

# Newsletter

December 15<sup>th</sup> 2017

*Link road, rail, sea!*

Council Of Intermodal Shipping Consultants

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## PORTS AND TERMINALS

### **HONG KONG PORT CARGO THROUGHPUT UP BY 5.3% DURING THIRD QUARTER TO 70.9 MILLION TONS**

The Census and Statistics Department (C&SD) today (December 5) released the statistics on vessels, port cargo and containers for the third quarter of 2017.

In the third quarter of 2017, total port cargo throughput increased by 5.3% compared with a year earlier to 70.9 million tonnes.

Within this total, inward port cargo increased by 10.7% compared with a year earlier to 44.1 million tonnes, while outward port cargo decreased by 2.5% to 26.8 million tonnes.

For the first nine months of 2017, total port cargo throughput increased by 11.3% compared with a year earlier to 206.8 million tonnes.

Within this total, inward and outward port cargo increased by 17.9% and 2.1% compared with a year earlier to 128.0 million tonnes and 78.9 million tonnes respectively.

On a seasonally adjusted quarter-to-quarter comparison, total port cargo throughput increased by 1.4% in the third quarter of 2017.

Within this total, inward port cargo and outward port cargo increased by 0.6% and 2.8% respectively compared with the preceding quarter.

The seasonally adjusted series enables more meaningful shorter-term comparison to be made for discerning possible variations in trends.

#### *Port cargo*

Within port cargo, seaborne and river cargo increased by 2.0% and 11.3% in the third quarter of 2017 compared with a year earlier to 44.0 million tonnes and 26.9 million tonnes respectively.

Within inward port cargo, imports and inward transshipment increased by 13.7% and 6.8% in the third quarter of 2017 compared with a year earlier to 25.5 million tonnes and 18.6 million tonnes respectively.

For outward port cargo, exports (including domestic exports and re-exports) decreased by 14.6% compared with a year earlier to 9.3 million tonnes, while outward transshipment increased by 5.6% to 17.5 million tonnes.

Within port cargo, seaborne and river cargo increased by 12.2% and 9.8% in the first nine months of 2017 compared with a year earlier to 133.1 million tonnes and 73.8 million tonnes respectively.

Within inward port cargo, imports and inward transshipment increased by 20.5% and 14.6% in the first nine months of 2017 compared with a year earlier to 72.6 million tonnes and 55.4 million tonnes respectively.

For outward port cargo, exports decreased by 12.1% compared with a year earlier to 27.4 million tonnes, while outward transshipment increased by 11.7% to 51.5 million tonnes.

Comparing the third quarter of 2017 with the third quarter of 2016, double-digit increases were recorded in the tonnage of inward port cargo loaded in Malaysia (+30.0%), the mainland of China (+21.6%) and Korea (+11.9%).

On the other hand, double-digit decrease was recorded in the tonnage of inward port cargo loaded in Indonesia (-43.8%).

For outward port cargo, double-digit increases were recorded in the tonnage of outward port cargo discharged in Malaysia (+39.8%), Taiwan (+33.7%) and Korea (+30.2%).

On the other hand, double-digit decrease was recorded in the tonnage of outward port cargo discharged in Macao (-72.9%).

Comparing the first nine months of 2017 with the first nine months of 2016, double-digit increases were recorded in the tonnage of inward port cargo loaded in the mainland of China (+21.5%), Malaysia (+21.0%), Singapore (+16.6%), Thailand (+16.4%), Taiwan (+16.3%) and Vietnam (+10.3%).

For outward port cargo, double-digit increases were recorded in the tonnage of outward port cargo discharged in Korea (+41.9%), Taiwan (+32.0%) and Malaysia (+22.6%).

On the other hand, double-digit decrease was recorded in the tonnage of outward port cargo discharged in Macao (-32.5%).

Comparing the third quarter of 2017 with the third quarter of 2016, double-digit changes were recorded in the tonnage of inward port cargo of "stone,



sand and gravel" (+97.2%), "logs and timber; wood, simply worked" (+21.7%), "machinery" (+11.5%) and "coal, coke and briquettes" (-30.3%).

As for outward port cargo, double-digit changes were recorded in the tonnage of "metalliferous ores and metal scrap" (+34.5%), "pulp and waste paper" (+31.1%), "logs and timber; wood, simply worked" (+12.9%) and "stone, sand and gravel" (-25.3%).

Comparing the first nine months of 2017 with the first nine months of 2016, double-digit increases were recorded in the tonnage of inward port cargo of "stone, sand and gravel" (+73.4%), "logs and timber; wood, simply worked" (+39.3%), "machinery" (+10.9%) and "petroleum, petroleum products and related materials" (+10.0%).

As for outward port cargo, double-digit changes were recorded in the tonnage of "pulp and waste paper" (+38.3%), "logs and timber; wood, simply worked" (+25.9%), "metalliferous ores and metal scrap" (+23.8%) and "stone, sand and gravel" (-23.0%).

### *Containers*

In the third quarter of 2017, the port of Hong Kong handled 5.31 million TEUs of containers, representing an increase of 3.4% compared with a year earlier.

Within this total, laden and empty containers increased by 1.7% and 13.9% to 4.49 million TEUs and 0.82 million TEUs respectively.

Among laden containers, inward and outward containers increased by 0.3% and 3.1% to 2.29 million TEUs and 2.19 million TEUs respectively.

For the first nine months of 2017, the port of Hong Kong handled 15.56 million TEUs of containers, representing an increase of 8.6% compared with a year earlier.

Within this total, laden and empty containers increased by 8.5% and 9.0% to 13.30 million TEUs and 2.26 million TEUs respectively.

Among laden containers, inward and outward containers increased by 8.4% and 8.6% to 6.87 million TEUs and 6.43 million TEUs respectively.

On a seasonally adjusted quarter-to-quarter comparison, laden container throughput decreased by 3.0% in the third quarter of 2017.

Within this total, inward and outward laden containers decreased by 2.7% and 3.4% respectively.

In the third quarter of 2017, seaborne laden containers increased by 3.1% compared with a year earlier to 3.21 million TEUs, while river laden containers decreased by 1.7% compared with a year earlier to 1.28 million TEUs.

Within inward laden containers, imports decreased by 10.9% in the third quarter of 2017 compared with a year earlier to 0.66 million TEUs, while inward transshipment increased by 5.8% to 1.63 million TEUs.



For outward laden containers, exports decreased by 2.7% to 0.64 million TEUs, while outward transshipment increased by 5.7% to 1.55 million TEUs.

In the first nine months of 2017, seaborne and river laden containers increased by 10.9% and 2.6% compared with a year earlier to 9.69 million TEUs and 3.61 million TEUs respectively.

Within inward laden containers, imports decreased by 0.6% in the first nine months of 2017 compared with a year earlier to 2.03 million TEUs, while inward transshipment increased by 12.7% compared with a year earlier to 4.83 million TEUs.

For outward laden containers, exports and outward transshipment increased by 1.4% and 11.7% to 1.82 million TEUs and 4.61 million TEUs respectively.

Port cargo and laden container statistics are compiled from a sample of consignments listed in the cargo manifests supplied by shipping companies and agents to the C&SD.

### *Vessel arrivals*

Comparing the third quarter of 2017 with the third quarter of 2016, the number of ocean vessel arrivals decreased by 3.5% to 6,784, while the total capacity increased by 1.0% to 107.7 million net registered tons.

The number of river vessel arrivals decreased by 2.0% to 39,109, while the total capacity increased by 3.0% to 29.4 million net registered tons.

Comparing the first nine months of 2017 with the first nine months of 2016, the number of ocean vessel arrivals decreased by 3.0% to 20,206, while the total capacity increased by 5.0% to 319.0 million net registered tons.

The number of river vessel arrivals increased by 0.8% to 118,049, with the total capacity also increasing by 8.2% to 89.6 million net registered tons.

Vessel statistics are compiled by the Marine Department primarily from general declarations submitted by ship masters and authorised shipping agents.

Pleasure vessels and fishing vessels plying exclusively within the river trade limits are excluded.

*(from: hellenicshippingnews.com, December 6<sup>th</sup> 2017)*

## MARITIME TRANSPORT

### **HUGE IMPLICATIONS OF RUSSIA'S NORTHERN SEA ROUTE. AN ALTERNATIVE TO THE SUEZ CANAL?**

In terms of dealing with some of the world's harshest weather conditions no country comes close compared with Russia.

Now Russia has made it a highest priority to develop a Northern Sea Route along the Russian Arctic coast to enable LNG and container freight shipments between Asia and Europe that will cut shipping time almost in half and bypass the increasingly risky Suez Canal.

China is fully engaged and has now formally incorporated it into its new Silk Road Belt, Road Initiative infrastructure.

Before attending the Hamburg G20 Summit in July, China's President Xi Jinping made a stopover in Moscow where he and Russia's President Vladimir Putin signed the "China-Russia Joint Declaration on Further Strengthening Comprehensive, Strategic and Cooperative Partnership."

The declaration includes the Northern Sea Route as a strategic area of cooperation between China and Russia, as a formal part of China's Belt, Road Initiative (BRI) infrastructure.

For its part, Russia is investing major resources in development of new LNG ports and infrastructure along the route to service a growing maritime traffic passing through its Arctic territorial waters.

The Russian Federation, under the direct supervision of President Putin is building up the economic infrastructure that will create an alternative to the Suez Canal for container and LNG shipping between Europe and Asia.

In addition, the developments are opening up huge new undeveloped resources including oil, gas, diamonds and other minerals along the Russian Exclusive Economic Zone, transversing its northernmost Siberian coastline.

Officially Russian legislation defines the Northern Sea Route as the territorial waters along the Russian Arctic coast east of Novaya Zemlya in Russia's Arkhangelsk Oblast, from the Kara Sea across Siberia, to the Bering Strait that runs between far eastern Russia and Alaska.

The entire route lies in Arctic waters and within Russia's Exclusive Economic Zone (EEZ).

Preliminary geophysical studies confirm that vast oil and gas reserves exist below the sea floor along the Northern Sea Route of Russia's EEZ waters, increasing interest of the Chinese government in joint resource development with Russia, in addition to the potentially shorter shipping times to and from Europe.

For China, which sees increasing threats to its oil supply lines by sea from the Persian Gulf and via the Straits of Malacca, the Russian Northern Sea Route offers a far more secure alternative, a Plan B, in event of US Naval interdiction of the Malacca Straits.

US Geological Survey estimates are that within the Russian Arctic EEZ some 30% of all Arctic recoverable oil and 66% of its total natural gas is to be found.

The USGS estimates total Arctic oil recoverable reserves to be about one-third total Saudi reserves.

In short, as Mark Twain might have said, there's "black gold in them thar' icy waters..."

The United Nations Convention on Law of the Seas (UNCLOS), to which Russia and China are signatories, but the USA not, defines an exclusive economic zone to be an area "beyond and adjacent" to a state's territorial waters and provides the state with "sovereign rights...[over] managing the natural resources" within the zone.

China does not contest Russia's EEZ rights, but rather seeks to cooperate in its development now formally within the BRI project.

### *New shipping lanes*

The other interest in Russia's Northern Sea Route is for more economical and faster shipping.

In August this year in a test run the Russian LNG tanker, Christophe de Margerie, delivered Norwegian LNG from Hammerfest in Norway to Boryeong in South Korea in just 19 days, some 30% faster than the traditional Suez Canal route despite the fact that the vessel was forced to go through ice fields 1.2 meters thick.

The Arctic Sea part of the journey was made in a record six and half days.

The Christophe de Margerie is the first joint LNG tanker and icebreaker in the world, built to specification for the state-run Sovcomflot for the transportation

of LNG from the Yamal LNG project in the Russian Arctic by a South Korean shipbuilder.

Russia is also cooperating with South Korea in development of the shipping capabilities of its Northern Sea Route.

On November 6, Russia's Minister for Development of the Far East, Aleksandr Galushka, met South Korea's Minister of Oceans and Fisheries, Kim Yong-suk.

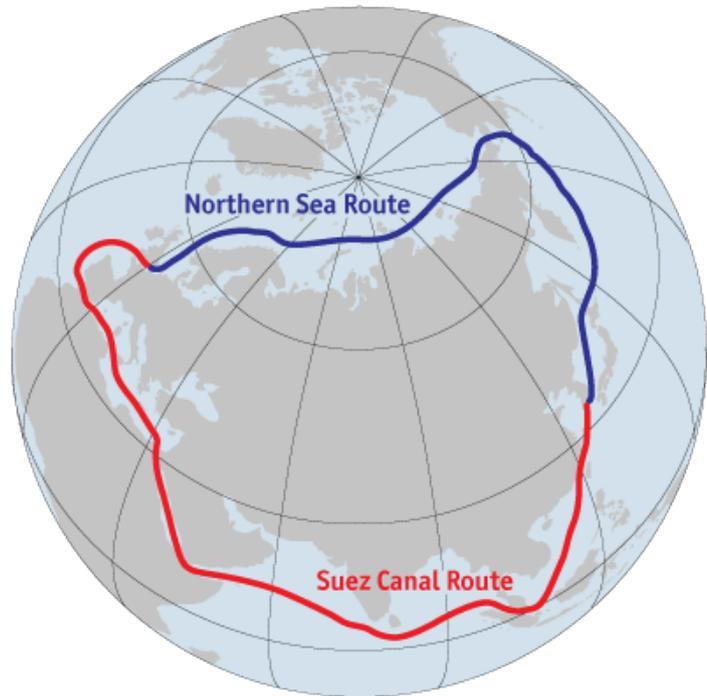
The two countries agreed to pursue joint research into investments for an Arctic container line along the Northern Sea Route.

 Northern Sea and Suez Canal routes

The joint development will include shipping hubs to be created in each end of the Northern Sea Route – Murmansk in the west and Petropavlovsk-Kamchatsky in the east.

Murmansk, bordering the northern regions of Finland and Norway, has ice-free access to the Barents Sea year around.

Korea's Hyundai Merchant Marine plans test sailings of container ships along the Northern Sea Route in 2020 with container ships capable of carrying 2,500-3,500 TEU (Twenty-foot Equivalent Unit, a measure of container size) on the route.



In July 2016, an historical shipment of two major industrial components was made from South Korea to the new Russian Arctic port at Sabetta and from there, on the rivers Ob and Irtysh to the South Ural city of Tobolsk.

### *New arctic port investments*

Murmansk itself is site of one of Russia's largest infrastructure projects.

Major construction work is currently on going to complete the so-called Murmansk Transport Hub which includes new roads, railway, ports and other facilities on the west of the Kola Bay.

Murmansk is already a key hub for reloading coal, oil, fish, metals and other cargo from the European part of Russia.

It will serve as the main western gateway for the Northern Sea Route to Asia.

The Russian Federation is also completing a new port at Sabetta on the Yamal Peninsula.

The Yamal Peninsula, bordering the Arctic Kara Sea, is location of Russia's biggest natural gas reserves with an estimated 55 trillion cubic meters (tcm).

By comparison, Qatar gas reserves are calculated at 25 tcm, Iran at 34 tcm.

The main developer of the Sabetta Port on Yamal is Novatek, Russia's largest independent gas producer, together with the Russian government.

Sabetta Port is also site of the major new Yamal LNG Terminal that before end of 2017 will begin transporting Yamal gas via the Northeast Sea Route to China.

When at full capacity, Sabetta Port will handle 30 million tons of goods a year making Sabetta the world's largest port north of the Arctic Circle, surpassing Murmansk.

Novatek has already pre-sold all its production volumes for Yamal LNG Terminal gas under 15- and 20-year contracts, most to China and other Asian buyers.

Yamal LNG is far from the only area where Russia's Novatek is cooperating with China.

On November 4, Novatek announced it had signed further agreements with Yamal partners China National Petroleum Corporation and China Development Bank for the Arctic LNG 2 project that is potentially larger than the Yamal LNG project.

The Arctic LNG 2 project of Novatek on Gydan Peninsula, separated from Yamal by the Gulf of Ob, is to begin construction in 2019.

The Yamal LNG Terminal is a \$27 billion project whose lead owner is Russia's Novatek.

When the US Treasury financial warfare targeted Novatek and the Yamal project in 2014 following the Crimea referendum to join the Russian Federation, China lenders stepped in to provide \$12 billion to complete the project after China's state oil company, CNPC bought a 20% interest in the Yamal LNG Terminal project.

The China Silk Road Fund holds another 9.9% and France's Total 20% with Novatek having 50.1%.

### *Breaking the ice, russian-style*

Opening the potentials of Russia's Northeast Sea Route to full commercial LNG and container freight traffic flow from the west along the Siberian Arctic littoral to South Korea and China and the rest of Asia requires extraordinary technology solutions, above all in the field of ice-breakers and port infrastructure along the deep-frozen Arctic route.

Here Russia is unequalled world leader.

And Russia is about to expand that leading role significantly.

In early 2016 Russia commissioned a new class of nuclear powered ice-



breakers called Arktika-class operated by Atomflot, the ship subsidiary of the giant Russian state Rosatom nuclear group, the world's largest nuclear power construction company and second largest in terms of uranium deposits producing 40% of the

world's enriched uranium.

The new Arktika icebreaker is at present the world's most powerful icebreaker of its kind and when ready for sailing in 2019 will be able to break 3 meters of ice.

A second Arktika-class nuclear icebreaker is due to sail in 2020.

At present Russia has a total of 14 diesel as well as nuclear-powered icebreakers in construction in addition to the just completed Christophe de Margerie.

All those 14 new icebreakers are being constructed at shipyards in the St. Petersburg area.

### *Rosatom to take lead*

Now the Russian government is about to dramatically escalate its development of icebreaker technologies with the clear aim of developing the shipping and resources along its Northeast Sea Route passage as a national economic priority.

In 2016 President Putin made a personal priority of overseeing building up of an ultra-modern state-of-the-art shipbuilding center in PrimorskyKrai in the

Russian Far East to balance the development of western yards around St. Petersburg and buildup Russia's economic region around Vladivostok as Russia's economy, reacting to the incalculable Washington and its sanctions, turns increasingly to self-sufficiency in vital areas.

The Far East shipbuilding is centered on a \$4 billion complete reconstruction of the old Zvezda shipyard in BolshoyKamen Bay owned by the Russian state's United Shipbuilding Corporation.

PrimorskyKrai is also home to the Russian Navy's Pacific Fleet.

When the giant new Zvezda yard is ready in 2020, it will be Russia's largest most modern civilian shipyard, focusing on large-tonnage ship construction of tankers including LNG tankers, Arctic icebreakers and elements for offshore oil and gas platforms.

On November 18 Russia's Kommersant business daily announced that Russia's president Putin wants to turn infrastructure development for the Northern Sea Route over to state nuclear corporation Rosatom.

According to the report, Putin approved the idea, which was put to him by his prime minister, Dmitry Medvedev, and which would turn all state services for nautical activities, infrastructure development, as well as state property used along the corridor to Rosatom's management.

Among other implications the decision to make Rosatom solely responsible for the Northern Sea Route development suggests that nuclear-powered icebreakers are to play a far larger role in the Northeast Sea Route developments.

According to the report, which has yet to be formally confirmed, the Rosatom role was proposed by Rosatom head Alexei Likhachev and Deputy Prime Minister Dmitry Rogozin.

Rogozin, sanctioned by Washington, has been Deputy Prime Minister in charge of Defense Industry of Russia since 2011.

If the new proposal becomes law, Rosatom will oversee all infrastructure and energy building along the 6,000 kilometers of the route through its arctic division.

According to the source, that will mean Rosatom oversees just about everything, from building ports, to building communications and navigation infrastructure, as well as coordination scientific research.

Under the plan a new Arctic Division of Rosatom would centralize ports previously controlled by the Ministry of Transport as well as non-nuclear icebreakers operated by Rosmorport and Russia's nuclear icebreaker fleet.

The NSR Administration, the state institution responsible for safety of navigation, would also become part of this new "Arctic Division" at Rosatom.

It would be a move to greatly streamline the present fragmentation of responsibility for different aspects of Russia's Northeast Sea Route transportation development, one of the highest priorities of Moscow and a key building block in development of the China-Russia collaboration in BRI.

Taking all into account what is very clear is that Russia is developing cutting-edge technology and infrastructure in some of the most extreme climate conditions in the world, in building its economy new, and that it is successfully doing so in collaboration with China, South Korea and even to an extent with Japan, contrary to the hopes of Washington war-addicted neoconservatives and their patrons in the US military industrial complex.

*(from: hellenicshippingnews.com, November 27<sup>th</sup> 2017)*

## RAIL TRANSPORT

### SWISS RAIL FREIGHT CONTINUES TO GAIN MARKET SHARE

Switzerland's rail freight operators continued to gain market share from road in 2016, according to figures published this week by the Federal Statistical Office (FSO).

Rail's market share increased by 0.9% compared with the previous year, while road's share of the freight market declined by 1.5%

Total traffic across the two sectors fell 0.6% to 27.8 billion tonne-km, with rail accounting for 39% of freight carried.

This means that rail has regained the market share it recorded in 2008; it lost ground in 2009 because of the financial and economic crisis, falling to an all-time low of 35.9%.

The two modes of transport are not so much competitors as complementary service providers, according to the FSO.

While the local distribution of goods can only be carried out in most cases by road in this small, mountainous country, rail transport often offers greater advantages over longer distances.



As a result, rail transport dominates the international market (import, export and transit) with 67%, with transit alone accounting for 56%.

This compares with only 37% of international traffic for the road sector.

This figures for 2017 may look less favourable because of the closure of the Rhine Valley Line, a key north-south freight artery, between August 12 and October 2 due to a landslide at Rastatt in Germany.

Swiss Federal Railways (SBB) says this led to a SFr 26.5m (\$US 27m) drop in its revenues, excluding associated costs.

The only consolation is that lessons can be learned from this experience: SBB is already talking with German Rail (DB) about improving international cooperation and developing more efficient corridor management.

*(from: railjournalcom, November 23<sup>rd</sup> 2017)*

## ROAD TRANSPORT

### HAMBURG STARTS PORTWIDE CONTAINER TRUCK SLOT-BOOKING

On 29th November a time slot-booking system for handling container deliveries and collections by truck will be introduced in all four Hamburg container terminals.

Hamburg is the first port in Germany to implement such a system to optimise truck handling.

Up to now, ports in the USA especially, and also a few terminals in Europe, the Far East and Australia, offer a slot-booking system.

With the introduction of this system in Hamburg, and with immediate effect all



haulage contractors for container deliveries and collections at HHLA Container Terminals Burchardkai, Altenwerder and Tollerort as well as Eurogate Container Terminal Hamburg, must agree a time window.

The trucking planners notify the requested transport time via an EDI interface or slot-booking

website to the relevant terminal.

If there is enough capacity at the time given - the slot can be booked for the truck.

Each time slot lasts one hour, within which the truck is handled with maximum priority at the container terminal.

If the driver misses this slot then he is handled with lower priority, provided there is capacity at the terminal.

If the driver comes much later, the slot is lost and he must make a new booking.

Hamburg's slot-booking system is structured so as to offer truckers the highest possible flexibility.

Slot cancellations, rebookings or exchanges and additional bookings are possible by agreement with the terminal.

Due to increasing vessel size, more large containerships with capacities of over 20,000 TEU are calling at Hamburg.

This could mean that up to 14,500 TEU are handled in one ship call, leading to container transport peaks to and from and around the port.

The new slot-booking system should relieve these peaks and spread the truck handling load equally, says the Port of Hamburg.

The aim is to reduce waiting time for trucks and to offer the haulage companies standardised processes at all container terminals and homogeneous information exchange.

At the same time the capacity of the terminals will be increased by optimal use of resources and available infrastructure.

"The time slot-booking system facilitates transparency and makes planning easier for all those involved in the Port of Hamburg," stated the port.

*(from: worldcargonews.com, November 28<sup>th</sup> 2017)*

## INTERMODAL TRANSPORT

### LOMBARDY-CHENGDU BLOCK TRAIN

A container block train has been dispatched from the intermodal logistics hub in Mortara, near Milan, for Chengdu in Sichuan Province in Central China.

The first train, hauled by Captrain (SNCF), departed last week from Polo Logistico Intermodale in Mortara, Lombardy, organised by this operator in association with Chinese automotive logistics specialist Changjiu Logistics Corporation, in line with a service plan first announced in June this year.

The launch train is made up of 17 40ft twin cars (34 FEU) and was filled 50% by CMA CGM and 50% by customers of Changjiu Logistics.

The cargo was made up of machinery and equipment, furniture, fashion goods, foodstuffs, wine, tiles, automotive components and automobiles.

The line of route is via the Polish/Belarus gauge break, and across Russia and Kazakhstan to the Dostyk gauge break into China.

Scheduled transit time on the 10,800 km route is 18 days compared to 40-45 days by sea, including overland from the Chinese port of entry to Chengdu, a city with 14M inhabitants.



From January 2018 there will be two weekly trains, but it is hope to increase frequency to three if DHL adds traffic.

The ambitious goal is to be operating 20 trains per week by 2020.

Rail traction is the responsibility of CDIRS Chengdu International Railway Services Co Ltd, in cooperation with rail companies along the line of route.

Changjiu Logistics is a leading logistic services provider for the Chinese automobile industry and is part of Changjiu Group, a Shanghai Bourse-listed company.

Polo Logistico Integrato in Mortara boasts 180,000 m<sup>2</sup> of storage and distribution warehousing and an intermodal rail terminal handling 6-8 train pairs/day (70-80,000 TEU/year), to/from Rotterdam (Shuttlewise), Krefeld (Duisburg) and Gent.

The terminal is operated by Polo affiliate T.I.MO. Terminal Intermodale Mortara Srl.

The 110,000 m<sup>2</sup> terminal has seven 650-700m tracks, four of which are electrified, and has a capacity for nine train pairs/day or 150,000 TEU/year.

- Two new twice weekly intermodal rail services have been introduced by Cemat between Voltri Pra container terminal (formerly known as VTE Voltri Terminal Europa) in the Port of Genoa and Milan intermodal terminal Milano Smistamento.

The latter is operated by Mercitalia Terminal.

Both Cemat and Mercitalia Terminal are part of Mercitalia Logistics (FS Ferrovie dello Stato).

The trains are 440m long with 22 twin cars, including four low bed cars for 9ft 6in high cube containers.

Allowable trailing weights are 1,300t for exports and 1,000t for imports.

At Milan Smistamento steel wheel transfers can be provided for trains to southern Italy (Bari, Pomezia, Marcianise, Catania) or transalpine destinations (Paris-Valenton, Lille-Dourges, Munich and Duisburg).

- The first container block train from China to France arrived in Lille-Dourges trimodal terminal in north east France on 16th November.

The train, organised by Damco France on behalf of Maersk Line, left Wuhan in Hubei Province on 20th October, so it covered the 10,815 kms in 20 days.

The anchor cargo in the containers was sports wear for Decathlon.

Kasper Krog, head of DAMCO Rail, said, "We are pleased that we have been able to put together this solution for Decathlon and in fact the wider market that has produced immediate benefits on a logistics and economic level."

One objective of the DAMCO block train was to ensure that the service can help business stay ahead of and meet the demands of the supply chain.

The train was followed by GPS tracking system and customers were given daily reports on status.

It is touted as providing a cost-effective and environment-friendly alternative to air cargo shipments.

*(from: worldcargonews.com, December 3<sup>rd</sup> 2017)*

## TRANSPORT & ENVIRONMENT

### KUEHNE + NAGEL AND HAPAG-LLOYD AGREE SHARED GREEN TARGETS

Hapag-Lloyd and Kuehne + Nagel have committed themselves to significantly reduce the carbon dioxide emissions in their common container-transport activities and to jointly develop long-term sustainable container transport solutions.

The companies' Carbon and Sustainability Pact calls for a 17% reduction in CO emissions per container moved by Hapag-Lloyd by 2020 compared to 2017.

The agreement between the world's largest sea freight logistics company and one of the largest liner shipping companies in the world also allows for potential for additional reductions on selected routes.

In the document, both companies clearly state that they "want to take advantage of this unique opportunity to influence the logistics sector", stressing the "wish to give Kuehne + Nagel customers options based on transparent data.



**Hapag-Lloyd**  
**Container Line**

Hapag-Lloyd will thus make it possible for Kuehne + Nagel to use information about the CO emissions of the ships in Hapag-Lloyd's fleet, which has previously been verified by the independent Clean Cargo Working Group (CCWG), in its communications with customers," the companies said.

With their Carbon and Sustainability Pact, both companies said they had also committed themselves to a series of additional actions to better protect the environment.

"For example, there are plans to optimise the movement of empty containers, as well as to identify alternatives to truck transports using ships or trains."

In addition, there are also plans to use the most modern and eco-friendly reefer equipment whenever possible, as well as to use containers with steel rather than wooden floors, where appropriate.

Hapag-Lloyd is one of the world's leading liner shipping companies, with a fleet of 215 container ships and a total transport capacity of 1.6 million teu.

The company has around 12,000 employees and over 420 offices in 126 countries.



Kuehne + Nagel has over 74,000 employees at around 1,300 locations in over 100 countries, with strong market positions in sea freight, air freight, contract logistics and overland freight transport businesses.

**KUEHNE+NAGEL**

*(from: lloydsloadinglist.com, Decmeber 5<sup>th</sup> 2017)*

## LAW & REGULATION

### THE EU PORT SERVICES REGULATION: THERE'S CERTAIN TO BE UNCERTAINTY, POST-BREXIT

If ever there was a demonstration of just how intractable the process of Brexit promises to be, look no further than the UK's largely self-sufficient port sector and its almost united opposition to the European Union's much-maligned Port Services Regulation.

In an address to the UK Major Port Group's annual Parliamentary reception in the House of Commons this week, UK shipping minister John Hayes gave the sort of upbeat speech typical of many Brexiteers in the government, claiming the industry faces "wonderful opportunities", given that the "the port services regulation has thankfully been consigned to the dustbin of history".

If only that were the case.

Here's a brief history re-cap for those who managed to miss – or have forgotten – one of the most mind-numbingly boring stories in European shipping this century (and I'm not joking).



At some point in the late 1990s, European Commission officials decided that the port sector was insufficiently

regulated and needed laws to guarantee competition, especially within a particular port, and began preparing the "access to port services directive".

There was opposition from a wide range of interests – port authorities and terminal operators across Europe, as well as labour representatives – but particularly from the UK's already privatised port industry, generally composed of single-operator gateways, which collectively argued that by dint of geography, competition within ports was unnecessary as there was already adequate competition between ports.

So, some 20 years on – March this year, to be precise – the EU adopted the Port Services Regulation, as it has come to be known – even if it is a rather watered-down version of the original proposals.

However, now that we have Brexit, it may not have to enter UK law at all.

Or will it?

Under the normal progress from directive to law, EU legislation is adopted two years before it comes into force, so the timing of the Port Services Regulation is that it will become EU law around a month after Brexit is expected to formally take place in 2019.

However, at the same time, the UK government is also working on the Great Repeal Bill (though, frankly, we are waiting to see what exactly is going to be so great about it) which will effectively transpose current EU legislation into post-Brexit UK law.

This means the Port Services Regulation, far from being consigned to the dustbin of history, will most likely be part of UK law.

The Loadstar understands there have been submissions by UK port representatives to the Department of Exiting the EU (DExEU) to omit the regulation from the repeal bill, but these have largely gone unheeded.

Beyond the key themes of the divorce bill – the rights of EU nationals in the UK and the Irish border question – the general strategy of the UK government toward EU legislation appears to be to bring it all into UK law in return for securing a trade deal with the EU.

Only after that, will the government begin to consider removing the bits of law Britain doesn't want... and given the port industry's traditional place in the hierarchy of government priorities (really low, in case you hadn't noticed), the nearest thing to a certainty, in terms of the Port Services Regulation, is likely to be a lot more uncertainty and legal confusion.

*(from: theloadstar.co.uk, November 30<sup>th</sup> 2017)*

## PROGRESS & TECHNOLOGY

### **THIS EX-TRUCKER HAS SOME QUESTIONS ABOUT THE TESLA SEMI**

*Blog platform Engadget has run an interesting post from a truck driver (Jonathon Ramsey) on the recently unveiled Tesla Semi – beginning with its strange cab design that puts the driver’s seat in the centre.*

\* \* \*

“Resurrecting a dormant childhood dream, I spent almost nine months of this year as an over-the-road truck driver – six months in a Freightliner Cascadia pulling a refrigerated trailer, then nearly three months in a Kenworth T680 pulling a flatbed.

I drove more than 90,000 miles, from New England to the Pacific Northwest, from San Diego to central Florida.

I retired this month, partly because the dream has dark sides so dark they'd shame a black hole.

Last week I watched Elon Musk unveil the Tesla Semi to see how he'd address some of those unsavory elements.

We don't know what the production truck will achieve when it hits the road, but the Semi has a lot going for it.

Nevertheless, the Semi seems most impressive to those who don't know what it's like to be a truck driver.

First, let's clear up what this truck is for, as it was presented.

This is not an over-the-road truck.

This truck suits line-haul – routes that run between a company's terminals, like from one regional Wal-Mart distribution center to another.

When Musk made the case for a 20-percent savings over a diesel truck, he based the numbers on a 100-mile trip – fifty miles out, fifty miles back.

The Semi would be perfect for port work, which involves lots of waiting, idling, stop-and-go traffic, and local out-and-back trips.

This first version of the Semi will not replace the dozens of thousands of trucks on huge regional or coast-to-coast runs, clocking 2,000 to 5,000 miles per week.

I only have space here to address a few issues, so we'll start with the central seating position.

I don't see how that helps a trucker.

I already get "a commanding view of the road" in a traditional truck because I sit six feet above traffic.

What I need is a commanding view of my own truck, which the central seating position compromises.

The worst blind spot in a tractor is next to the doors; in the Tesla Semi, I can't



lean over to see if there's a Toyota Corolla camped out beside me.

The central seating position hampers my commanding view when I need that view most: when I back up.

For any backing maneuver, I watch both sides of the

trailer in my mirrors to make sure I don't clobber anything, or I lean out of the truck to watch the trailer as I back.

Being able to physically watch the trailer – not camera images on screens – can be the difference between making a clean back-up or making an insurance claim.

Furthermore, I can't see around trucks in front of me without pulling halfway into another lane.

When I need to exchange paperwork with the guard at a terminal, or the police, I can't lean out the window to do so.

Speaking of which, I have to believe one of the windows on the Tesla Semi rolls down, but I can't figure out which one.

If, as it appears from the renderings, the windows only vent, well... that's unacceptable.

I'd want more mirrors.

The silver, condo-sleeper truck at the presentation only had cameras mounted at the rear of the tractor.

The black, mid-roof truck supplemented physical mirrors on lengthy stalks on both sides of the cab.

Most new trucks come with mirrors mounted on the front fenders that provide views of the front corners – my Kenworth had seven mirrors in total, I've seen plenty of trucks with more.

You'd be amazed at the number of tiny concrete and reinforced steel impediments lurking at truck stops and customer terminals.

I know such mirrors would hamper aerodynamics on the Tesla Semi, but when those \$8 contraptions could save thousands on carbon fiber repairs and downtime, I don't see why anyone would go without them.

Another reason to have physical mirrors: so I can turn off, or turn down, the two giant screens in the cab (screens which, by the way, hinder my view of the corners of my truck).

The light required to provide a useful camera image at night would kill my eyes during a full drive shift.

Doing an 11-hour stint in a dark cockpit in the glow of large digital screens only works in anime and "Battlestar Galactica."

I had one computer in both trucks I drove, and unless I was using it, I turned the screen off.

A few more quick takes based on Musk quotes from the presentation: "We want a vehicle that accelerates like nothing else."

I understand acceleration is a core Tesla brand value, but I'm far more interested in braking.

An 80,000-pound tractor trailer needs about 550 feet to come to a complete stop from 55 miles per hour, and I spent a surprising portion of every driving shift trying not to obliterate car drivers who weren't aware of that fact.

Show me how much the Semi can lop off that braking distance.

"[A truck cab is] a clutter of third-party devices, it's very difficult to use.... It's a pain-in-the-neck."

No, it's not.

The trucks I drove had one necessary third-party device in the cab, a Qualcomm computer to communicate with HQ, and I put a portable GPS unit on the windshield.

That was it.

The truck cabin photo Musk used during the presentation had a Qualcomm-type unit, plus a traditional GPS, plus an iPad with a GPS display, plus another small display I couldn't identify.

I've been in plenty of truck stops and walked by a ton of trucks, and only the most frightened novice or the most chronically indecisive driver would mount that much junk.

"You have to sit there for 15 minutes while the tank gets filled."

Truckers don't "sit there" while filling up at a truck stop.

Truckers clean all the windows, mirrors, and headlights, check the tires and axle seals, make sure every tractor and trailer light works, and look for damage.

This walkaround can take longer than the actual fill-up, and it must be done no matter what energy powers the truck.

"Jackknifing is impossible."

This is a lie, unless the Tesla Semi and Tesla trailer can counteract physics and human error.

My Freightliner weighed about 18,000 pounds, the reefer trailer added about another 16,000 pounds.

That left enough for about a 46,000-pound load.

When stuffed to the gills, I had 62,000 pounds ready to push me around or come around.

If, either through physics or human error, the drive wheels or the trailer break loose too far, the Tesla Semi won't stop the jackknife.

These are only a few questions I have about the driver experience, before we get to some of the larger trucking issues the Tesla Semi wants to address, but it's enough for now.

Electric trucks, including the Tesla Semi, are inevitable and welcome; making trucking more efficient and safer for drivers, fleet operators, and the environment benefits the entire world. Companies like Wal-Mart and JB Hunt that have placed orders for Tesla Semis have the routes, terminal control, and money for terminal infrastructure to make the most of the Semi, so we'll see

what the production unit looks like in 2019 (hopefully) and parse the feedback after 10,000 miles of road duty. Don't be surprised to see more mirrors.”

*(from: [theloadstar.co.uk/endgadget.com](http://theloadstar.co.uk/endgadget.com), November 24<sup>th</sup> 2017)*

## STUDIES & RESEARCH

### DOES BITCOIN HAVE A FUTURE IN SHIPPING?

Google now receives more search requests for Bitcoin than for Kim Kardashian, Beyoncé and Taylor Swift combined.

This week, a shipping company announced that it is working on a deal that will be paid in Bitcoin, which is believed to be an industry first.

But does Bitcoin have a future in shipping?

Firstly, what is Bitcoin?

It is digital and seen as an alternative currency.

Unlike the notes or coins, it largely exists online and is not printed by governments or traditional banks.

A small but growing number of international businesses, including Expedia and Microsoft, accept Bitcoins, which work like virtual tokens.

Bitcoin has been likened more to a commodity than a currency, with people choosing to invest and trade in it.

The protocols behind Bitcoin limit its circulation to a maximum of 21 million.

The vast majority of users now buy and sell Bitcoins as a financial investment; however, they can be exchanged for other currencies and, increasingly, products and services.

In October, a Notting Hill mansion went on sale for £17 million to be paid in Bitcoin, in what is believed to be a first for London.

“We would like to be the first company to transact in Bitcoin.

It can be done quicker, more efficiently and it is much easier to deal with than using banks, which are putting in unnecessary over-regulation,” said Lev Loginov, founder of property investment company London Wall, which is selling the Notting Hill house.

However, on Wednesday, a Bank of England deputy governor warned “investors should do their homework” on Bitcoin.

The cryptocurrency is now around \$7,500, down from the record \$11,434 (£8,500) it hit on Wednesday.

Neil Wilson, a financial analyst at ETX Capital in London, called this week’s trading “a rollercoaster like nothing I’ve ever seen”.

He said part of the volatility was due to small investors “with no market experience” buying and selling the coin.

“There is no way to discern what fair value is – it’s so incredibly speculative and it is so new and not properly understood,” he said.



This week, Bloomberg reported that Ukrainian bulker company Varamar is in negotiations over its first deal with a client in Bitcoin.

The cryptocurrency will make it easier to do business with customers in countries affected by sanctions, and means less paperwork than traditional bank deals, Varamar said.

Russian shipbroker Interchart is also reportedly working on a Bitcoin payment system for customers who aren’t able to easily transact in dollars due to bank restrictions.

So does Bitcoin have a future in shipping?

For the purposes of circumventing banking restrictions, we would suppose so.

But Bitcoin is an immature market that is still finding its feet and is still subject to exploitation.

Earlier this week, Jeffrey Currie, global head of commodities research at Goldman Sachs, told Bloomberg TV that two key issues need to be resolved if the Bitcoin market is to behave like the gold market.

Firstly, Bitcoin remains difficult to value – look at the price volatility.

Secondly, just as gold needs to be vaulted securely, so too does Bitcoin.

Cryptocurrencies are currently vulnerable to hacking through online wallets or the user's computer or smartphone, are subject to regulatory risk, and network and infrastructure risk during a crisis.

Currie said if/when these issues are resolved then investors can begin to think of Bitcoin as a more conventional commodity market.

Looking to the future, Currie said that innovation does not lie within Bitcoin itself but within blockchain – which we think will definitely play an increasingly important role within shipping.

Indeed, a number of companies have already been experimenting with the technology.

The first blockchain was conceptualised in 2008 and subsequently implemented in 2009 as a core component of Bitcoin, where blockchain serves as the public ledger for all transactions.

A blockchain is a continuously growing list of records, called blocks, which are linked and secured using cryptography.

Each block typically contains a hash pointer as a link to a previous block, a timestamp and transaction data.

Blockchains are designed to be inherently resistant to modification of the data and are therefore secure to tampering.

In June, Maersk and IBM announced their partnership that will use blockchain technology to help transform the global supply chain.

Subsequently, IBM signed a Memorandum of Understanding with Pacific International Lines and port group PSA International to expand the blockchain trade project.

Just this week, Spain's Banco Bilbao Vizcaya Argentaria (BBVA) announced that it has partnered with blockchain company Waves to create a distributed ledger technology platform for processing and handling shipping document submissions.

We are watching the developments in the Bitcoin market with interest – we've seen people make a quick buck – but blockchain is the key to the future of shipping.

*(from: hellenicshippingnews.com, December 5<sup>th</sup> 2017)*

## REEFER

### REEFER RATES ON THE RADAR

With many players in reefer transport expecting reefer shipping rates to rise, freight rate benchmarking and intelligence agency Xeneta has added reefer rates to its market intelligence platform.

"With over 20% of Xeneta's existing customers also shipping refrigerated containers, reefer container data has already started to populate the platform with over 30,000 points for the main trade lanes already available for existing customers who form part of the Beta Program," Xeneta stated.

"We have had numerous requests for reefer rate data from our customer base and the general market.

In particular, customers shipping perishables and pharmaceuticals are looking for the same type of real-time rate market intelligence we provide for dry containers.

Because of the flexible and scalable technology behind our platform we have quickly been able to offer reefer rate data as a filter right in the platform where our customers can instantly switch between dry container and reefer rates," said Patrik Berglund, CEO Xeneta.



Xeneta's timing is no coincidence.

Reefer industry players at the Intermodal Exhibition in Amsterdam last week were optimistic about the market for reefer containers, tracking systems and associated products, based on a surge in the number of orders for new reefer containers.

The market is coming back from an 18 month period when few reefer containers were added, and while this is good news for the container industry, there is still some uncertainty on the leasing and shipping line side of the

business as reefer rates did not rise in the first six months of the year to the extent some had expected, despite reports of equipment shortages in some areas.

Leasing rates in particular were well below some expectations.

How far freight and leasing rates might rise as the market comes into the southern hemisphere growing season is uncertain.

The cargo base is growing, but so is supply as new vessels with progressively higher percentages of reefer slots are deployed.

Xeneta notes that "shippers may experience rate increases" but at the same time "the landscape for refrigerated cargo will become more competitive.

For a market that has for many years been seen as stable, volatility can also come into play as in the dry container market".

Xeneta has available reefer container rate data for the following lanes:

#### Short-Term Rates

- Export from South East Asia and China

#### Long-Term Rates

- North Europe – US East Coast
- China – Northern Europe
- North Europe -China
- North Europe-Japan
- US East Coast - Japan
- North Europe -Latin America

*(from: worldcargonews.com, December 4th 2017)*

## CONFERENCES

### **INTERMODAL FORUM: "RASTATT, NEVER AGAIN"**

Europe's intermodal community has met in Düsseldorf for an open discussion on how to make rail more stable and sustainable.

More than 200 professionals from rail freight undertakings, infrastructure services providers, intermodal operators, shippers and forwarders took part in the forum organised by Hupac in Düsseldorf, 6th December.

Triggered by the Rastatt crisis, speakers identified strategies and priority actions to overcome today's weaknesses of the rail freight system.

Contingency plans with back-up routings, improved international traffic management, and a clear responsibility of infrastructure managers as part of the supply chain are crucial factors for the future of rail freight transportation.

"We need to take this opportunity to tackle some well-known deficiencies in order to improve market conditions and promote modal shift," said Bernhard Kunz, CEO of Hupac.

The breakdown of 150m of tracks in Rastatt in August 2017 and the subsequent closure of the Rhine Valley line for seven weeks led to the biggest rail logistics crisis ever experienced in Europe.

While rail diversions via Germany, France and Austria covered only 1/3 of the demand, alternative transport modes such as the road and the Rhine were quickly overloaded and could not offer sufficient capacity.

As a result, supply chains were at risk, and in some cases even production stops occurred.

During the Rastatt disruption:

- railcars and locos ran short because the units were tied up in the north-south pipeline, and kept waiting for alternative routings;
- terminals stopped acceptance because of backlogs of train departures;
- engine drivers were insufficient because detours absorbed up to 2-3 times more resources.

The improvement of interoperability throughout Europe is the basic requirement for sustainable rail freight services, note Michail Stahlhut, CEO of SBB Cargo International.

The Rastatt disaster must be taken as an opportunity to switch "from survival into change mode."

Rastatt has proved the need for a consistent international infrastructure management from a single source, for day-by-day operations, as well as for any incidents that may occur.

Infrastructure capacity needs to be secured to 100% in case of planned track works and to 80% in case of disruptions.

Rastatt, he said, was a "failure of interoperability."

Hans-Jörg Bertschi, president of Hupac, called for investments in redundancies.



The left Rhine "missing piece" between Lauterbourg and Strasbourg" needs to be upgraded with double track and electrification in order to substitute the German line in case of need.

A bonus/malus system should attribute responsibility to infrastructure managers for their service quality.

"All partners of the supply chain assume responsibility for their service.

We need to redesign the role of infrastructure managers if we want to make real progress for the future of intermodal logistics."

A number of speakers stated that the situation was made worse by French insistence that the drivers of trains diverted to French tracks on the Rhine left bank spoke French.

The most anticipated speaker of the forum, Frank Sennhenn, CEO of DB Netz, stated that his organisation was in discussions with passenger and freight railway undertakings in Germany to discuss a bonus/malus system - penalties and incentives based on performance.

A number of speakers referred to the example of the UK, where disputes between Netrail and passenger and freight TOCs are handled by the Office of the Rail Regulator.

Mr Sennhenn asked the forum to be patient, however, because DB Netze and its Rastatt tunnel contractors have gone to arbitration to assess the responsibilities and liabilities, if any, and the result would probably not be known until the end of 2018.

This prompted Sylvie Charles, CEO of SNCF Logistics, whose Captrain and BLS services were badly disrupted, to ask whether anybody could really think that Rastatt was an "Act of God."

Summing up the one-day forum, Bernhard Kunz said that Hupac expects to give feedback on progress to the market at its General Assembly Meeting in Zürich on 1st June next year.

*(from: worldcargonews.com, December 7<sup>th</sup> 2017)*

## ON THE CALENDAR

- 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
- 24/09/2018 – 29/09/2018      Napoli      Naples Shipping Week 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
- 28/11/2018 – 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.

