_s32 with different fuel prices.

Price factor (%)	Z^H	n_s	$n_s^>$	$\frac{n_s^>}{n_s} \cdot 100$	$n_s^<$	$\frac{n_s^<}{n_s} \cdot 100$	\bar{v} (knot)
50	34,375,102	84	73	86.90	0	0.00	15.23
60	30,418,937	84	66	78.57	0	0.00	14.79
70	26,691,163	83	63	75.90	1	1.20	14.47
80	23,193,509	81	50	61.73	5	6.17	14.04
90	19,976,088	80	49	61.25	7	8.75	13.93
100	16,876,775	77	45	58.44	12	15.58	13.66
110	14,119,083	68	33	48.53	19	27.94	13.39
120	11,887,260	63	25	39.68	22	34.92	13.12
130	9,901,069	57	22	38.60	22	38.60	12.85
140	8,059,775	54	19	35.19	25	46.30	12.42
150	6,339,031	55	19	34.55	27	49.09	12.31
160	4,823,284	47	12	25.53	30	63.83	11.93
170	3,594,923	41	10	24.39	27	65.85	11.50
180	2,591,039	33	7	21.21	24	72.73	11.29
190	1,785,860	30	4	13.33	23	76.67	11.07
200	1,090,434	23	2	8.70	20	86.96	10.64

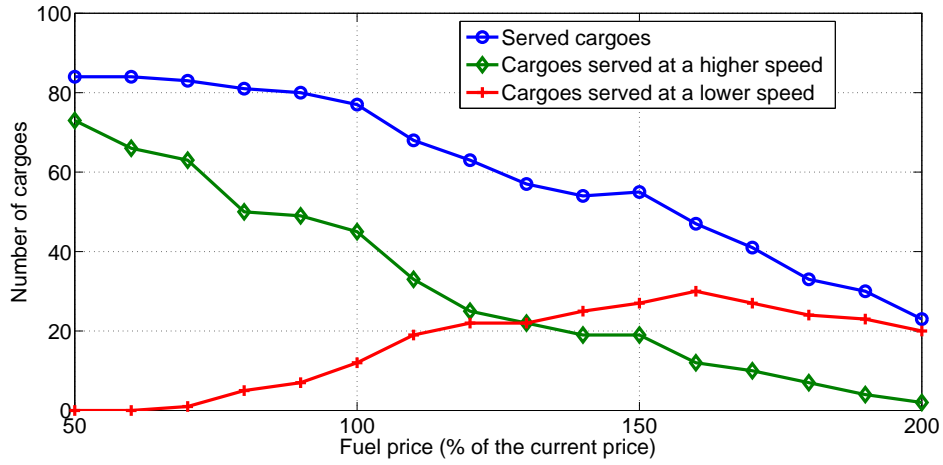


Figure 2: The number of served cargoes, the number of cargoes served at a higher-than-preferred speed and the number of cargoes served at a lower-than-preferred speed for different fuel prices.

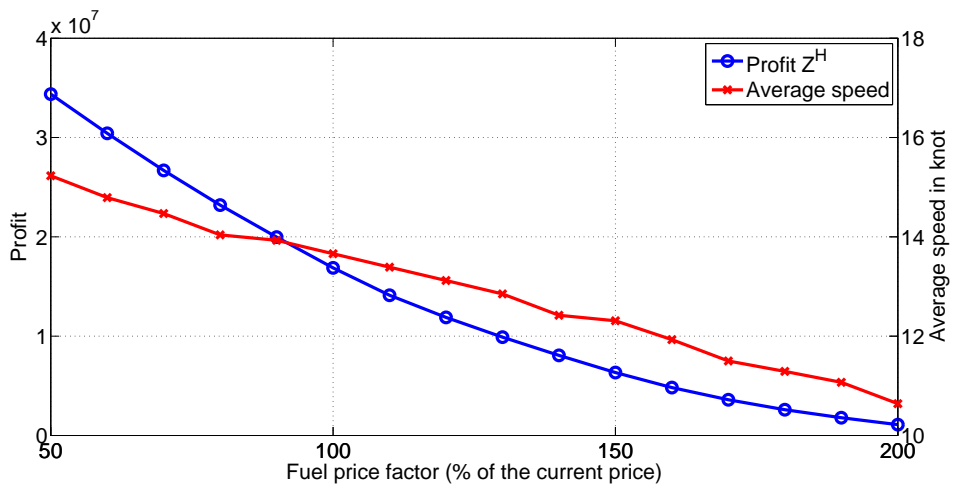


Figure 3: The profit and average speed in knots for different fuel prices.

364 **5. Conclusion**

365 In this paper, we have considered the simultaneous optimization of routing and sailing speed in the
366 context of full-shipload tramp shipping encountered by a large Danish product tanker shipping operator.
367 A number of cargoes with specified pick-up time windows can be transported from load to discharge ports
368 using a fleet of heterogeneous ships of different speed ranges and fuel consumption. The ships can sail at
369 certain discretized speeds. For each ship, the fuel consumption depends on the shipload and sailing speed,
370 and is obtained from real-life data. This practical consideration is different from previous studies, where
371 fuel consumption is load independent. The objective of the problem is to find the optimal route for each
372 ship and the optimal sailing speed for each leg on the route to maximize the total profit of transportation.

373 We have presented a three-index formulation and a set packing formulation for this problem, and pro-
374 posed a B&P algorithm with heuristic column generation and efficient data preprocessing. The algorithm
375 is implemented and tested on instances generated by approximating long-term statistics and using the
376 practical speed options and fuel consumption functions from real-life data. The computational results
377 show that our heuristic algorithm is able to find optimal solutions to the small instances and near-optimal
378 solutions to the large instances with optimality gaps consistently below 4.08%. The running time of the
379 heuristic method is significantly shorter than that of CPLEX (on average around 5% of the latter). We
380 have compared the solutions with speed optimization to those to a single-speed case, in which the cargoes
381 can only be served at individual fixed speeds, and found that by allowing speed variation, we can gain on
382 average 16% more profit and serve on average 13% more cargoes. We have also tested the algorithm with
383 different fuel prices, ranging from 50% to 200% of the current fuel price, and observed that the solution is
384 sensitive to fuel price changes. A higher fuel price leads to lower profit, fewer served cargoes and slower
385 average sailing speed.

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