

Newsletter

May 15th 2017

Link road, rail, sea!

Council Of Intermodal Shipping Consultants

YEAR XXXV
Issue of May 15th 2017

POR TS AND TERMINALS

CHINA BOX CONGESTION SPREADS TO OTHER PORTS	Page 3
---	--------

MARITIME TRANSPORT

SHIPPERS SQUEEZING MARGINS 'PUSHED CARRIERS TOWARD BIGGER SHIPS AND ALLIANCES'	" 6
--	-----

RAIL TRANSPORT

GERMANY-ASIA RAIL FREIGHT VOLUMES RISE 10-FOLD IN A YEAR	" 10
--	------

ROAD TRANSPORT

UPS LAUNCHING WORLD'S FIRST FUEL CELL ELECTRIC CLASS 6 DELIVERY TRUCK	" 12
--	------

INTERMODAL TRANSPORT

CONSHIP ITALIA EYES GROWING INTERMODAL BUSINESS AS GIOIA TAURO BATTLES FOR TRANSHIPMENT TRAFFIC	" 17
--	------

TRASPORT & ENVIRONMENT

TRUCK FUEL CONSUMPTION TO BE MORE TRANSPARENT	" 19
---	------

LOGISTICS

DSV UPBEAT ON FREIGHT OUTLOOK	" 21
-------------------------------------	------

PROGRESS & TECHNOLOGY

AUTONOMY AT SEA – THE FUTURE? APRIL 2017	" 24
--	------

STUDIES & RESEARCH

RESTRUCTURED CONTAINER SHIPPING MARKET SET FOR HEALTHIER YEAR	" 27
---	------

REEFER

FORWARDERS HIT OUT AT AIRLINES PUTTING THE SQUEEZE
ON COOL CHAIN GROUND HANDLERS Page 30

ON THE CALENDAR " 33

May 15th 2017

The content of the C.I.S.Co. Newsletter is also published in the newspaper "Informare"
accessible on the Internet site <http://www.informare.it>

POR TS AND TERMINALS

CHINA BOX CONGESTION SPREADS TO OTHER PORTS

Container port congestion in China is spreading up and down the coast as new liner alliance schedules added to poor weather cause disruption to container shipping operations.

As reported in Lloyd's Loading List yesterday, Shanghai's Yangshan terminals are now experiencing lengthy delays and vessel queues at anchorage waiting to enter terminals building by the day.

The most congested facilities at Shanghai are now suffering from berthing delays of at least two days and sources suggest this is now having a serious impact on feeder service schedules.

A customer notice by Maersk Line released today said that as well as striking the world's largest container port, public terminals in Qingdao and Ningbo were also now "facing congestion and high yard density".

Qingdao, 700km north of Shanghai, and Ningbo, 200 km to the south, were ranked the world's eighth and fifth-largest container terminals in 2016, respectively, according to data compiled by Lloyd's List.

Maersk said the primary cause of port congestion in China was the "large phase-in/out exercises from the reshuffling of alliance networks starting in March", but added that unstable weather in the northern hemisphere in spring had also caused delays and reduced terminal performance.

"We aim to provide a further update about the terminal situation in due course," said Maersk.

"We are closely working with Chinese ports to address any operational challenges, and we have been able to maintain a very constructive dialogue with our terminal partners to ensure Maersk Line existing priority."

The line also suggested that delays at Chinese ports could continue for a prolonged period.

Maersk told customers that in order to maintain the stability of its ocean network, it would put contingency actions in place in the coming month

"including consolidating volumes and reducing port calls if this is required temporarily".

The customer advisory added: "Maersk Line will devote all of our efforts to minimize the impact to our customers.

Our teams will provide you first-hand information in case any adjustment is required to your shipment schedules."

Lloyd's Loading List reported yesterday that the world's largest container port Shanghai was struggling with congestion as shippers rush to load cargo ahead of anticipated rate rises at the start of May.

The port has also been hampered by fog and changes in vessel schedules



following the restructuring of schedules and vessel sharing agreements after the liner alliance system was rejigged at the start of April.

Sources earlier this week put waiting times at Shanghai terminals at between

18 hours and 60 hours depending on terminal and service.

However, some sources said last week vessels were being delayed by up to ten days.

Port manager Shanghai International Port Group (SIPG) last week said it had rescheduled some liner calls from its Guandong container terminal and Shengdong container terminal at Yangshan Port to its Hudong, Pudong and Waigaoqiao terminals, and lines including Maersk confirmed that some vessels had been impacted by the congestion at Yangshan Port "due to seasonal bad weather".

Forwarding sources said another factor in the congestion was improved access to the port of Shanghai via the Yangtze River.

The completion of river improvements along the Yangtze meant vessels from western parts of China such as Chongqing can reach Shanghai more easily, which has increased the number of ships, one forwarder told Lloyd's Loading List.

"Also, freight rates are expected to increase after 1 May and shippers are trying to push their production out to avoid increased freight costs," he added.

He also said changes in liner alliances and schedules had affected ship operations.

As carriers switched terminals, this had left some facilities overloaded with cargo and others underutilised.

"It is also the normal practice of Shanghai port to accept overbooked cargo at 120-130% of capacity," he added.

"If alliances are changing terminals, then those containers which are not able to ship as scheduled will have great difficulty moving to a different terminal."

(from: lloydsloadinglist.com, April 26th 2017)

MARITIME TRANSPORT

SHIPPERS SQUEEZING MARGINS 'PUSHED CARRIERS TOWARD BIGGER SHIPS AND ALLIANCES'

Container shipping lines yesterday shrugged off accusations that bigger ships and alliances would lead to less choice and less supply chain resilience, and argued that instead, shippers had brought these changes upon themselves.

Olaf Merk, of the International Transport Forum, explained to delegates at Transport Logistic in Munich how the recent changes in the liner industry could lead to a negative outcome for the supply chain.

"There is a pathway where bigger ships and vertical integration give rise to the concentration of ports and cargo, and they will have less leverage as the shipping lines get more powerful."

Mr Merk pointed to how consolidation had changed the market: in 2000, four carriers had 23% market share; while in 2016, four carriers held nearly 50%.

In addition, fewer ports were served.

"Alliances have become an important mechanism in container shipping.

Of the major trade routes, 95% are covered by three alliances.

Bigger ships have led to consolidation, alliances and oligopoly.

All of this could lead to less return on investment for transport infrastructure, less choice and less supply chain resilience," he said.

Chris Welsh, secretary general of the Global Shippers Forum, said the new structures meant less frequency and less choice for shippers.

"Is this the right way to go?

Is it right to have homogeneity, over diversity and choice?

Other industries have not chosen that path.

I think the industry has a long way to go to convince customers that this is right."

However, the shipping lines were unapologetic, accusing shippers of paying too little.

"Big ships were the way to go in our industry," said Maurizio Aponte, executive director of MSC.

"We had no other option.

It was because of low margins.

We, at MSC, have grown organically.

[Alliances] are not in our DNA, but the reality is we had to do something.

Margins have been very, very slim, if there have been any at all.

As long as customers don't start to think differently, we are not in a position [to do things differently].

We want to point out that fewer sailings to fewer ports is because we had no other way to go.

Chris Welsh should ask his members about that.

We have been commoditised, and not by choice."



Thorsten Haeser, CCO of Hapag-Lloyd, agreed.

"It is about cost pressure and very, very low margins.

We have had to consolidate, and that's a healthy thing as the industry was not in a good shape and had to deal with the volatility."

But Mr Welsh countered by asking the lines to think differently.

"The industry is in danger of talking itself into 'Group Think' – that there is only one way," he said.

"I think there are opportunities for different business models to emerge.

What is in place now does not offer the best to customers.

That's not about price.

It's overall management of the supply chain.

Others are taking the value out.

A new business model is viable and I wouldn't be surprised if a disruptor came into the market – it's ripe."

However, the shipping lines questioned who would have deep enough pockets to enter such an asset-heavy industry.

Mr Aponte said: "We are talking about supply chain management.

There is so much inefficiency on the cargo side.

I don't want to blame the customer, but there is a lot that can be done to improve models.

We are doing everything we can to protect the integrity of shipping."

Mr Haeser added: "It's on us as carriers to work out models.

A disruptor would either need very deep pockets or would have to play with us, so it's up to us to drive this.

We have the skills."

He also argued that the lack of profitability in liner shipping proved that there was sufficient competition now.

"It's time we made a profit, even a tiny one."

Once the lines are in profit, he argued, then they could invest in services and products which would help shippers.

But he added: "If we invest in digitisation, then shippers have to too.

We need money to invest in services, and that means lower costs and some scale.

Then you'd have something to invest."

Mr Welsh concluded by urging the shipping lines to "reach out to customers" who wanted added value, guaranteed services and KPIs.

"We are all trying to optimise the performance of the supply chain," he told delegates.

Mr Haeser added: "Fewer players will give us a chance to get closer to shippers, set standards and get reliable business on both sides."

(from: theloadstar.co.uk, May 10th 2017)

RAIL TRANSPORT

GERMANY-ASIA RAIL FREIGHT VOLUMES RISE 10-FOLD IN A YEAR

Rail freight volumes between Germany and Asia have increased 10-fold in just one year, according to DHL Global Forwarding, which has opened a central China Rail Competence Centre in Stuttgart, Germany to optimise its expanding intercontinental intermodal services.

The air and ocean freight division of Deutsche Post DHL Group said the specialist competence centre would “ensure the more efficient and customer-friendly coordination of ever-growing freight volumes transported between Germany and Asia by the rail freight service”.



Explaining the strategic rationale behind the decision, Volker Oesau, CEO of DHL Global Forwarding in Germany and Central Europe, commented: “Rail freight volumes between Germany and Asia have increased 10-fold in just one year.

In order to meet ever-increasing demand, the onus is on us to grow, optimize processes and create synergies.”

DHL Global Forwarding’s Germany-based China Rail team has been expanded both in terms of freight handling and customer service.

It said the experts in the Stuttgart Rail Competence Centre primarily provide support to German customers in the automotive, technology, mechanical engineering and retail sectors.

“They are developing appropriate multi-modal transport solutions and coordinating end-to-end transport processes, from collection, export and transit formalities, and the Euro-Asian rail service, right through to customs clearance in the land of arrival and delivery by truck or combined rail transport.

State-of-the-art track and trace systems facilitate transparent shipment tracking – with temperature information if desired,” the company said.

The team is also “developing tailored security concepts specifically for very high quality goods”.

In total, DHL Global Forwarding offers 15 rail connections, equating to seven weekly door-to-door freight train services between Germany and the Far East.

The trains follow the course of the trans-Kazakh western corridor and the trans-Siberian northern corridor with a dense network of rail hubs in all the major economic centres in China, Taiwan, Japan and South Korea.

Customers can choose from DHL Railconnect products for less than container load (LCL) shipments, full container load (FCL) shipment products from DHL Railline and temperature-controlled rail services.

Pre-carriage and onward carriage is offered by truck or combined rail transport based on the urgency of the respective shipment.

The company said the process of ‘re-gauging’ wagons – transferring them across rail networks with different rail track widths – and transit handling was now operating very efficiently.

“Both the re-gauging of wagons necessitated by different track sizes and transit handling at all border crossings is perfectly timed and runs seamlessly,” explained Oesau.

“The introduction of the standardized CIM/SMGS waybill has simplified rail transport procedure and minimized the administrative effort entailed at border crossing points.”

The document is recognized by customs authorities and facilitates the faster clearance of goods transports as part of a simplified rail transport procedure “under Community law”.

The waybill can be used for both wagon-load traffic and combined transport, and dispenses with the transcription of documents at border crossings between two legal jurisdictions, DHL said.

(from: lloydsloadinglist.com, May 8th 2017)

ROAD TRANSPORT

UPS LAUNCHING WORLD'S FIRST FUEL CELL ELECTRIC CLASS 6 DELIVERY TRUCK

UPS, long a catalyst for the development of advanced-fuel commercial vehicles, took another step into the future Tuesday with the introduction of the world's first hydrogen-electric Class 6 delivery truck.

The van, developed as part of a \$10-million federal Department of Energy program, is the first of 17 hydrogen fuel cell vans the parcel delivery giant will be deploying in the U.S. by the end of 2018.

The initial van – unveiled at the 2017 Advanced Clean Transportation Expo in Long Beach, Calif., as a chassis and powertrain without the familiar brown UPS truck body covering it all up – will enter service later this year running parcels among state government offices in California's capital city of Sacramento.

"We want to let [California legislators and regulators] know where the hard-earned dollars went," UPS fuel cell systems chief engineer Michael Britt told Trucks.com.

He called the expected first use of the first fuel cell truck "the state-house route."

California, which has the toughest air quality regulations in the nation, helped fund the van development program and is the country's most aggressive promoter of hydrogen fuel cell technology, including development of a statewide hydrogen fueling infrastructure to service fuel cell vehicles.

UPS, which has a corporate policy of promoting alternative fuels and advanced powertrains to help reduce the environmental impact of its huge fleet, signed up for the hydrogen van program back in 2014 and has served as chief engineer on the project, Britt said.

The company also sees electrification of its vehicles as a way to reduce fuel and maintenance costs and is providing about \$5 million in matching funds, mainly through development and engineering services.

The Energy Department, the California Energy Commission and the South Coast Air Quality Management District, which oversees much of the Southern California area, will contribute the rest.

Hydrogen fuel cells are a no-combustion technology that require a constant source of fuel and oxygen to create electricity.

They emit only water.

Hydrogen tanks on a fuel cell electric car or truck can be refilled in about the same amount of time as liquid fuel tanks, eliminating the lengthy recharging times required by battery-dependent electric vehicles.

UPS' fuel cell and electric powertrain system include the fuel cell itself, an off-the shelf, 31-kilowatt model manufactured by Canadian fuel cell developer Hydrogenics; a pair of 5-kilogram, high-pressure hydrogen tanks; and a 45-kilowatt-hour lithium-ion battery pack that will store and release the electricity produced in the fuel cell.

"Fuel cells make great sense as a way to extend the range of electric drive vehicles," said Bill Van Amburg, senior vice president of Calstart, a Pasadena non-profit coalition that promotes clean transportation technologies.

Calstart recently completed a commercialization study that showed that there is a solid business case for fuel cell systems in transportation, as costs fall because of ongoing development and deployment programs.

Applying the technology to medium-duty trucks doesn't captivate everyone, though.

Medium-duty vehicles are often used to haul loads in stop-and-go situations and they're generally not used on regular routes so it could be difficult to manage hydrogen refueling for them, said Michael Held, a director of the automotive and transportation consulting practice at AlixPartners.

UPS will be using publicly available hydrogen stations in Sacramento and near its inland Southern California facility in Ontario, Britt said.

If the trucks work well in the fleet, he said, "we would ultimately want to have our own" hydrogen stations at various UPS fleet depots.

Held also questioned the economics of fuel cells in medium duty and smaller commercial trucks, given the low price of diesel fuel today and the "still unknown but big cost of fuel cells for the foreseeable future."

The first phase of the UPS program, development of the initial van, will cost \$3.6 million, Britt said.

Remaining funding will be used to build and deploy 16 more Class 6 fuel cell vans in the UPS fleet by the end of 2018.

"These are being hand-built," Britt said, underscoring how new fuel cell technology still is in the trucking industry.

The demonstration fleet will be used to develop operating cost and reliability data and to assess just how well the fuel cell vans do in improving air quality in the neighborhoods they will be serving.

They will be watched by more than UPS executives and government agencies.

Because they have no tailpipe emissions and are quiet, hydrogen fuel cells powering electric drive trains would be desirable for the ubiquitous delivery trucks used by delivery services such as UPS and FedEx, said Charles Freese, executive director of global fuel cell activities for General Motors.

"No one wants to have the idling noise and diesel fumes in their neighborhood," Freese told Trucks.com.

GM has partnered with Honda Motor Co. in an \$85 million project to develop a hydrogen fuel cell manufacturing facility for future fuel cell vehicles from both companies.

Honda already markets a limited-production, California-only fuel cell car while GM and the U.S. Army are testing the ZH2, a fuel cell Chevrolet Colorado pickup-based military off-road vehicle.

GM also is a major light commercial van and truck maker.

"It would be great if the only sign that a delivery company was there would be the ring of your doorbell and the package left on your porch," Freese said of the potential of quiet fuel-cell electric delivery vans.



The GM-Honda fuel cell partnership is designed to go beyond the present generation technology to develop hydrogen fuel cells that are smaller and cheaper but more reliable and more powerful.

UPS has invested heavily in exploring low-emission and alternative fuel vehicles through its Rolling Laboratory and now deploys more than 7,200 low-emission vehicles, including gas-electric hybrids, battery-electric vans and internal combustion vans using propane, liquefied natural gas and compressed natural gas instead of diesel.

The delivery company has signed an agreement to purchase 325 hybrid-electric delivery trucks from Workhorse Group Inc., a small manufacturer of delivery trucks and drones.

But UPS believes fuel cell electric trucks can serve as a longer-term "bridge" than battery-dependent electric systems to whatever alternative fuels and powertrains end up dominating the market in the future, Britt said.

Hydrogen fuel cell trucks certainly are gaining attention.

Last month Toyota Motor Corp., the world's largest automaker, unveiled its Project Portal Class 8 fuel cell truck.

It plans to launch testing of the vehicle at the ports of Long Beach and Los Angeles in June.

Toyota's initial test truck is a Kenworth T660 chassis.

The standard sleeper compartment has morphed into a custom aluminum shell housing a quartet of high-pressure hydrogen tanks and a pair of 6-kilowatt-hour lithium-ion batteries.

The fuel cell system also features a pair of fuel cell stacks from the Toyota Mirai passenger sedan with related cooling, power and control systems as well as two customized electric motors, all tweaked as necessary to handle the demands of a heavy-duty truck.

Toyota's Class 8 fuel cell powers an electric motor that produces more than 670 horsepower and 1,327 pound feet of torque, roughly the same as the new Cummins X15 Efficiency Series diesel engine.

Nikola Motor Co., a Salt Lake City startup, also is developing a Class 8 fuel cell big rig.

Construction on a manufacturing and research and development center will take four to five years, according to Nikola.

The first working prototype of a Nikola fuel cell big-rig won't be ready until 2019.

Nikola also plans to build a highway network of hydrogen filling stations to service the trucks.

Such zero-emission vehicles have an advantage in markets where clean-air goals are a major economic driver.

The Toyota North America team said it decided to focus on a heavy rig in part because the vehicle could best demonstrate the fuel cell technology while contributing to cleaner air in heavily polluted Southern California.

While UPS is focusing on the top end of the medium-duty truck segment with its Class 6 project, it, too, would be interested in Class 8 fuel cell trucks if there were plenty of refueling opportunities, Britt said.

(from: trucks.com, May 2nd 2017)

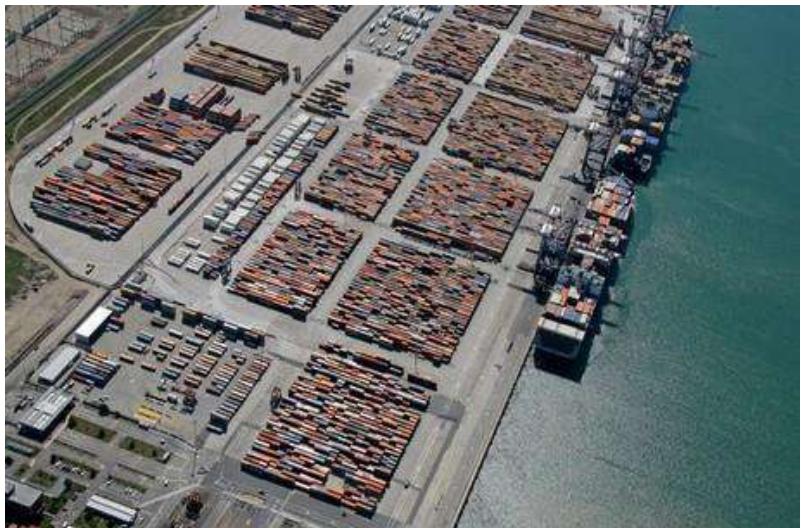
INTERMODAL TRANSPORT

CONTSHIP ITALIA EYES GROWING INTERMODAL BUSINESS AS GIOIA TAURO BATTLES FOR TRANSHIPMENT TRAFFIC

Contship Italia has revealed that cut-throat competition from North African ports has led to a dramatic decline in transhipment volumes at Italy's largest port, Gioia Tauro.

The port is locked in an intense battle for transhipment traffic with other hubs, such as Malta and Piraeus, as well as the emerging facilities at Port Said at the north end of the Suez Canal.

The port operator's marketing and communication director Daniele Testi told



The Loadstar that volumes at Gioia Tauro, located on the tip of Italy's toe, have dropped by almost 1m teu since 2008, to 2.8m teu.

He said this was largely down to carriers looking to streamline business costs, leaving the port with stiffening competition from its neighbours.

"We are having to compete with the North African ports," said Mr Testi.

"And with their cheaper labour costs, it has left us, quite frankly, suffering."

Instead, Contship has focused on building up volumes from northern Europe, with several large investments in its intermodal and rail facilities.

The port operator also recorded 10% growth in its logistics business between 2015 and 2016, and Mr Testi expects a similar performance this year.

"We increased our logistics handling volumes from 247,000teu to 271,000," he said.

"And we handled 25% of the 1m teu of Italy's intermodal traffic."

Over the past two years, the operator has been pushing its Rail Hub Milano facilities, which, following a €45m investment, provides mainland Europe with 7,000 trains' worth of rail cargo.

"We are expecting a seismic shift in the use of rail freight across Europe," said Mr Testi.

"The perception of it is changing; before, rail services were government-owned with no competition."

Since 2008, Mr Testi said, this has changed, with more private firms investing in rail.

In the past nine years, volumes of freight carried by rail have increased by 37%.

"We now run three trains a week to Basel," he said.

"By offering rail services to our ports, we are also allowing shippers the opportunity to mitigate their risks by splitting shipments between ports in the north and south of Europe."

Despite the difficulties being experienced in Gioia Tauro, the company is nonetheless expecting a buoyant 2017 and predicts healthy growth in terminals and logistics activities over the course of the year.

Last year saw the terminal operator increase volumes by 1.7% to 6.4m teu.

More than 80%, or 5.2m teu, was handled by its Italian ports, equating to 50% of the country's container shipping volumes.

"While as a listed company we cannot give forecasts, what we can say is that we are expecting good things," said Mr Testi.

"I would expect an average increase of 10% in our gateway terminals."

The company also owns a stake in Morocco's Tangier Med facilities.

(from: theloadstar.co.uk, May 8th 2017)

TRANSPORT & ENVIRONMENT

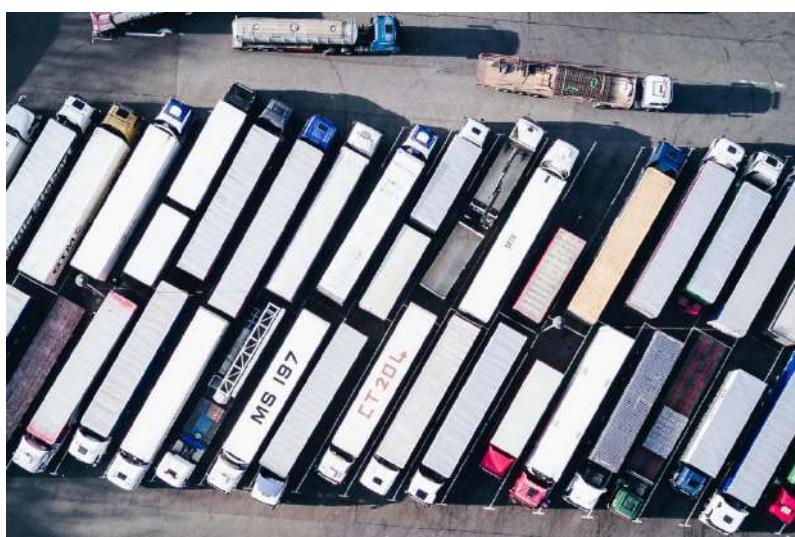
TRUCK FUEL CONSUMPTION TO BE MORE TRANSPARENT

Truck manufacturers will be obliged to measure their fuel consumption with the VECTO test procedure from 2019 onwards.

Agreed today by the European Commission and Member States, this tool is designed to make the fuel consumption and CO₂ emissions from new heavy-goods vehicles available for truck buyers.

But while this new test procedure will increase transparency and competition among manufacturers, it will not deliver the emissions cuts Europe needs nor prevent truckmakers exploiting loopholes, as it is the case in the car industry.

T&E urges the European Commission and Member States to agree, in the



second VECTO package due this year, to guarantee that third parties (research institutes, fleets, transport companies, NGOs) will have access to the raw data used in VECTO.

In this way, independent testing can be performed and official fuel consumption figures can be cross-checked.

T&E together with other transport industry representatives have already demanded this in an earlier joint letter.

Since VECTO is only a simulation tool, the second package must also include on-road fuel consumption testing, as the Commission is planning to do for cars and vans.

Stef Cornelis, Safer and Cleaner Trucks Officer, said: "We welcome the adoption of the VECTO test procedure but in order to make it accurate and reliable, we need on-road testing and third party checks."

Not only the climate but also the European transport sector would benefit from it."

In any case, CO2 standards for trucks must be adopted as soon as possible.

"With standards, European trucks can be up to 40% more fuel efficient in a cost-effective way.

It would also make shipping goods cheaper and reduce our dependence on non-European oil imports." said Stef Cornelis.

Trucks represent less than 5% of all vehicles on the road in Europe but are responsible for around 30% of road transport CO2 emissions.

Their consumption hasn't improved for the last 20 years: a truck from 2015 still consumes roughly the same amount of fuel as a 1995 truck.

(from: transportenvironment.org, May 11th 2017)

LOGISTICS

DSV UPBEAT ON FREIGHT OUTLOOK

DSV CEO Jens Bjørn Andersen is optimistic about the outlook for freight markets generally in 2017, based on feedback from customers and from divisional managers across the Danish forwarding and logistics operator's global business.

"We are not macroeconomy experts and maybe the positivity we are seeing is influenced by company-specific developments, but it seems like the end of 2016 was good, the beginning of this year was good, and there's a certain momentum," he told analysts.

"There are a lot of geopolitical issues that can concern you, but right now it seems like the markets are better than they've been for a long, long time, which is encouraging.

We are super-cautious; we have been disappointed many times in the past – but so far it's going well."

Looking back on the company's own results in the first quarter of 2017,

Andersen said the performance of its freight forwarding Air & Sea division had been "outstanding", posted earnings growth of almost 67%.



Although the figures included

three months' activity from the UTi business acquired early last year, compared to two months in Q1 2016, it was a "fantastic result", with a lot of country units in the DSV network outperforming their own expectations.

Air and sea volumes were up by 20% and 16.7%, respectively, compared with market growth of 6% and 4%.

And even though gross profit (GP) per unit in both segments declined, largely due to volatility in some freight rates, there was sequential improvement "in a challenging environment", Andersen underlined, adding that DSV's air segment had recorded a better yield than in Q1 2016.

"The pressure on the GP/unit was something we expected," he added.

"The situation improved or normalised a little bit through the quarter and we actually came out with a good development finally."

Looking at the margins and delivering already in Q1 an EBIT margin of more than 8% and a conversion ratio (EBIT as a percentage gross profit) surpassing 30%, indeed almost 33%, this is really a very strong and encouraging sign for us in a quarter that would not normally be characterised as one of the best (in the year)."

Commenting the air freight market, Andersen said: "There were a lot of things happening in air freight in Q1; it is unusually strong."

We see the market growing 6% and we can only cross our fingers that it continues.

There was disturbance on some sea freight traffic lanes that did cause a spike in air freight.

There were some (ocean freight) service issues eastbound from Europe to Asia where we could get no traction, no space and no capacity, and this led to some air freight.

"But there is also a lot of 'planned' air freight on the traditional trade lanes between Asia, the US and Europe.

It is widely spread and not being driven by one vertical or any countries in particular.

And we saw it also at the end of 2016."

He said the Air & Sea division's focus now was to finalise the integration of UTi, where there were still things to be done in a few areas.

"Then it's just about sales, sales, and sales – and we need to intensify our focus on gaining market share using the strength of the 'new' DSV."

Andersen said some customers had been slightly reluctant to consign more business to DSV following the acquisition of UTi.

"They've adopted a little bit of a wait and see approach, wanting us to demonstrate that we could still deliver a good service – and I actually believe we can deliver a better service now than before we bought UTi.

And this is what we have to take to the market now.

Now we can go full speed and sell the 'new' DSV – and if we are successful in this, we believe we will see market share gains feeding through the system in the second half of this year."

(from: *lloydsloadinglist.com*, May 10th 2017)

PROGRESS & TECHNOLOGY

AUTONOMY AT SEA – THE FUTURE? APRIL 2017

Maritime Autonomous Systems (MAS) technology in the marine and oil and gas sector has advanced rapidly in the last 20 years.

Indeed a report prepared by the energy consultants, Douglas-Westwood, suggests the demand for autonomous underwater vehicles (AUVs) is expected to grow by 49% in the next four years.

The military sector will remain the greatest user of AUVs (73% of total demand), however, the commercial sector, including oil and gas, is expected to see the greatest growth in usage.

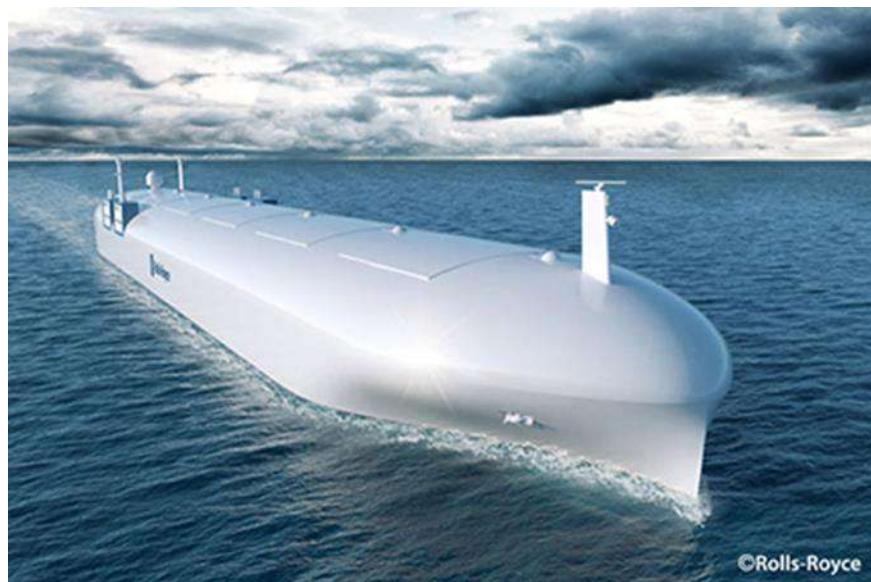
The drive to improve safety and reduce risks and costs has driven MAS to the forefront of operations, and AUVs are already being used successfully in carrying out surveys of pipelines for example.

One of the biggest topics under discussion in shipping circles at the moment is the development of Autonomous Surface Vessels (ASVs) for which the growth, at least for the time being,

is unlikely to be as rapid as that for AUVs, mainly owing to regulatory challenges.

Given the success of AUVs in the oil and gas sector, it is perhaps not surprising that consideration is also being given to the use of autonomous offshore support vessels (AOSVs).

While AOSVs are not currently anticipated to carry out larger tasks such as heavy lift, they are expected to be able to carry limited deck cargo and potentially support remotely operated underwater vehicles.



With no requirement for manned spaces and accommodation, these vessels are expected to be cheaper to build with lower operating costs.

Rolls-Royce Marine and Automated Ships Ltd/Kongsberg, for example, are already looking to develop AOSVs with the latter looking to enter into operation an AOSV in 2018, although this AOSV will be remote-controlled initially with full autonomy to follow after extensive testing.

Of course, the implications of such technological advances are enormous and will require an amendment to the existing legal structures and regulations, perhaps paving way for a new regulatory regime to deal with liabilities; for example around those arising from collisions.

In 2016, over 75% of insured marine losses arose from human errors, so if autonomy helps to reduce these risks it will be attractive to both hull and P&I insurers alike and we anticipate insurance cover will be reviewed and new insurance products introduced to accommodate the new technology.

A number of projects, such as the EU's Maritime Uncrewed Navigation through Intelligence Networks (MUNIN) and the Rolls-Royce-led Advanced Autonomous Waterborne Applications (AAWA) initiative have clearly helped to overcome the technical challenges faced by ASVs.

For example, autonomous collision avoidance systems have been successfully demonstrated on a number of test craft.

However, the biggest hurdle facing developers of ASVs is not the technology but the regulatory issues.

While there is no statutory definition of ship under the Merchant Shipping Act 1995, it is our view that an ASV would still be considered a "ship" under English law or most other international maritime conventions, despite the existing regulations having been written with conventional crewed ships in mind.

So, taking autonomous collision avoidance systems, would these be able to fully comply with the Convention on the International Regulations for Preventing Collisions at Sea 1972?

Probably not.

Compliance with Rule 2 in particular would be difficult, because this requires real-time human judgment to consider making a departure from the Rules necessary to avoid immediate danger.

Similarly, keeping a proper visual lookout under Rule 5 would be problematic.

Therefore, as matters stand, it is our view that algorithms in existing autonomous collision avoidance systems would be unable to comply with these Rules although arguably a suitably trained shore-based controller would be able to fulfil the requirements.

The only way to achieve proper integration of ASVs with existing regulations is by developing acceptable industry standards and an international legal and regulatory framework that is acceptable to what has traditionally been a very conservative industry.

The UK Marine Industries Alliance has already set up a UK MAS Regulatory Working Group to develop industry standards and practices with the first draft expected to appear later this year.

On the international front, the Comité Maritime International set up an International Working Group for Maritime Law and Unmanned Craft to produce a draft code of conduct, although a lot of work remains to be done before an international consensus will be reached.

(from: hellenicshippingnews.com, May 1st 2017)

STUDIES & RESEARCH

RESTRUCTURED CONTAINER SHIPPING MARKET SET FOR HEALTHIER YEAR

Container lines are likely to see improved profits thanks to higher demand and network optimisation during 2017, according to Peter Sand, chief shipping analyst at shipping association Bimco.

"Bimco expects 2017 to be a better financial year than 2016 for lines," he told Lloyd's Loading List this morning.

He said carriers had seen a "solid" start to the year, both in terms of demand and efforts to limit fleet growth, and predicted further financial performance improvement through the rest of the year.

"The Q1 figures we have now are positive," he said.

"There is healthy demand; not necessarily higher rates, but lower costs, which remains key for lines."

The positive start to 2017 has brought welcome respite after a "year of upheaval" in 2016, albeit upheaval that has left lines in a better position to prosper this year.

"Most alliances were broken up to form new ones; one line went bankrupt and, in combination, ship owners managed to cut deep into the excess capacity of the fleet," said Sand.

"Gains from a low-fleet supply are instantly reaped, whereas the benefits from new network structures take a bit more time."

Bimco now expects the container shipping industry to continuously optimise networks and make them more efficient."

Cutting costs will be essential if individual alliance members are to realise the full benefits of alliances.

"As cost cutting is a huge part of this, the effect on freight rates is not the only indicator of a successful implementation," he said.

However, he said changes to the alliance system should also be put into a global context, which includes the impact on North-South trades.

"As four alliances consisting of 16 companies, become three alliances consisting of 11 companies, change will happen," he said.

"The three alliances control 77% of global container ship capacity and as much as 96% of all east-west trades.

But we should remember that 57% of all demand, as measured by TEU miles, is generated by non-east-west trades - trades that are particularly impacted by the recent years' cascading of tonnage from the east-west trades.



BIMCO

TEU will be delivered.

"For that to happen, the current demolition interest must cool somewhat and the delivery pace must pick up," said Sand.

"Nonetheless, both assumptions are likely to happen in a market that is improving.

In fact, it is already happening.

Currently the fleet is getting smaller by the day, as 152,800 TEU has been delivered in 2017, offset by as much as 195,555 TEU being sold for demolition.

This means the fleet is smaller today than it was at the start of the year."

Bimco also said demand for container shipping grew by 2.7% in 2016.

With the supply side growing by only 1.3%, this meant that the fundamental market balance improved for the first time since 2011.

"This development is primarily due to decisive actions by ship owners who sold excess tonnage for demolition," said Sand.

"Hopefully, improved earnings will also follow soon.

The tonne-mile demand side has grown by an average of 3.4% annually during 2012-2016.

This is a new and lower growth level that has taken some time for the industry to get used to.

Every year in which the supply side outstrips the demand side, the fundamental market balance worsens.

2016 was the one year that was different to the previous four years."

(from: *lloydsloadinglist.com*, April 25th 2017)

REEFER

FORWARDERS HIT OUT AT AIRLINES PUTTING THE SQUEEZE ON COOL CHAIN GROUND HANDLERS

Short-sighted airlines that invest in cool chain products but squeeze ground handlers on price, are doing their customers a disservice, according to perishables forwarders.

They are urging ground handlers to lift their game in the cold chain, warning that insufficient investment threatens to become an Achilles heel for perishables shipped by air – despite significant investment by airlines.

Advances in packaging, technology and visibility have led to marked improvements in the chain, but forwarders are concerned about handlers' ability to raise their game sufficiently.



Rampant growth in demand has drawn more operators into this segment.

A number of airlines have developed or honed cool services aimed at fresh food and flowers.

At the same time, incumbent players have tried to stay ahead of the curve through more sophisticated solutions, such as equipping seafood shipments with temperature tags originally deployed for pharmaceuticals traffic.

Other efforts have gone beyond the confines of individual companies to cover the chain from end to end.

Air France-KLM-Martinair Cargo ran a pilot programme in partnership with a customer and a cool chain consulting firm to identify bottlenecks and devise new solutions for flowers moving from Kenya to Amsterdam.

According to Noud Duyzings, cargo director, Eastern and Southern Africa, this resulted in flowers arriving at Schiphol Airport 2-3 degrees celsius lower than flowers moving on other airlines.

However, handlers claim they are hamstrung by lack of funds.

"Ground handling investment is squeezed by lack of funds," said Conrad Archer, MD of Panalpina Airflo, Kenya.

He added that handlers bore the brunt of the surge in volume at peak times like Mother's Day or Valentine's Day.

"Handlers are the ones who struggle most at peak times," he said.

Chris Connell, president of Los Angeles-based perishables specialist Commodity Forwarders, said airlines had been squeezing handlers relentlessly on price, driving margins down to levels that made it impossible to invest in cool chain technology, infrastructure and manpower.

"Investment is needed not just for facilities and equipment but also for staffing.

It's not just perishables, but also dry cargo," he added.

"Forwarders are extremely concerned."

Stan Wraight, executive director of Strategic Aviation Solutions International, has argued for some time that airlines are shooting themselves in the foot by viewing handlers as levers to slash costs, instead of as strategic partners.

To offer services that can compete with the integrators they need handling agents with adequate incentive and margins to make the necessary investment, he says.

"Certain areas have done better," said Mr Connell, citing the pharmaceutical arena, where investment has led to improved service levels.

However, margins in perishables offered less room for spending, he conceded.

"There are limits to what the market can take.

There's no such thing as a 'golden strawberry'," he said.

"It's hard to expect an airline or a handling agent to make a million-dollar investment if rates are going south."

He believes airlines have to change their approach and move towards a mid-term to long-term strategy with handlers.

"There needs to be a strategic relationship among companies that are involved in the cool chain.

It's got to be a win-win, long-term strategy.

Companies need to work together, not run away in tough times," he said.

At this point, however, airlines and handlers remain firmly at loggerheads over commitments.

Carriers have insisted on the need for flexibility to pull out of markets as losses mount, while handlers argue that they cannot invest without commitment from their airline clients to stay in markets where they want to see investment being made.

"It's a 'chicken and egg' situation," said Mr Connell.

"A lot of contracts are short-term."

He hopes the consolidation among both handlers and airlines may help bring about a more strategic relationship, but as long as yields remain under pressure it is hard to envisage a change in airlines' approach.

Meanwhile, the pressure on handlers will continue to rise with the growth in perishables volumes and the massive seasonal spikes.

The appetite for fresh food of consumers in markets like China is expected to drive volumes up.

(from: theloadstar.co.uk, April 27th 2017)

ON THE CALENDAR

- 18/05/2017 – 19/05/2017 Georgia 6th Black Sea Ports & Shipping 2017
- 06/07/2017 – 07/07/2017 Yangon 15th ASEAN Ports and Shipping 2017
- 28/09/2017 – 29/09/2017 Tallinn Baltic Sea Ports & Shipping 2017
- 26/10/2017 – 27/10/2017 Barcelona 5th MED Ports 2017
- 29/11/2017 – 30/11/2017 Abidjan 18th Intermodal Africa 2017
- 24/01/2018 – 25/01/2018 Mauritius 12th Indian Ocean Ports and Logistics 2018
- 07/03/2018 – 09/03/2018 Padova Green Logistics Expo
- 28/03/2018 - 29/03/2018 Beira 19th Intermodal Africa 2018
- 18/04/2018 - 19/04/2018 Livorno 6th MED Ports 2018
- 30/05/2018 - 31/05/2018 Varna 7th Black Sea Ports and Shipping 2018
- 04/07/2018 – 05/07/2018 Johor 16th ASEAN Ports & Shipping 2018
- 26/09/2018 – 27/09/2018 Riga 2nd Baltic Sea Ports & Shipping 2018
- 24/10/2018 – 25/10/2018 Aqaba 15th Trans Middle East 2018
- 28/11/2017 – 29/11/2018 Accra 20th Intermodal Africa 2018
- 30/01/2019 – 31/01/2019 Kuwait City 16th Trans Middle East 2019
- 20/02/2019 – 21/02/2019 Manila 10th Philippine Ports and Shipping 2019
- 20/03/2019 – 21/03/2019 Mombasa 21st Intermodal Africa 2019

The Secretariat of C.I.S.Co. is able to communicate detailed information on the programs of all the events and how to participate.