# notiziario
# newsletter
# bulletin
# mitteilungen
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**YEAR XXXIII**
**Issue of June 30th 2015**

***June 30th 2015***

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

## C.I.S.C.O. NEWS

### GENOA SHIPPING WEEK: C.I.S.CO. PROMOTES THE "CONTAINER IN THE CITY" PROJECT

In the week from September 14th to 20th 2015 will be held in Genoa at Palazzo San Giorgio, home of the Genoa Port Authorityof Genoa, and at the Aquarium of Genoa, the second edition of the *Genoa Shipping Week*.


At the event *Genoa Shipping Week*, C.I.S.Co. - Council of Intermodal Shipping Consultants - in collaboration with Clickutilityteam will promote the "Container in the city" project.

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# PORTS AND TERMINALS

## ITALIAN PORTS LOOK TO RECAPTURE DOMESTIC IMPORTS LOST TO NORTH EUROPEAN RIVALS

Italian ports have renewed their offensive of trying to capture European hinterland cargo marketshare from their northern European rivals.

Speaking at last week's TOC Container Supply Chain conference in Rotterdam, Mike Cashman, commercial director of Italy's largest container terminal operator, Contship Italia, said the company had focused on wresting back the considerable volumes of Italian imports from Asia currently routed through Rotterdam, and was looking to expand its share of the Swiss market.

"There's a lot of Italian cargo being routed through Rotterdam, and we want to target that segment of the market," he told The Loadstar on the sidelines of the conference.

"There are reasons why the country's ports have lost so much market share.

The Mediterranean region, and Italy, have a historical reputation for inefficiency and red tape that needs to be shed.

It is ingrained in the industry – not just the shipping lines, but the whole market.

"That said, we are beginning to see changes, and the market finds itself in a paradox: the northern ports are hit by congestion and the market is crying out for alternatives," he said.

There are, however, a number of other reasons why shippers continue to favour the northern range gateways, not least of which is the fact that the shipping lines are focused on filling the ultra-large container vessels (ULCVs) which more commonly call at North European ports.

“The carriers are trying to fill all those big ships,” said Mr Cashman, adding that the shipboard capacity between Asia and North Europe was, at 270,000teu a week, some 2.2 times greater than the 105,000 teu that operates between Asia and the Mediterranean – and around 35,000 teu of that comes nowhere near Italy as it serves East Med and Black Sea ports.

The fact that deepsea spot freight rates from Asia are commonly some 25% cheaper to North European ports than Med destinations – although in the current climate that only means a $70 difference – also accounts for shippers’ preference for northern gateways.

“We have to be rather circumspect about comparing cost, because what you should look at is the end-to-end cost rather than just the sea freight element,” Mr Cashman said, pointing to higher intermodal costs on much longer distances.

“If the distance between one port and the end destination is 5ookm less than another port, then it has to be cheaper in terms of land transport,” he said.

There is also the added fact that the increased transit time via northern Europe incrementally adds to the amount of working capital tied up with inventory.

Contship Italia’s main Italian gateway of La Spezia has four weekly Asia-Med calls and some 20% the port’s throughput comes off ULCVs, and the operator has laid out an investment plan that sees capacity at the port – known for tight physical constraints that mean some 35% of its volumes leave by rail – to be increased to 2m teu by 2020 from its current level of 1.2m teu.

The company has also invested heavily in its hinterland connectivity, with much of that directed at developing the 300,000-teu-capacity rail hub of Melzo, near Milan, which has 24 services a week and “houses the largest concentration of rail services between Milan and Rotterdam”.

Also it is now operating its own rail traction services and has the fleet of trucks in the country, at 350.

It recently launched a new intermodal service between Melzo and the Swiss hub of Basel, with six round trips a week in an effort to extend its hinterland, offering potential shippers a faster transit time.

“It takes a vessel 30 days to steam from Singapore to Rotterdam and the inland leg will then take between two days and week, depending on the mode, whereas a container delivered to Basel via La Spezia and Melzo will take 31 days at most,” he said.

Some shippers are already voting with their feet.

A couple of weeks ago local newspapers reported that IKEA had signed a deal with Genoa and La Spezia to give its cargo priority.

*(from: theloadstar.co.uk, June 17th 2015)*

## MARITIME TRANSPORT

### CONTAINER LINES MUST TAKE DRASTIC ACTION TO HALT THE FREIGHT RATE ROT AND STAY AFLOAT

The poor health of the Asia-North Europe tradelane is forcing the four ocean carrier alliances into a headlong rush to cancel sailings ahead of 1 July general rate increases, although one leading analyst claimed that nothing less than suspending four strings could prevent further financial disaster for lines.

Friday saw the Asia-North Europe component of the Shanghai Containerized Freight Index (SCFI) shed another $38 to reach another all-time low of $205 per teu, driving spot rates deeper into calamitous sub-economic levels.

Moreover, rates of $150 per teu are apparently still being touted by carriers desperate to fill their ships from Asia to North Europe, making the 1 July GRIs of $900 – $1,200 per teu equivalent to a 10-times increase in pricing.

Carriers on this route must now be seriously concerned that their hitherto proven remedy of blanking sailings to support GRIs is having no impact on a market also seriously weakened by a 20% fall in the value of the euro against the US dollar in the past six months.

European imports have been curbed as a consequence, while the Russian economic situation has also added to the troubles – a toxic combination that has sent growth into reverse, with April headhaul volumes showing a nigh 9% year-on-year decline.

A typical example of how the Asia-North European carriers have reacted to the soft market, and are cutting capacity, is provided by CMA CGM's customer advisory dated last Tuesday, which announced that it and its Ocean Three alliances partners, CSCL and UASC, would "perform 12 alternative blank sailings during the third quarter of 2015".

CMA CGM said the effect of the blanked sailings between weeks 27 and 38 would be to remove a whopping 12,400 teu of nominal capacity a week from O3's offer in what is traditionally the beginning of the peak season.

However, this and ad-hoc capacity reductions from members of other alliances were still insufficient to arrest the relentless weekly decline of the SCFI.

Indeed, transport consultant Alphaliner said it regarded such ad-hoc remedies, including the downsizing of the 2M's AE9/Condor service announced the previous week, as "tepid moves" that "fail to fully address" an oversupply crisis on the trade which has caused freight rates to plunge 80% since January.

At the same time, capacity will continue to increase: there is scheduled to be one 13,800–19,000 teu newbuild ultra-large container vessel (ULCV) delivery each week until the end of the year.

According to Alphaliner, there is only one way to stop the freight rate rot and the ultimate threat of carrier bankruptcy, and that is to suspend, at least temporarily, services that are not required in the current climate.

Its radical suggestion is that the smallest loop should be removed from each of the alliances, entailing the suspension of 2M's AE9/Condor string; the O3 FAL3/AEC7/AEX4 service; the NE8/CES loop of the CKYHE alliance and the G6's Loop 1 service.

Alphaliner said this service cull would remove 14% of Asia-North Europe capacity – around 39,000 teu a week – and go a long way to rebalancing the beleaguered trade.

*(from: theloadstar.co.uk, June 22nd 2015)*

# RAIL TRANSPORT

## EU TO REVISE ERTMS DEPLOYMENT PLAN

Speaking at Unife's 2015 General Assembly in Bucuresti on June 18, European Co-ordinator Karel Vinck announced an update of the ERTMS deployment plan.

Conceding that insufficient information had been available when the plan was adopted on July 22 2009, he reported that the European Commission had now agreed to a review of the programme.

Work was in progress with infrastructure managers and member states to determine what should be achieved by 2030.

Vinck said that the new approach would be developed in two stages.

In the first, to be drawn up by December this year, the parties would agree on where ERTMS should be installed over the five years to 2020.

A second stage covering 2020-30 would be agreed by April 2016.

He expects the new Deployment Plan to be formally adopted by the end of 2016.

Addressing around 200 delegates at the General Assembly, European Railway Agency Executive Director Dr Josef Doppelbauer announced that, following the informal agreement on the Technical Pillar of the Fourth Railway Package on June 17, ERA would make two commitments for 2015.

First, it would deliver Release 2 of the Baseline 3 specification.

Second, it would publish ‘a strategic road map’ for new functionalities that could include developments arising from the Shift2Rail programme.

In the meantime the priority was to enshrine the principle of compatibility, including backwards compatibility in Release 2 of Baseline 3.

‘We have to ensure that no infrastructure can be authorised that does not comply with compatibility requirements’, he said.

ERA had received over 100 requests for changes, but Doppelbauer considered it impossible to meet the needs of all railways as ‘in most cases’ the requests were contradictory; he could only promise to be fair and transparent.

There were nevertheless 10 priority change requests that would appear in the road map.

It was vital to ensure stability and introduce changes in a smooth and manageable way.

*(from: railwaygazette.com, June 19th 2015)*

# ROAD TRANSPORT

## TRANSPORT MINISTERS APPROVE QUALITY CHARTER FOR ROAD FREIGHT

A Quality Charter for international road haulage operations has been approved by the transport ministers of the ITF European member countries.

The Quality Charter establishes qualification standards for companies, managers and drivers and will enter into force on 1 January 2016.

It applies to pan-European road haulage operations under the Multilateral Quota system established in 1974 by the European Conference of Ministers of Transport (ECMT), which evolved into the International Transport Forum (ITF) in 2006.

In a statement issued with the approval of the Quality Charter, ministers of the European member countries of the International Transport Forum "commit to engage their efforts towards having the provisions of the Charter applied to all international transport operations carried under the ECMT Multilateral Quota as of 1 January 2018."

José Viegas, Secretary-General of the International Transport Forum, which manages the Multilateral Quota system, said: "The approval of the Quality Charter is a major step towards harmonisation of conditions in the pan-European road freight transport market.

The Charter, alongside the incitation mechanisms already in place for adoption of the most technologically advanced trucks, will establish the Multilateral Quota system as a symbol of quality, safety and environmental standards in road transport."

The approval of the Quality Charter completes longstanding work by the ITF on defining and promoting the highest standards for freight transport operators, managers and drivers at Pan-European level.

The ITF will monitor the implementation of the provisions of the Quality Charter by the member countries through its European Road Transport Group.

It will also define follow-up actions for the further development of the Multilateral Quota system.

*(from: internationaltransportforum.org, June 22nd 2015)*

## INTERMODAL TRANSPORT

### GREENER OR CHEAPER? INTERMODAL OPTIONS FROM PORTS OF ROTTERDAM AND ANTWERP

Governments across Europe, as well as the EC, will need to continue subsidising more environmentally friendly inland cargo transport modes if they are to remain competitive with road freight.

Tom Vermeiran, senior manager at PwC, told delegates at last week's event in Rotterdam: "The inland solutions typically need support from government.

Without subsidies they [barge and rail] can't compete with trucks – although this might change with the widespread adoption of road tolls."

Dr Vermeiran's team has recently concluded a research project into the inland distribution of containers in Europe, and discovered that no matter what they might say publicly, shippers' choice of modes and routes remained driven by cost rather than a concern for CO2 emissions.

The research principally compared the inbound container supply chains of two of North Europe's key gateway ports, Antwerp and Rotterdam, and the respective maritime and inland costs shippers could expect.

"In terms of freight rates, there is no difference between shipping a container to Antwerp or Rotterdam, but the terminal handling charge is around 15% more expensive in Rotterdam," he said.

In general, the PwC research found that trucking was cheaper out of Antwerp than Rotterdam; the cost of using a barge was equivalent, except for very short distances when the Dutch barge network aided Rotterdam; while rail transport was cheaper from Rotterdam than Antwerp.

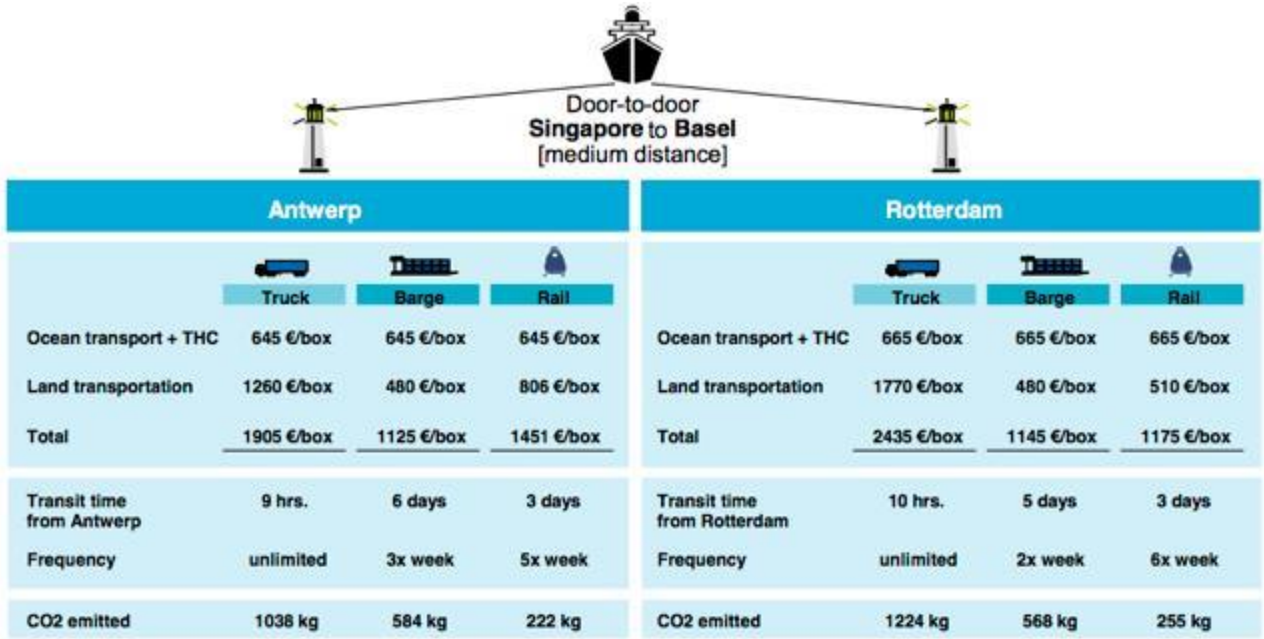
"The maritime supply chain is effectively a transport product and the inland chain a distribution product, but shippers will choose their port of entry depending on the overall door-to-door costs, and make that decision based on as little as a €20 difference.

"There is a lot of emotion between Belgium and the Netherlands about their ports, but the market is looking for logistics solutions and doesn't care about a national flag," he added.

Of course, cost is not purely about prices paid to transport operators, but also revolves around issues such as working capital tied up in inventory.

Yesterday, The Loadstar reported how Italian operator Contship Italia has set its sights on trying to capture more Swiss cargo with the launch of a six-times-a-week intermodal service to Basel, which compared transit times from Singapore to the Swiss multimodal hub via Rotterdam in comparison to the Italian gateway of La Spezia.

Today we offer readers a costs and service frequency comparison of Antwerp and Rotterdam's on the same route.



Door-to-door
**Singapore** to **Basel**
[medium distance]

| Antwerp | Truck | Barge | Rail |
|---|---|---|---|
| Ocean transport + THC | 645 €/box | 645 €/box | 645 €/box |
| Land transportation | 1260 €/box | 480 €/box | 806 €/box |
| Total | 1905 €/box | 1125 €/box | 1451 €/box |
| Transit time from Antwerp | 9 hrs. | 6 days | 3 days |
| Frequency | unlimited | 3x week | 5x week |
| CO2 emitted | 1038 kg | 584 kg | 222 kg |

| Rotterdam | Truck | Barge | Rail |
|---|---|---|---|
| Ocean transport + THC | 665 €/box | 665 €/box | 665 €/box |
| Land transportation | 1770 €/box | 480 €/box | 510 €/box |
| Total | 2435 €/box | 1145 €/box | 1175 €/box |
| Transit time from Rotterdam | 10 hrs. | 5 days | 3 days |
| Frequency | unlimited | 2x week | 6x week |
| CO2 emitted | 1224 kg | 568 kg | 255 kg |

Broadly, the results show that while Antwerp has the edge on trucking costs, given its more inland location, it offers less frequent rail services, which give Rotterdam a greater hinterland reach.

Barge services out of the two ports are roughly equivalent.

"Intermodal barge and rail systems are not just for 'green', but they are the fishing rod to catch more hinterland volumes, which in turn are the bait to attract the big ocean carriers," Dr Vermeiran said.

*(from: theloadstar.co.uk, June 18th 2015)*

## AIR TRANSPORT

### CARGOLUX ITALIA LAUNCHES ZHENGZHOU FLIGHTS

Cargolux Italia has started a weekly B747 freighter service from Milan Malpensa to Zhengzhou, the Chinese hub of Cargolux Airlines.

The first flight left Milan on 13 June, with the schedule calling Malpensa – Novosibirsk – Zhengzhou – Novosibirsk – Malpensa.

Cargolux said commodities on this route would include Italian fashion goods, machinery and mechanical spare parts, using of Zhengzhou as a gateway to China, from where goods are forwarded to other Chinese markets on Cargolux's trucking system.

The new Cargolux Italia service introduces a commercial stop in Russia for the first time in the history of Cargolux.

It said Novosibirsk was an important Russian gateway for flowers, garments and machinery.


Cargolux declined to say why it was launching its first Russia services from Milan rather than its main hub Luxembourg.

The airline's unions have complained that the airline appears to be increasingly favouring Milan rather than Luxembourg, with three of its freighters now understood to be based in Milan.

"For Cargolux Italia and the Cargolux group, the new flight to Zhengzhou and Novosibirsk represents the consolidation of the presence in the Italian market with the first flight to the province of Henan and Novosibirsk," said Pierandrea Galli, CEO of Cargolux Italia.

"This is in addition to the flight already performed to the main destinations from Italy, such as Hong Kong, Osaka, New York, Chicago and Los Angeles.

The new service underlines Cargolux Italia status as the main all-cargo carrier at Malpensa and main supporter of Italian customers, in a time of economic recovery for Italian exports.”

Andrea Tucci, Cargolux Italia’s VP for aviation business development, said: “This new flight represents a new service for Malpensa in connecting the two destinations for the first time.

The direct connection to Zhengzhou is a great opportunity for Malpensa and its territory to improve the freight distribution in the Chinese market through the new Cargolux’s hub.

“The Cargolux group has grown by 5% in 2014 and contributes, as the premier cargo carrier at Malpensa with a 15% market share, to the excellent results in cargo traffic of our airport, which has shown a growth of 9% in the first five months of 2015 - one of the best performances among major European airports.”

*(from: lloydsloadinglist.com, June 16th 2015)*

## TRANSPORT & ENVIRONMENT

### DECARBONISING EUROPE: FOSSIL FUEL SUBSIDIES MUST GO

The Commission is organising a huge conference on decarbonising European transport this week, but remains unwilling to discuss government support for fossil fuels, writes Wendel Trio, Director of Climate Action Network Europe.

In the wake of the G7s commitment to phase out fossil fuels from our energy systems, the European Commission is bringing together a whole range of transport experts in Brussels on June 18, to discuss how to drive road decarbonisation forward.

It is very good that the Commission wants to push governments and other stakeholders to increase efforts to make transport vehicles more efficient.

Also praiseworthy is the promotion of shifting our mobility to greener means of transport (such as walking, cycling and collective transport).

However, it seems the Commission will continue its efforts to hide one of the main drivers of an increase of the use of cars, vans and trucks: fossil fuel subsidies.


Last April, the EU institute decided to neglect the suggestions from its experts to call upon 11 Member States to tackle their fossil fuel subsidies in the transport sector.

As a result, both technological solutions and lifestyle changes are on the conference agenda, but subsidies are not.

This is a huge missed opportunity because fossil fuel subsidies are still vast, and they are a real blockade to changing transport.

A recent report from the IMF estimates global fossil fuel subsidies to reach €4.7 trillion in 2015.

The EU is estimated to only have a small share in this enormous amount, but Europe's transport sector will still benefit from approximately €18 billion in subsidies in 2015.

During the 8.5 hours that the Commission's conference will last, EU Member States will spend about €17 million on supporting fossil fuel use in the European transport sector.

*Mind the gap*

According to the IMF, phasing out fossil fuel subsidies could reduce global greenhouse gas emissions by a staggering 20%.

Such reductions would be very welcome.

In the run up to the Paris Climate Summit (taking place in December), a number of problems have emerged that may prevent the summit from being a success.

One of those is to bridge the gap between the level of action that countries are undertaking to reduce emissions in the next five years, and the reductions needed to keep the world on a pathway to prevent dangerous climate change.

The UN Environment Programme has been publishing emission gap reports every year since 2010.

The latest report estimates the gap to be around 20% to 25% of global emissions.

A global phase out of fossil fuel subsidies would thus tackle the gap.

For the world to do that, a strong example from the EU would be very welcome.

*Benefits of a fossil-free world*

A rapid phase out of costly fossil fuel subsidies would also bring many other benefits.

The IMF report states that the resources freed by ending fossil fuel subsidies could be an economic "game changer" by driving economic growth and poverty reduction through greater investment in infrastructure, health and education, and slash the number of premature deaths from outdoor air pollution by 50%, and thus save the lives of 1.6 million people a year.

A recent working paper from the Commission's DG for Economic and Financial Affairs stated that fossil fuel subsidies are costly to tax payers.

They crowd out high-priority government expenditure and are economically inefficient, distorting market price signals and leading to the inefficient allocation of resources.

This reduces economic growth and increases the volatility of world energy prices.

It is clear that a first step towards the decarbonisation of our transport system would be for the Commission to tackle fossil fuel subsidies, such as the continuation of tax exemptions for company cars in Belgium, tax rebates for trucks, taxis and diesel in France, and subsidies for oil extraction in the UK.

Such a "big" announcement is what we are expecting from the opening statements of a Commission that wants to be big on big things at their own conference.

Climate Action Network Europe hopes the European Commission will recognise the need to tackle fossil fuel subsidies and start making this a priority.

For the benefit of the climate and Europe's credibility in Paris, as well as for the benefit of Europe's economy and its citizens.

*(from: euractiv.com, June 17th 2015)*

## SHIPPERS CALL ON WATCHDOGS FOR A CAREFUL EYE TO BE KEPT ON SHIPPING LINE ALLIANCES

The European Shippers' Council has called for increased co-operation between liner customers and competition authorities in response to the creation of the four major east-west container shipping alliances.

The ESC yesterday released a white paper, which coincided with a meeting in Brussels between the EC's competition commission, the US Federal Maritime Commission (FMC) and China's Ministry of Commerce (Mofcom).

The world's three most important competition authorities, which famously produced varied judgments on the legality of the proposed P3 alliance last year, met yesterday to discuss "the global trend towards increased co-operation in the liner shipping market, as well as on regulatory and policy issues related to ports".


They were particularly focusing on port congestion and their respective regulatory powers.

"With the continued growth in scope of carrier co-operation, the authorities considered that monitoring the sector warrants ever closer contact and better communication between competition and regulatory authorities," a joint statement said.

The three organisations also pledged to continue to work together.

They added: "Today's exchanges have been a valuable opportunity to foster co-operation between our three authorities.

We have identified areas of common importance and we look forward to continuing our constructive dialogue."

The ESC said: “Such a file could be requested to be submitted in all parts of the world included in the co-operation perimeter.

Comments from industry and other stakeholders on these submissions should be allowed for consideration by competition authorities.”

Thirdly, it argued that legislators in the US, EU and China should allow the three bodies to “exchange information (eventually commercially sensitive) drawn from the various files submitted in order to cross check and consolidate the various data”.

The ESC white paper also called for greater collaboration between shipper representatives, as well as between shippers and carriers, and proposed launching a pilot communication project at the end of this year to develop greater understanding between shippers, forwarders and carriers.

“The main objective of establishing some kind of communication between ship operators and their customers [shippers and freight forwarders] is to better identify the global expectations and constraints of each of these parties and avoid misinterpretation of apparent actions.

Better understanding of operational but also contractual needs (or willingness) would be very profitable for both sides,” it said.

It also called on shipper and forwarder associations to play a greater role and share more information on the impact of carrier alliances, which it said was harder to determine when it is analysed from a single perspective.

“Shippers’ and freight forwarders’ associations may launch a collaboration at international level to jointly collect and report some data such as perceived service quality from customers’ view, reach of the network, contract quality, availability of cargo space, surcharges customer service quality, etc,” it said.

It added that such co-operation could be overseen by the Global Shippers’ Alliance, with the first surveys launched at the end of this year and results published in mid-2016.

*(from: theloadstar.co.uk, June 19th 2015)*

## STUDIES & RESEARCH

### BIGGER IS NOT NECESSARILY BETTER

With the ever greater inflow of mega-ships in the global fleet it seems that the cost savings introduced by these behemoths have bottomed out as savings are decreasing and might not even be realised, according to a study about the impact of mega-ships on maritime transport.

The study was published at the beginning of June, 2015 by the International Transport Forum (ITF) at the OECD, an intergovernmental organisation with 54 member countries, acting as a strategic think tank with the objective of helping shape the transport policy agenda on a global level.


Doubling the maximum container ship size over the last decade has reduced total vessel costs per transported container by roughly a third.

However, these cost savings are decreasing with size; the cost savings of the newest generation of containerships are four to six times smaller than the savings from the previous round of upsizing, the study shows.

Approximately 60% of the cost savings of the most recent container ships are related to more efficient engines and not to scale.

In addition, mega-ship development and the related container fleet capacity growth has taken place despite sluggish growth of world containerized seaborne trade.

“The massive ordering of new mega-ships has resulted in an oversupply of container ships, which will most likely dampen some of the cost savings due to larger ships, as low demand results in fewer savings per transported container.

The transport costs due to larger ships could be substantial,” the study said.

There are size-related fixes to existing infrastructure, such as bridge height, river width/depth, quay wall strengthening, berth deepening, canals/locks and port equipment (crane height, outreach).

Mega-ships also require an expansion of infrastructure to cater to the higher peaks related to mega-ships; as a result, more physical yard and berth capacity is needed.

These annualised transport costs related to mega-ships could amount to US$400m, according to the ITF's rough and tentative estimations.

Roughly a third of the additional costs might be related to equipment, a third to dredging and another third to port infrastructure and port hinterland costs.

A substantial share of the dredging, infrastructure and hinterland connection costs are costs to the public sector in many countries, the study finds.

According to the study, further increase of maximum container ship size would raise transport costs, raising the question on whether such increases would be desirable.

"The potential cost savings to carriers appear to be fairly marginal, but infrastructure upsizing costs could be phenomenal.

Introduction of one hundred 24,000 teu ships in 2020 would require substantial investments in those places where these ships would be first introduced (Far East, North Europe, Mediterranean), but would also – via cascading effects – result in introduction of 19,000 teu ships in North America and 14,000 teu ships in South America and Africa.

This would imply additional investment requirements there as well," the study said.

*(from: container-mag.com, June 22nd 2015)*

# REEFER

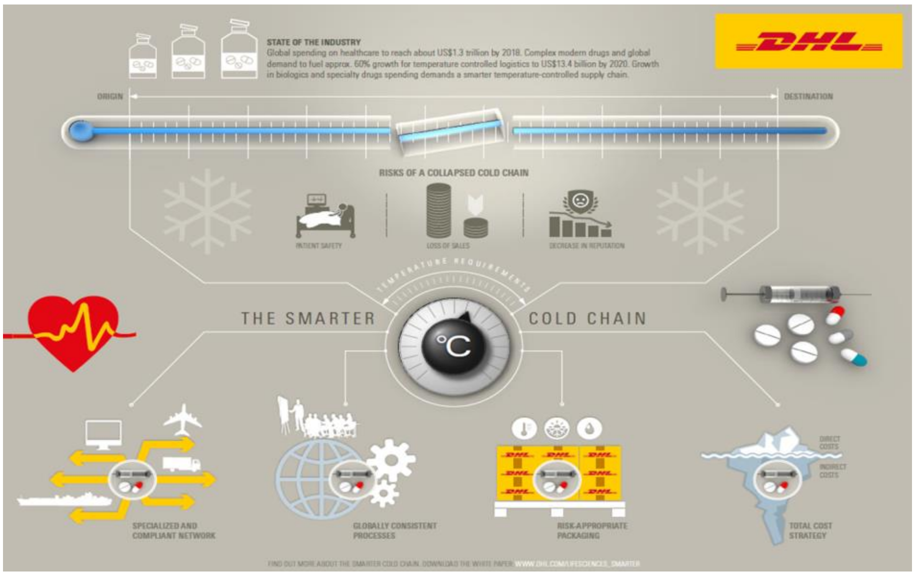
## LIFE SCIENCES ‘NEEDS SMARTER COLD CHAINS’

A new generation of cold chains needs to be developed for the life sciences and healthcare industry to improve global health standards, according to new research by DHL Global Forwarding.

Its newly published white paper, ‘The Smarter Cold Chain: Four essentials every company should adopt’, highlights the critical challenges facing the healthcare industry as global demand for expensive, structurally complex and temperature-sensitive biologics and speciality drugs grows.

This latest report was published during DHL's 15th Global Annual Life Sciences & Healthcare conference, held this week in Hamburg, Germany.

"Astounding developments in the life sciences industry coupled with globalization means there is an opportunity for better health, pain relief and cure from disease for many millions of people around the world," said Frank Appel, CEO of Deutsche Post DHL Group.




"But getting the medication to patients in the right condition and achieving that goal requires a complex balancing of cost and risk.

It emphasizes yet again the strong link between trade, logistics and the impact it has on improving people´s lives."

He stressed that pharmaceuticals were expensive and sensitive - and that product integrity was paramount.

And with global demand, particularly in emerging markets, growing hand in hand with ever stricter compliance from regulators, the industry faces a critical situation unless a new generation of cold chains are developed that can support growth aspirations and at the same time safeguard products.

Global spending on healthcare is forecast to reach around US$1.3 trillion by 2018 and the World Economic Forum estimates that by 2020 one third of all global health expenditure will be in emerging markets.

Speciality drugs and biologics are one of the fastest growth areas with US spending on specialty drugs to quadruple to US$401.7 billion in 5 years, according to PricewaterhouseCoopers, with similar growth rates being projected for the rest of the world.

But DHL said these highly sensitive pharmaceuticals bring new complexity to the supply chain, since they have specific condition tolerances and a high value.

Annual per-patient treatment costs can be up to and above US$100,000, making a single consignment worth up to US$50 million.

The distribution of these complex drugs and increased global demand is predicted to fuel approximately 60% growth in cold chain logistics reaching US$13.4 billion by 2020.

Angelos Orfanos, president of Life Sciences & Healthcare within DHL Customer Solutions & Innovation, commented: "Collapsed cold chains due to non-appropriate conditions can result in loss of a shipment worth hundreds of thousands of dollars.

Over the longer term, this can lead to a damaged reputation, slumping sales, potential share value and even pose a risk to patients.

These are high stakes and a smarter supply chain is necessary to overcome these challenges.

As the life sciences and healthcare industry expands and transforms to meet the growing needs of the world, logistics providers need specialist investment in research and development as well to be able to offer the expertise needed to get medicine and equipment to the patients.

In the simplest terms: better logistics can contribute to better healthcare."

According to the research, life sciences and healthcare companies that want to overcome the challenges of maintaining product integrity, regardless of the climactic conditions faced during global distribution, will need to build new generation of cold chains.

Lisa Harrington, President of the lharrington group and Senior Research Fellow, Robert H. Smith School of Business, University of Maryland, and author of the research, recommends companies collaborate with logistics service providers that have the right infrastructure in place and can ensure consistent processes on a global level.

"Securing product integrity requires the physical infrastructure to be designed and operated for life sciences products only," Harrington says.

"It also requires having the right staff in place who fully understand end-to-end cold chain compliance.

As providers of life-saving products, life sciences and healthcare companies have a responsibility to protect the lives of patients.

Making sure their products arrive in perfect condition is critical.

Partnering with the right logistics provider can ensure that."

The white paper urges pharmaceutical companies to build high-performance partnerships to create and manage highly complex, next-generation supply chains.

These partnerships need to be firmly based on a foundation of collaboration at both the strategic and tactical levels - all focused toward one common goal: serving the health of the patient.

"In the current market situation, regulated by stricter compliance requirements, a robust packaging material is not enough to ensure a constant temperature range for a product," stresses Nigel Wing, Global Head Life Sciences & Healthcare, DHL Global Forwarding.

"If not complemented by two critical essentials - a highly specialized and compliant network, and the right processes and people, packaging alone cannot do the job.

Moving these goods across borders, especially in emerging markets, requires expertise and precision that currently only few can deliver.

For example, DHL employs pharmacists around the world to oversee our operations, ensuring we comply with product and safety standards and helping us improve quality at every link in the supply chain."

According to the report, smarter cold chains must be consistent and robust, incorporating ways of mitigating risk and loss, with strong contingency capabilities and proactive problem-resolution processes.

Most importantly, they must be built on four key essentials:

- A highly specialized and compliant network tuned to moving products efficiently, while protecting their integrity

- Globally consistent processes - policies and procedures that mitigate risk

- Risk-appropriate packaging - technology, cost appropriate, perfect handling

- Total cost strategy - includes assessing risk and the real cost of failure to the company

On their way to the "next-generation" cold chain, pharmaceutical companies should implement a third essential into their supply chain, the report says.

This tackles packaging and finding the right balance between costs and risk.

Today, shippers can choose between passive and active solutions.

When making their decision though, manufacturers must consider a wide range of factors, such as the value of the product, its temperature-management needs, regulatory compliance requirements, customer and market risk, as well as total cost.

Finally, the fourth essential of a smarter supply chain is better cost management.

According to the study, quite often, companies base their supply chain decisions on the direct costs visible to them, e.g. transportation or packaging costs.

However, that's just the tip of the iceberg.

Potential indirect costs such as product losses, brand risks and regulatory issues are usually not accounted for due to the different siloes in an organization.

*(from: lloydsloadinglist.com, June 19th 2015)*

# ON THE CALENDAR

- 7-11 Sep — PIANC-SMART RIVERS 2015 Buenos Aires, Argentina
- 17-18 Sep — 10th Southern Asia Ports, Logistics & Shipping 2015 Mumbai, India
- 14-20 Sep — Genoa Shipping Week, Genova, Italy
- 22-25 Sep — NEVA 2015 St. Petersburg, Russia
- 26-28 Oct — 6th Global Free Trade & Special Economic Zones Summit Dubai, UAE
- 29-30 Oct — 13th Intermodal Africa 2015 Lusaka, Zambia
- 25-26 Nov — 14th Intermodal Africa 2015 Lagos, Nigeria
- 8-9 Dec — TOC Middle East in Dubai Dubai, UAE

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