

Newsletter

April 30th 2018

Link road, rail, sea!

Council Of Intermodal Shipping Consultants

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April 30th 2018

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>

PORTS AND TERMINALS

HOW BREXIT IS SET TO CAUSE CHAOS AT EUROPE'S PORTS

In-depth knowledge of Rotterdam in Britain tends to extend little further than the lyrics of the eponymous Beautiful South song, but with Brexit looming on the horizon, what happens here will be crucial to the daily lives of people across the UK.

The port of Rotterdam is huge.

By far the largest and busiest in Europe, it has been expanded every decade since the Second World War and now juts so far out into sea on reclaimed land that it takes less time to drive to neighbouring The Hague from the centre of town than it does to the tip of the city's own harbour.

Its cranes and docks stretch out further than the eye can see even on a clear day flanked by motorways and freight railways, and criss-crossed with ever-present Dutch bike paths.

"From a perspective of rationality it's always hard for us to understand Brexit," says Mark Dijk, the Rotterdam port authority's external affairs manager.

In some ways, the port is already at the heart of the British economy: its size and depth means that the very biggest ships coming to Europe from East Asia can unload their wares here – it's the only place they fit.

"We are also a hub for the UK.

All the deep-sea ships from China are coming into Rotterdam, and their goods are then going into shallow water ships to the UK," says Dijk.

A high-tech roll-off-roll-on (RoRo) system means that products ranging from electronics to fruit enter the European single market and customs union in the Netherlands, then hours later are moved back onto smaller ships for their final voyage across the channel to Britain.

Currently, British supermarkets have a 2pm cut-off time to order something from the port to arrive on their lorries at warehouses by 5am the next day.

This is possible because Britain's EU membership means that these goods only face one bit of bureaucracy on their way – but that looks about to change.

"As port of Rotterdam we realised somewhere in September, October last year that something is really going to happen," Dijk says.

"We decided we have to do something about it.

There are around 3,000 companies here, they're not all doing business with the UK, but most of them are."

The EU says Theresa May's decision to leave the customs union and single market – a decision taken under her now sacked chiefs of staff Nick Timothy and Fiona Hill – will inevitably produce "frictions" to trade and necessitate customs checks.



But delays could have a serious effect on the supply chain of British businesses.

"This is especially the market that is focusing on high speed supply chains.

Sometimes with containers, if you're a day late you're fine.

But if you have fresh flowers going to the UK, every day you're late you lose 30 per cent of your profit," says Renske Schoenmaker, a business manager at the port dealing in containers and logistics.

Another possible effect of Britain's exit from the customs union and single market, she says, is that extra delays at the port will dramatically increase the number of trucks needed.

"That's a big worry with the trailer companies at the moment.

Because of the supply chains, they're able to do a round trip in 24 hours now.

So as soon as you have an obstruction somewhere you need two trailers to do the same work."

Speaking to the port officials, their main concern is the uncertainty that is still hanging over the Brexit process.

The final customs deal struck between Britain and the EU will be crucial, says Schoenmaker – particularly how long shipping companies will need to give advance notice to customs authorities of their load.

"If that's not early enough, that will mean they need to wait," she adds – a state of affairs that would inevitably raise costs and add delays to the system.

Whispered reports of a possible U-turn by the British government on leaving the customs union have raised hopes here, but Rotterdam's port authorities are not taking any chances.

They're preparing for a hard Brexit: if Britain goes out and defaults to World Trade Organisation (WTO) rules without a deal, they expect things to get very messy.

"If there will be full physical checks by the customs, a WTO scenario, that could come up to 8 or 9km of traffic jams," says Dijk.

The port authorities show *The Independent* a report by the Dutch ministry of infrastructure titled "Gaan we het schip in?" (a maritime-themed idiom that roughly translates as "are we going to be screwed?") that anticipates an eventual cumulative 50 per cent reduction in trade growth with Britain as a result of Britain's departure.

"We want to be ready in March 2019," says Dijk, who is concerned that the UK Parliament could reject a deal and potentially see Britain crash out (British MEPs present in the room at the time insist that the government is bluffing; that rejection of a deal would simply see Brexit paused and the UK return to the negotiating table, but the port manager is not convinced.)

"If we want to broaden a road or expand a terminal, it's almost impossible to do it from March 2019.

We see the whole of Brexit as a lose-lose scenario," he says.

A thick fog carpets the entire port as we drive half an hour from its offices to the middle of the refinery section, which deals with oil and liquid gas.

Despite the massive land reclamation, space here is limited and there simply would not be the room for huge numbers of extra places for queueing lorries.

Still, the port is trying to prepare.

Nationally, Dutch customs is hiring 730 customs officers thanks to Brexit, but that number could grow up to 950 between Schipol airport and the port.

They've already had 3,000 applications, with a curiously disproportionate number of CVs from people with a military background.

"Dutch people like to work in customs," one official quips.

The port authority, which is jointly owned by the municipality of Rotterdam and the Dutch government, is also worried for itself about the political implications of Britain leaving.

Britain and the Netherlands have long been political allies on free trade issues, and supported each other's common approach to business in the European institutions.

(from: hellenicshippingnews.com/independent.co.uk, April 17th 2018)

MARITIME TRANSPORT

MAERSK AIMS TO ESCAPE FROM GRIP OF FREIGHT RATE VOLATILITY

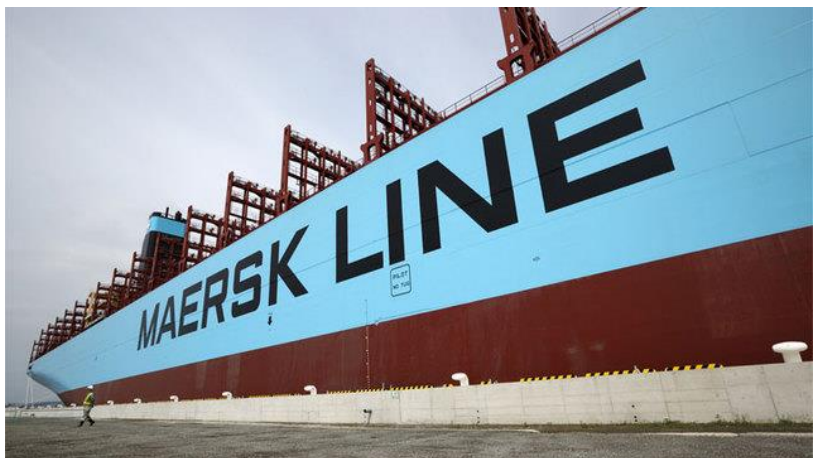
Maersk's efforts to reduce the impact of volatile freight rates on its financial results are making progress as the Danish group expands its range of door-to-door services and digital products.

The goal is to ensure that revenue from stable business activities grows faster than income generated from ocean freight rates that are hugely cyclical, AP Moller-Maersk chief executive Søren Skou said this week.

He also outlined the new financial reporting system, to start with the coming interim results, that will bring greater transparency to the performance of different activities and separate out the impact of freight rates.

"The new format will reflect the fact that we are an integrated business focusing on our customers' value chains," Mr Skou told the annual general meeting.

The four segments will consist of the ocean shipping activities of Maersk Line, Hamburg Süd and related operations: logistics and services activities of Damco, Maersk Line and APM Terminals on land; terminals and tug operations of APM Terminals and Svitser in and around ports; and manufacturing activities of Maersk Container Industry and other businesses in the portfolio.



"That new segmentation will make it easier for everyone to follow the development within those services that are not purely ocean freight," said Mr Skou.

"This is an important aspect of the strategy to create the highest growth and increase earnings in those parts of the business that are not tied to freight rates, and therefore minimise the cyclical part of the business."

In the past, this ability to hedge one part of the business against another was achieved through the group's energy activities, which are being sold off as Maersk moves from being a conglomerate to an integrated transport and logistics company.

"We wish for this more stable revenue to grow faster than the traditional ocean freight business, and to come from new services and products, many of which can be offered digitally, and from more door-to door transport and financial products," said Mr Skou.

"Customers must experience a coherent and integrated service with intelligent digital interfaces that make it easier and more straightforward to do business with Maersk Line" he continued

Maersk has already come a long way over the past year, he told shareholders, citing the fact that more than 80% of price inquiries are now received online, compared with zero a year ago.

The Danish group first unveiled plans to transform itself from a shipping and energy group to one focused purely on transportation, with the aim to reduce its exposure to external factors such as freight rates and oil prices over which it has very little influence.

Digital services are at the core of this massive shake-up, with Mr Skou saying that Maersk already operated one of the largest business-to-business platforms in the world, measured by revenue.

This, he said, would form the basis of Maersk's digital transformation.

Digital technology will not just improve customer services, but also improve productivity of assets such as ships and ports, so enabling Maersk to serve existing and new accounts more cost effectively, said Mr Skou.

(from: lloydsloadinglist.com, April 12th 2018)

RAIL TRANSPORT

MERCITALIA FAST: FROM OCTOBER THE GOODS WILL TRAVEL AT HIGH SPEED

Goods transported at high speed in a fast, punctual and ecological way: Mercitalia Fast is the new cargo all freight service of the Mercitalia Polo (Italian FS Group) carried out with an ETR 500 train and using the Italian AV/AC network.

The service will be operational from October 2018 on the Caserta – Bologna route and vice versa, from the Caserta Marcianise and Bologna Interporto terminals.

Travel time is 3 hours 20 minutes at an average speed of 180 kilometers per hour, from origin to destination.



The new service and the operating results of the first year of activity of the Mercitalia Polo were illustrated today in Milan by Renato Mazzoncini, Chief Executive Officer and General Manager of the FS Italiane Group, Ivan Soncini, President of Mercitalia Logistics and Marco Gosso, Chief Executive Officer of

Mercitalia Logistics.

Also present was Maurizio Maresca , member of the technical mission structure of the Ministry of Infrastructure and Transport.

Renato Mazzoncini, CEO of FS Italiane said: "In its first year of activity, the Polo Mercitalia has focused the economic and industrial results obtained, both in terms of investments made and as regards the objectives indicated in the 2017-2026 Business Plan.

We have thus started the relaunch of the goods and logistics sector in Italy and abroad.

The restructuring and reorganization of the Group's industrial cargo and logistics industries has generated lower operational superstructures and greater production efficiency.

In the sector, then, we have planned 1.5 billion euros in ten years.

In a year we have already activated investments for 500 million euros which, thanks to the strengthening of intermodality and the development of markets with high value added goods transport offers, will lead us to reach revenues of 2.1 billion in 2026 ".

Marco Grosso AD of Mercitalia Logistics commented: "With the new Mercitalia Fast service we will use the High Speed/High Capacity network also for freight transport.

Our goal is to offer a tailor-made service to customers who need to deliver goods quickly, reliably and on time.

Today we are the only railway company that can guarantee this business.

We will start next October with the Caserta – Bologna connection from the Caserta Marcianise and Bologna Interporto terminals.

In the future we plan to extend the offer to other terminals in the main Italian cities touched by the AV/AC network: Turin, Novara, Milan, Brescia, Verona, Padua, Rome and Bari ».

The new Mercitalia Fast service is designed to transport time sensitive products, in short and defined times, for customers such as express couriers, logistics operators, producers, distributors and real estate developers, and can be tailor-made.

The goods will travel on board an ETR 500 (12 carriages for a transport capacity equivalent to 18 TIR or two Boeing 747 Cargo airplanes) specially equipped for the transport of roll containers (70x80x180 1m³ / 220 kg), easy and quick to load, download and stow.

Thanks to Mercitalia Fast, the carbon dioxide emissions in the atmosphere compared to the road transport mode will be reduced by 80%.

Mazzoncini and Grosso also illustrated the operating results of the first year of activity of the Mercitalia Group, created in January 2017 by the grouping of the FS Italiane Group companies operating in the freight transport and logistics business.

In particular, the Mercitalia Pole is reaching the objectives indicated in the FS Italiane Group's 2017-2026 Business Plan: already allocated investments amounting to 500 million euro out of a total of 1.5 billion planned investments

in ten years and, for the first in the history of the Italian Railways freight business, positive cash flows for € 40 million were generated in 2017.

The investments, broken down after decades, and the activities started show the strong will of FS Italiane to relaunch the sector.

From contracts for the supply of 125 new electric locomotives, 10 shunting locomotives and over 300 last generation wagons for combined and conventional transport, to agreements signed for the development of logistics in Italy and abroad.

(from: railjournal.com/railtube.info, April 12th 2018)

INTERMODAL TRANSPORT

RASTATT: INTERRUPTION COSTS INTERMODAL SECTOR EUR 2 BILLION

The 51 day closure of the north-south rail artery near Rastatt (Germany) last autumn had an unprecedented impact on Europe's rail-based supply chain.

A study (whose management summary is reported below) revealed that the interruption caused damages amounting to EUR 2.048 billion.

Enterprises such as railways, container terminal operators and logistics companies lost EUR 771 million, manufacturers noted a shortfall of EUR 771 million and damages to the railways' infrastructure and the other transport modes that are integrated in their supply chain cost EUR 308 million.

The associations ERFA, NEE and UIRR said the Rastatt closure highlighted the fact that nationally organised railway infrastructure operator monopolies are incompatible with the increasing amount of cross-border freight traffic in the EU.

Study: "Estimation of the economic damage of the Rastatt interruption from a rail logistics perspective".

From 12 August until 2 October 2017 the double-track Railway line on the Rhine valley (European Rail Freight Corridor "Rhine-Alpine") was fully interrupted because of an incident during tunnel works in Rastatt-Niederbühl in Baden.

On behalf of the associations ERFA (European Rail Freight Association), NEE (Netzwerk Europäischer Eisenbahnen) and UIRR (International Union for Road-Rail Combined Transport) the logistics aspects and the economic effects for the companies in the railways logistics sector and their customers in the manufacturing and shipping industry have been analysed¹.

Additionally, an estimation of the damages for the Infrastructure Manager has been made in order to capture the economic dimension of the disaster².

¹ These include Railway Undertakings (RU), Forwarding Agents, Operators, Terminal Operators.

² Topics related to passenger traffic have been disregarded.

DB Netze AG did not participate in this investigation with reference to legal concerns.

Greatest appreciation is due to all supporters and contributors to this project for their written and oral inputs, e.g. in the context of the interviews conducted.

The following key findings³ should be emphasized:

- The assessment of the economic damage has been made by determining the losses of added value for the manufacturing sector (customer side) and the service sector of the railway-based supply chain.

The total losses of added value from the Rastatt interruption amount to approx. € 2 billion.

Rail logistics companies and their customers together suffered losses of added value of more than € 1.7 billion.

Other 300 million € losses of added value are expected (process risks, disturbed added value for the infrastructure managers such as railway tracks and terminals).



This amount takes into account changes related to losses of added value on the expense and on the income side, such as:

- a. Additional expenses due to non-running trains as well as alternative logistics solutions along the rail-based supply chain, downtimes in terminals, extra services for freight forwarding;
- b. Extra work for personnel, traction and rolling stock for traffic on deviation routes;
- c. General penalty rules in the supply chain for delayed/non-running trains;
- d. Additional work by infrastructure managers through additional planning and scheduling tasks;
- e. Extra work for shippers and manufacturing companies connected with rail logistics.

³ Regarding the data it has to be considered, that the consultants calculated on purpose defensively, the shown values contain buffers and are to be interpreted as minimum level.

- The damages resulting from diverted and more expensive transport reached that amount because neither contingency plans nor workable diversion routes were available.

The Rastatt interruption shows the absolutely inadequate coordination of operations and construction projects.

While many traffic flows are international, the infrastructure managers still behave primarily according to national "rules of play".

Most bypass offers rightly demanded after Rastatt were rejected as too expensive.

In this way, comparable events and consequences analogous to Rastatt are being aggravated.

- The consequences of the interruption affected the whole of Europe.

It can be assumed that the extension and the development of normally multimodal transport chains through the Mediterranean ports have been promoted.

- In the economies of Germany, Switzerland and Italy, the interruption had immediate impacts.

Its results were not worse due to inventory keeping for incoming or outgoing materials by most economic players.

Disturbances in the material flow are daily occurrences for transport operators, and their management is, unwillingly, part of "daily business".

The lack of clarity on how long enterprises would be affected by this interruption in the shipping and logistics industry was regarded as extremely disadvantageous in the interviews conducted.

- As regards Deutsche Bahn (DBAG), up to 200 freight trains are scheduled daily⁴, made up by approx. 65% intermodal and 35% conventional wagonload trains.

For the duration of the interruption (12.8.-02.10.17), which is partly due to the holiday period, 162 freight trains were expected to leave on a daily

⁴Cf. DBAG (Deutsche Bahn), Press release 15.08.2017. Link: https://www.deutschebahn.com/de/presse/presse-start_zentrales_uebersicht/Sperrung_Rheintalbahn_Bahn_arbeitet_mit_Hochdruck-1203810 (01.02.2018).

basis⁵, meaning that 8,262 freight trains could have been operated under normal conditions.

In fact, only 33% of “scheduled” freight trains operated during the interruption, but partly under unfavourable operational conditions⁶.

Two-thirds of the freight trains were cancelled.⁷

- At just under 40%, only part of the theoretical capacity of the diversion routes could actually be used.

Thus, all in all, during the interruption, a large part of the added value in the rail-based, often multimodal, supply chain was lost.

- Due to the interruption, the Rail Logistics sector had to renounce to part of its growth in 2017.

The economies alongside the Rhine Alpine corridor boom since years and drive the logistics markets accordingly.

- The interruption undermined the trust of the shippers in the rail logistics for a long time.

Today it is not foreseeable to what extent the market will count even more on “Road” instead of “Rail” in the future.

Regarding the damages caused, it can be assumed that there will be claims towards the contractual partners.

- The share of the transport of intermodal loading units in rail logistics is twice as high on the corridor than on the entire German market.

The losses of added value on the Rhine Alpine corridor are therefore significantly higher, as the contribution of the transport of intermodal loading units in the added value exceeds considerably the one of the typical type of cargo on railways (e.g. dry/liquid bulk goods, steel and similar goods).

As an example, it is possible to show how the actual distribution of capacities and the number of trains driven occurred on the various diversion routes.

⁵ See Footnote 4 as well as information on the train numbers on the Middle Rhine.

⁶ Cf. Information by the Board of Directors of DB Netze AG, Frank Sennhenn, at the Hupac-event “Rastatt: never again”, Düsseldorf 06.12.2017.

⁷ Including all trains requiring profile gauge P400 / UIC GC (e.g., ROLA trains or semi-trailer transport).

The main load was carried along the Gäubahn bypass with 48.6% of the diversionary freight trains driven.⁸

None of the diversion routes was fully utilised during the interruption, as the capacity figures of DB Netze were proven to be impossible to deliver in practice.

Criticism was expressed in the interviews because of the unsatisfactory international cooperation of the network managers.

- It must be assumed that during the interruption the freight trains ran on average less well utilized (shorter train formation, lower utilization rate) than during normal planned operations.

The available documents⁹ show that a container train with an average capacity of 727 net tonnes (Combined Transport) was utilized comparatively poorly in 2016.

For wagonload traffic (WLT) trains, it is similar; here, an average utilization of approx. 454 Nt-train/train can be assumed.¹⁰

- The interruption led temporarily to a significant increase in heavy truck traffic (for example for trailers that would have needed P400 profile gauge on the diversions) in the area from Karlsruhe to Basel.¹¹
- The port of Basel continued to live up to its role as gateway to Switzerland during the interruption.

In September 2017, 14,645 TEU were handled there on the water side (+26.6% compared to the previous year).

- According to the Swiss Federal Office of Transport (FoT), during the interruption there was only a slight increase in lorry traffic with Switzerland, with around one thousand more lorry journeys per week.

Over the course of 2017, Switzerland is expected to lose 1 percent of the rail market share.

- Based on a model calculation for the upper Rhine Valley, it is shown by way of example how the disruption led to a change of mode of transport and thus to significant additional burden on the climate and the health of the population in the region.

⁸ Exemplary representation based on the period 01.09.-27.09.

⁹ Data for Rhine-Alpine Corridor, transalpine traffic.

¹⁰ All data from FOT (Federal Office of Transport).

¹¹ The traffic volume increases submitted for several counting points include double counting.

On the link between Karlsruhe and Basel, among others additional 39,000 tonnes of CO₂ were emitted.

This alone resulted in further socially relevant costs due to environmental damage in the range of up to €8.4 million.

(from: transportjournal.com/uirr.com, April 24th 2018)

TRANSPORT & ENVIRONMENT

CLEANER AIR IN HAMBURG: HHLA'S CONTAINER TRANSPORTERS RUN ON GREEN ENERGY

Hamburger Hafen und Logistik AG (HHLA) increases efforts to improve the city's air quality.

Container transporters powered by lithium-ion batteries will move the containers at HHLA Container Terminal Alternwerder (CTA) between ships and the yard in future.

The use of green energy prevents any CO₂, nitric oxide or particulate matter from being emitted and the vehicles are also three times more efficient than their diesel-powered predecessors.

Another benefit is that during their time at the charging station, the container transporters can contribute to the stabilisation of the grid by precisely extracting or feeding energy.

The Ministry of Environment and Energy will provide funding worth approximately € 8 million from the European Regional Development Fund (ERDF) for HHLA's innovative energy transition project.

Jens Kerstan, Hamburg's Minister of Environment, presented HHLA's Chairwoman of the Executive Board, Angela Titzrath, with the funding on Monday, 16 April 2018.

Jens Kerstan, the Free and Hanseatic City of Hamburg's Minister of Environment and Energy: "HHLA is implementing an exciting project in Altenwerder that will have three positive effects from the outset: it saves CO₂ and thus helps protect the environment, it reduces nitric oxide emissions, which in turn reduces air pollution, and, to top it all off, it serves as a flexible storage solution therefore further advancing the energy transition.

The proportion of renewable energy in the grid fluctuates depending on the amount of sunshine and wind strength which is why we need innovative technical solutions for interim storage and flexible energy consumption.

HHLA is clearly showing how this can work and we are therefore supporting this project with approximately € 8 million.

The energy transition is only possible if all actors and components in the energy system are linked intelligently with the help of digital processes.”

Angela Titzrath, Chairwoman of HHLA’s Executive Board: “With the high level of automation at CTA, the terminal is already leading the way for container handling of the future.

HHLA is making yet another contribution to the Ministry’s air purification plan by using container transporters powered by lithium-ion batteries.

HHLA takes its responsibility to protect the climate and reduce noise pollution in the Port of Hamburg, and has been implementing measures for efficient and sustainable container handling for many years.



The self-imposed target to reduce CO₂ emissions per container by 30 percent compared to 2008 has been achieved ahead of time.

We will now set ourselves new targets, combining entrepreneurial vision, social responsibility and the sustainable use of resources.”

A lithium-ion battery-powered automatic container transporter (automated guided vehicle, or AGV) prototype has been in operation at the CTA since autumn 2016 and was successfully tested together with an electric charging station.

Thanks to a fully automated loading arm, the AGV will be supplied with the green energy used at the CTA.

Six of these charging stations have already been installed at Altenwerder.

Over the coming weeks, 25 lithium-ion battery-powered AGVs will go into operation at the CTA.

By the end of 2022, the fleet of almost 100 AGVs will be completely switched over to lithium-ion battery drive and a total of 18 charging stations will be installed.

This will result in an annual reduction in emissions of approximately 15,500 tonnes of CO₂ and around 118 tonnes of nitrogen oxide.

From an economic point of view, the ratio of energy consumed to actual power output for lithium-ion battery-powered AGVs is three times higher than that of diesel AGVs.

Further advantages of the batteries include the charging time, which is just one and a half hours, and their high durability.

And they weigh less than lead batteries, bringing the weight down from twelve to four tonnes.

Lithium-ion batteries also do not require any upkeep, unlike lead acid batteries.

This reduces costs and down times resulting from maintenance work.

A sophisticated system: if, for example, the container transporters are at the charging stations and there is no wind over the North Sea, software will signal that the batteries should feed energy back into the grid in order to immediately balance out the resulting gap between the generation and consumption of energy.

If the offshore wind turbines are turning particularly fast, however, while lots of solar energy is being generated in the north, the batteries will receive a signal to begin charging.

This allows HHLA to offer the container transporters as flexible power storage units with an output of approximately 2 megawatts on the energy market, using intelligent interconnectivity.

Since the lithium-ion batteries take in and give out electricity within seconds, they contribute to the necessary stabilisation of the grid frequency.

Many people realised just how important stable grid frequency is over the last few weeks when their radio alarm clocks and microwave clocks slowed down due to frequency fluctuations.

The ERDF in Hamburg

The project at the HHLA Container Terminal Altenwerder is supported by the Ministry of Environment and Energy using funds from the European Regional Development Fund (ERDF) as part of the "Energy Transition in Companies" research project.

The ERDF will provide Hamburg with approximately € 55 million between 2014 and 2020 to increase investment in growth and employment.

The Ministry has earmarked approximately € 24 million to support projects in Hamburg that focus not only on increasing energy efficiency, but also on the flexible, energy market-driven operation of technical facilities.

Companies that invest in using waste heat for heating networks outside their own company boundaries will also receive support.

The amount of funds that can be expected is based on the reduction of CO₂ emissions that the project is forecast to bring about.

(from: transportjournal.com/hhla.de, April 18th 2018)

LOGISTICS

DACHSER'S GROWTH ACCELERATES

In the 2017 financial year, Dachser for the first time achieved revenue of over €6 billion as the global logistics provider increased its consolidated gross revenue by 7.2% to €6.12 billion.

Dachser also set other company records by handling a total of 81.7 million shipments (+2.1%) weighing 39.8 million metric tonnes (+4.3%).

On a global level, Dachser created 1,648 new jobs in 2017.

"We systematically pursued our successful export strategy for European overland transport and gained an additional tail wind from invigorated global trade," says Bernhard Simon, CEO of Dachser.

"Rising rates for air and sea freight in particular helped us achieve a significant increase in revenue."

In 2017, Dachser's Road Logistics business field — which comprises the transport and storage of industrial goods (European Logistics) and food (Food Logistics) — achieved gross revenue of €4.44 billion (+3.1%).

Shipments and tonnage increased by 2.1 and 3.6 percent respectively.

In the European Logistics (EL) business line, a constant focus on European export business within the EL network once again provided for robust growth.



In particular this applies to the EL North Central Europe business unit, which reported growth of an impressive 7.4 percent, but also to EL France & Maghreb and EL Iberia and the dynamic growth of their contract logistics business.

"Germany remains the backbone of our operation, but France is well on its way to becoming a second pace setter for cross-border overland transport business.

We've been systematically setting up this strategic logistics axis over the past few years," Simon explained.

In the Food Logistics business line, growth was once again above average.

This was thanks primarily to the German business, with a contribution from several new customers acquired for cross-border transports.

"Five years on from the birth of the European Food Network, we can now take stock: the decision to establish a strong partner network under our system leadership was the right one," said Simon.

In the Air & Sea Logistics (ASL) business field, "greatly invigorated business" combined with a rise in freight rates — especially in air freight — to push gross revenue up by 15.7 percent to €1.79 billion.

All three regional ASL business units saw double-digit percentage increases in revenue, with the Asia business achieving the largest revenue growth, of over 20 percent.

The number of shipments the business field handled overall went up 6.7 percent, while TEUs and tonnage increased by 8.5 and 23.3 percent respectively.

"Air and sea freight is a volatile business with revenue as ever swinging between extremes," said Simon.

"We are, however, focused on ensuring sustainably profitable growth.

So we are increasingly dovetailing our two business fields and are pushing forward with system integration."

Despite the favorable tail wind, which continued through Q1 2018, Simon recognized capacity bottlenecks and the growing shortage of drivers as the major factors that could potentially limit future growth.

"For this reason, our commitment to training has top priority."

In 2017, the first 22 professional truck drivers completed their training through in Germany.

In the same year, 106 drivers started their training at 35 German locations.

"We want to increase the number of trainee drivers every year and establish our quality concept also in other European countries," Simon announced.

Dachser's investment in network locations, fleets, technology, and IT systems increased by 5 percent to €136 million in 2017.

"Last year we vastly expanded our capacity in Germany, especially in the food business," said Simon.

Dachser has announced that it has earmarked a further €188 million for investment in 2018, this time focusing on industrial goods.

(from: lloydsloadinglist.com, April 20th 2018)

LAW & REGULATION

OECD: PORTS NEED SMARTER GHG REDUCTION INCENTIVES

A new OECD - International Transport Forum report argues ports need to develop more and smarter incentives to meet the IMO's greenhouse gas targets for the shipping sector.

This report (Reducing shipping greenhouse gas emissions - Lessons from port-based incentives, see:

(<https://www.itf-oecd.org/sites/default/files/docs/reducing-shipping-greenhouse-gas-emissions.pdf>))

reviews port-based incentive schemes to reduce shipping emissions, such as environmentally differentiated port fees.

Greenhouse gas emissions from shipping currently represent around 2.6% of total global emissions, but this share could more than triple by 2050.

Ports have a crucial role to play in facilitating the reduction of shipping emissions, alongside the ship operators themselves.

Which incentives are currently used?

What are their impacts?

How could positive effects be increased?

The report also explores lessons learned that could inform international negotiations on the reduction of shipping greenhouse gas emissions.

An executive summary from OECD International Transport Forum report is shown below.

* * *

What we did

This report reviews port-based incentive schemes to reduce shipping emissions, such as environmentally differentiated port fees.

Greenhouse gas emissions from shipping currently represent around 2.6% of total global emissions, but this share could more than triple by 2050 if measures are not taken to help speed a transition in this sector too.

Following the Paris Climate Agreement, discussions are on-going at the International maritime Organization (IMO) to agree an Initial Greenhouse Gas (GHG) Strategy by 2018 that will stipulate significant measures to mitigate emissions.

Many of these measures focus on ship design and operations.

However, ports also have a crucial role to play in facilitating the reduction of shipping emissions.



This report assesses the extent to which financial incentives at the port level could provide important lessons for the design of decarbonisation policies for the maritime sector.

It identifies the port-based incentives currently in place, explores their features and assesses their impacts.

Importantly, it explores how the experiences with existing measures could inform international carbon-reduction negotiations for shipping and help to increase the effect of port-based environmental incentives.

What we found

A number of port-based financial incentives to mitigate GHG emissions are already in place today.

The most common financial incentive used is the environmentally differentiated port fee.

This is applied in approximately 28 of the 100 largest ports in terms of total cargo volume handled (in tonnes) and container volumes handled (in standard containers, or TEUs).

In practice, this takes the form of a reduction of port fees for ships that are considered environmentally friendly, usually based on an index related to ship characteristics.

Some US ports have introduced financial incentives for ships reducing speed when approaching the port.

The Panama Canal Authority has a scheme that provides priority slot allocation to greener ships.

Spain includes environmental incentives in the tender and license criteria for the towage services provided in ports.

Shanghai has an emission-trading scheme in which ports and domestic shipping are included and in Norway an NO_x tax is in place.

Despite the prominent place of such incentive schemes, very little is known about their actual impact.

Public information on how many ships use these schemes is scarce and there is no port that has proven GHG emission reductions as a result of such policies.

The only scheme for which serious impact studies exist is the vessel speed reduction scheme in Los Angeles and Long Beach in the United States.

The dearth of data notwithstanding, it is clear that the impact of port-based incentives on global shipping emissions is marginal.

The number of ports deploying financial incentives is still fairly low and where they are applied only a handful of ships are benefitting from the schemes – often less than 5% of the ships calling the port.

Moreover, the difference in fees for the dirtiest and cleanest ships is usually small, normally in the order of 5% to 20%.

Currently only five ports use indices in which GHG emissions provide a substantial part of the index criteria.

Any incentives ship-owners may currently have to order more efficient ships with lower emissions can only to a very small extent be a result of savings from port-based incentives.

Yet, ports clearly play a hugely important role in helping the shipping sector to manage the transition to clean shipping.

Port-based incentives for GHG emission mitigation could provide an important supporting role.

The first lesson learned therefore is that ports are players in this context, and that they are taking actions - to both incentivise cleaner ships and to increase the efficiency of their operations, which can also have an effect on shipping emissions.

Furthermore, the existing port-based measures establish that market interventions are needed to reward clean performance.

The fact that financial incentives have been chosen implies there is support for flexible measures to drive behavioural change.

However, more emphasis is needed on monitoring, reporting and verification of the impacts of these measures.

More could also be done to enshrine the “polluter pays” principle.

Higher rates of differentiation between vessels based on their environmental performance could drive more and faster change.

It is possible within the policies to differentiate fees according to type of vessel enabling the economic activities that can afford to pay to take more of the responsibility for acting.

What we recommend

Acknowledge the important role of ports in mitigating shipping emissions

The role of ports and port-based incentives deserves acknowledgement in the IMO Initial GHG Strategy, due in 2018.

Its inclusion could also signify the first step towards expansion and a more mandatory character for port incentives.

The role of ports in mitigating GHG emissions should also be clearly identified in the updates of the nationally determined contributions (NDCs).

Expand port-based incentives for low-emission ships

Green port fees could be much more effective if more ships and ports were covered by such schemes.

Much wider application of other port-based incentives, such as green berth-allocation policies, green procurement and carbon pricing schemes could substantially mitigate shipping’s GHG emissions.

The expansion of these instruments needs to go hand-in-hand with enhanced assessment of the impacts of these instruments, so as to improve their effectiveness.

Not enough data exists to properly assess the real impact of port-based decarbonisation incentives.

Efforts should be stepped up to ensure better monitoring, reporting and verification as a precondition for steering policies towards the most effective outcomes.

Link port-based incentives to actual emissions

None of the existing green port fees takes actual GHG emissions as a base for the fee reduction.

Improved data collection at the ship level makes it increasingly possible to assign accurate estimates of GHG emissions to individual ships.

This opens the possibility of financial incentives at the port level based on actual GHG emissions of the ship during its voyage.

Port fee deductions have been based predominantly on local air pollutants; it would make sense to integrate GHG emissions to avoid perverse incentives to increase GHG emissions whilst addressing local air pollution.

Move to a more harmonised application of green port fees

Higher rates of differentiation between vessels based on their environmental performance could drive more change and help the maritime sector to decarbonise faster.

It is possible within the policies to differentiate fees according to type of vessel, which might be relevant within the context of country trade impacts.

The “polluter pays” principle should be applied to all ships via a system of environmentally differentiated port fees, rather than as rebate for the greenest ships.

Currently, port authorities that can afford it are prepared to offer rebates for green ships with low emissions but are unwilling to introduce systems in which these rebates are paid for by ships with worst emission performance.

Agreed principles should guide the practices of ports and major port countries.

A harmonised index or score assigned to all ships could be effective.

It would be used as the basis for differentiated fees in all ports and used by shippers to report on their carbon footprint.

(from: portstrategy.com/itf-oecd.org, April 18th 2018)

PROGRESS & TECHNOLOGY

DISRUPTORS FAIL TO ADDRESS FREIGHT FORWARDING PROBLEMS

Digital 'disruptors' face the same problems as traditional freight forwarders, with digital-only solutions ineffective when space tightens and deals are required to secure capacity, SWG Global founder Steve Walker claims.

Walker, a former DSV board director and founder of SBS Worldwide, believes the idea that 'digital' freight forwarders will take over the market is a delusion, despite the billions being invested into them by investors.

In an article today in Lloyd's Loading List, he said freight transport's original digital disruptors, the rate portals and booking platforms, "have been increasingly pushed into the shadows by the over-powering publicity machines of the digital forwarders like Flexport, Twill, and iContainers".

He said the new disruptors "claimed they were exploiting a technology gap left by the established forwarders' business models and attracted huge amounts of external investment to a global market worth trillions of dollars".



He noted that Flexport was valued at \$1billion "and able to raise further funding at will", but highlighted, a significant digital disruptor that has failed, San Francisco-based Shyp, which had boasted a valuation of \$250 million.

"Shyp blamed its failure on competitive pressure and falling margins – an environment familiar to forwarders around the globe," Walker noted.

He added: "Recent market changes do raise questions about the sustainability of the digital shipping portals that may offer a channel to attractive rates when supply is high, but are not so effective when space tightens and deals are required to secure capacity.

Against this more challenging background, ad-hoc markets like portals are not so effective, unless they can guarantee capacity.

Shippers are likely to be wary of committing to these channels in uncertain times.

They may be attracted by the allure of lower rates, but the potential lack of operational capability may leave them in big trouble if something goes wrong with a shipment."

Indeed, Flexport has gradually expanded its 'real-world' footprint over the last few years, opening several major warehouses and also its first regular chartered freighter aircraft to secure capacity.

Walker argues that the 'disruptor' model of digitalising freight was "not really a benefit; it's not even a USP – it's simply commoditisation, accelerated, and that's a big danger for everyone."

Without a doubt, there is interest in technology that creates pricing and capacity transparency, but without more-sophisticated service elements, it adds no value and simply adds to commoditisation.

He said that by building systems from the ground up, digital forwarders claim operational efficiencies – and consequently reduced costs – that traditional forwarders cannot emulate.

"But such 'innovations' increasingly look like exploitation of a perceived advantage, rather than real disruption, which means more disruptors will follow Shyp's downward spiral, as these weaknesses are exposed."

He continued: "The 'digital' forwarders are forwarders, just the same as all the rest – which means that they are serving businesses that will judge their service not by its marketing or interface but by its reliability and cost."

He claimed it was "a mistake, often repeated", to believe that legacy forwarders are not innovative.

"They have been implementing, adapting and evolving technology for decades and will survive this latest turmoil," Walker added.

"Forwarders already replicate much of what the digital forwarders are doing with online quoting and booking, track and trace, and supply chain analytics.

They should leverage their legacy systems' latent capability and up their marketing effectiveness to eradicate the early entrant advantage enjoyed by the digital forwarders."

He concluded: "There is no doubt that global transportation is undergoing profound change, and freight forwarding will look very different in five or 10 years.

The most exciting technologies will be those that arrest commoditisation and add value for carriers, shippers and forwarders.

The industry is awash with data and technologies like Blockchain that are capable of offering a positive future vision."

(from: lloydsloadinglist.com, April 16th 2018)

STUDIES & RESEARCH

SHIPPING LINES CONTINUE TO ADD CAPACITY AMID SPOT PRICE DECLINE

Box shipping lines are adding to downward pressures on spot prices by continuing to introduce more capacity onto the market while charter rates are moving in the opposite direction as the availability of open tonnage shrinks, according to the latest market analysis.

The World Container Index (WCI) assessed by Drewry showed that spot rates on most routes from Asia declined this week.

The composite index is now 18.2% lower than a year ago, and Shanghai-Rotterdam spot freight rates are down 23% year-on-year.

Despite bearish spot rates, however, lines continue to add capacity.

The idle containership fleet of vessels over 500 TEU in size fell to 96 units totalling 427,865 TEU of capacity on April 2, with demand for tonnage surging ahead of the peak container shipping season this summer.

"The idle fleet now stands at 2.0% of the total cellular fleet, compared to 2.9% just a fortnight earlier," said a report from Alphaliner.

"With most services returning to full sailings after the Lunar New Year holidays in late February, together with a slate of new service launches beginning in late March and early April, the idle fleet has fallen accordingly."

The analyst predicted demand would remain strong until June and said additional tonnage was required to fill up all the sailing slots on new services that had been launched or were slated for launch.

But it said carriers were already starting to feel the pressure from higher charter rates as the availability of open tonnage shrank, while the collective failure to hold back from capacity additions did not bode well for freight rates.

"Alphaliner's charter rate index has risen to a three-year high and is currently 40% higher compared to a year ago and 82% higher than the low recorded in December 2016," said the report.

"The carriers' failure to curb the over-enthusiastic introduction of fresh tonnage could back-fire.

While charter rates are moving up, freight rates are moving in the opposite direction as both the SCFI and CCFI have fallen by 26% and 11% respectively from their peaks this year and are currently 19% and 4% lower than the same period last year."

Alphaliner said the weak freight market had already prompted several carriers to announce void sailings in the coming weeks.



"The OCEAN Alliance, for example, will blank two Asia-Med sailings in May but the impact on vessel demand is expected to be limited as the number of void sailings planned currently are still relatively few," it said.

Although the market outlook remains good in the short term on the back of sustained cargo volumes, longer term prospects appear more uncertain, according to the analyst.

"On the orderbook front, the number of large newbuilding container vessels due for delivery this year remains sizeable with over 50 ships of 10,000 TEU due to hit the water, of which eight units of 20,000 TEU," the report noted.

"This influx of capacity is stoking fears of renewed overcapacity, despite bullish cargo volume expectations for 2018.

On the cargo front, rates have been on an alarming descending curve recently, having lost close to 30% of their value since early February on several major East-West and North-South routes.

"This obviously is not good news for the charter market where demand for tonnage, especially for the larger units, will inevitably be impacted at some point by both the cargo rate meltdown and the pressure exercised by the newbuilding deliveries."

(from: llydsloadinglist.com, April 13th 2018)

INFORMATION TECHNOLOGY

THE PATH TO DIGITAL CLASSIFICATION

After a fast start, DNV GL continues to pick up the pace in the digital transformation of its classification services.

"We started looking into machine learning as a tool for modernizing classification in 2016," says Morten Østby, Senior Principal Consultant at DNV GL.

"When the team realized how important this could be, it was implemented in April 2017.

By the autumn it was in production."

Such a fast-track realization is fairly typical of the digital transformation sweeping DNV GL's classification business.

"The aim is to move the customers over to a digital interface," says Østby, "where clients and vessels can stay up to date, receive notifications, and take advantage of digital storage capabilities – and that's just the beginning."

Østby's ally in the push to modernize class, Senior Principal Engineer Arun Sethumadhavan, emphasizes the main focus of the digital initiative: "Ease of access and comprehension are important for customers.

Today that means mobile access and expanded functionality."

The jumping-off point for the journey through DNV GL's modern class universe is a personalized online portal that provides customized and secure access to all digital services and support resources.

As of November 2017 they are embedded in DNV GL's Veracity platform.

Simply efficient

"Smart survey booking is a major move in streamlining a previously tedious and often inefficient manual task," says Østby.

Smart Survey Booking is a DNV GL service enabling clients to keep their vessels in operational condition in the most efficient manner possible.

The service minimizes the on-board impact from surveys and audits and reduces on-shore and on-board administration work, among other advantages.

The smart survey booking solution automatically finds the optimal window for a ship's periodical surveys, allowing for as many survey and audit requirements and requests as possible to be covered in one survey, to avoid multiple inspections.

"Based on this time window and a list of possible ports entered by the operator, the system also looks for the closest geographical location, accounting for the scope and duration of the survey and surveyor availability, and issues a recommendation," says Østby.

"This minimizes both the time involved in booking the survey and the inconvenience for the vessel, while keeping the costs down by helping reduce surveyor travel times."

An enhanced version of the application is expected to be available before 2019, Østby informs: "When the customer requests a survey, the system will estimate port call options based on the Veracity ETA Predictor, and benchmark these ports to help identify where full scope can be completed where also travel and overtime cost is favourable."

A link to all DNV GL-approved service suppliers in the respective country has also been added to the benchmarking feature with the aim of improving efficiency and keeping survey costs down.

Learning application

Many improvements are made possible by introducing machine learning, or ML, into the survey booking process.

"ML is used to calculate the time required for each survey," says Østby.

"When the scope and other parameters are set, the system outputs a time estimate based on historical data."

DNV GL has also incorporated ML into its DATE (Direct Access to Technical Experts) service where a customer's problem description transmitted by e-mail can make it challenging to assign the case to the correct category and expert or section for fast processing.

"A discrepancy between the description and interpretation may cause the inquiry to be routed to the wrong expert," says Sethumadhavan.

"Now DATE uses ML to vet cases based on historical data and quickly directs them to the proper expert."

This cuts down on manual vetting and reduces time wasted on re-routing and finding another expert.

We are already seeing that ML-assisted vetting is more than 80 per cent accurate, and it gets better every day."

Each ML-vetted routing receives a confidence rating before being enacted.

Any inquiry that has not received a very high confidence rating is returned for manual vetting.

"ML is chosen for category assignment only when the confidence level is very high," explains Sethumadhavan.

"By using continuous learning logic, the ML system is constantly refining its selection criteria and improving its hit rates quickly."

But there are other human factors that complicate the advisory process.

"While we all use English only, there are different language patterns and rules in different parts of the world," Østby says.

"We have had to teach the machines to accept compound words and different spellings.

We can even teach them to vet incorrect language."

Reflecting updates instantly, electronic certificates are accessible around the world.

E-certificates in demand

DNV GL has been running pilots on electronic certificates for several years, achieving IMO compliance and winning the endorsement of many flag states, 53 as of 1 April 2018.

"This shows just how fast the technology can be taken into use once it has proved viable," says Østby.

"Within six months after the rollout in mid-October 2017, approx. 70,000 electronic certificates have been issued on more than 7,500 vessels in operation, including many class entries and newbuilds, and the number is growing rapidly every day."

Customers benefit significantly, says Østby, by being able to share certificates globally immediately upon issue.

"Ports, vetting organizations, flag states, charterers, buyers, insurers – everyone wants to see the certificates," he says.

"Before, owners and captains had to keep track of the original while sending multiple copies to land.

Manual updates were an overwhelming task, and the system was by no means secure.

Now the digitally signed original is secure but easily accessible in the Cloud."

Using an e-mail subscription function, each update of an e-certificate or issuance of a new one triggers a notification to all involved parties, with the verified document attached.

Documents are accessible through the DNV GL interface, i.e. the fleet status portal.



In addition, provisions to carry out authentication/validation checks and access can also be granted via a secure public website, Trust.dnvgl.com, using a unique tracking number (UTN) on the certificate or by sharing temporary access codes generated from the fleet status portal.

"All transactions are in keeping with IMO guidelines," says Østby.

The overall response from Flag States to the electronic certificate regime has been positive.

"So far more than 85 per cent of the DNV GL fleet is covered by flag acceptance for issuance of statutory certificates on their behalf," Østby confirms.

Embracing the new digital reality involves a behavioural change for the stakeholders, he notes, and DNV GL is willing to help those unfamiliar or uncomfortable with digital transactions to familiarize themselves with new methods and learn to trust the system.

Many owners have requested e-certification for all their ships as soon as possible.

"Owners see the benefits.

Endorsements are verified and completed automatically, complex processes such as frequent certificate updates are automated, and there is no human handling of documents,” Østby sums up.

“That reduces the quality assurance work to verify certificates, and once they are in the system, they can never be lost.”

DNV GL is proud to be leading the fast march toward modernizing classification, bringing efficiency, accuracy, and security to certification and survey booking processes that had remained virtually unchanged for decades, if not centuries.

From his land-based computer the surveyor can instruct the personnel on board during a video based survey.

Remote inspection: eyes anywhere

Ship inspection often poses a conundrum: the object may be a fairly straightforward structure or piece of equipment on board, but human eyes are still required to verify its state.

Traditionally that means the human doing the verification has to be on board.

But that is not necessarily true anymore.

Remote technology is enabling eyes to see the object of inspection from virtually anywhere in the world.

Equipped with something as simple as a smartphone app, personnel on board can connect to the surveyor on land, and the survey is underway.

“The surveyor steers the input and evaluates the quality of the data,” says DNV GL’s Senior Principal Consultant Morten Østby.

In other words, the ‘cameraman’ on board takes instructions from the surveyor on land who acts as the ‘director’.

One key prerequisite: the surveyor must have actual on-board experience.

“You have to have been there to be able to know what you are seeing,” Østby confirms.

“But the customer must be willing to cooperate,” he adds.

“Proof of repair or remediation must be provided.”

For the time being the technology will be used on occasional surveys, not for certification, and possibly for selected follow-up items when the surveyor has left the ship.

Remote inspection could also be used for certification of materials and components.

"The first steps have been taken.

Many more will follow," Østby assures.

(from: hellenicshippingnews.com, April 19th 2018)

ON THE CALENDAR

- 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.