



notiziario  
newsletter  
bulletin  
mitteilungen  
noticiero

C.I.S.Co.  
Council of Intermodal Shipping Consultants  
Via Garibaldi, 4  
16124 Genova GE (Italia)  
Tel. 010 2518852  
Fax 010 2518852  
e-mail [info@ciscoconsultant.it](mailto:info@ciscoconsultant.it)  
[www.ciscoconsultant.it](http://www.ciscoconsultant.it)

**YEAR XXXIV**  
**Issue of February 15<sup>th</sup> 2016**

***C.I.S.CO. NEWS***

PORT OF PALERMO ..... Page 3

***PORTS AND TERMINALS***

LIVORNO OPENS BIDDING FOR NEW BOX TERMINAL, WHILE CONTSHIP ITALIA  
SHOWS ITS GATEWAY CONCEPT WORKS ..... " 7

***MARITIME TRANSPORT***

HAPAG-LLOYD TO IMPOSE POST-CNY RATE HIKES AS BLANKED SAILINGS  
SLOW THE PACE OF PRICE DECLINE ..... " 10

***RAIL TRANSPORT***

DB PART-SALE ON THE CARDS AGAIN ..... " 12

***ROAD TRANSPORT***

ROTTERDAM TO TAKE PART IN PLATOONING CHALLENGE ..... " 14

***INDUSTRY***

FUEL PRICE FALLS POSE STRATEGY QUESTIONS FOR CARRIERS..... " 16

***LOGISTICS***

UPS DOWNPLAYS CONCERNS ABOUT AMAZON'S LOGISTICS AMBITIONS ..... " 18

***LAW & REGULATION***

MAERSK LAUNCHES CAMPAIGN TO HELP SHIPPERS PREPARE  
FOR NEW CONTAINER WEIGHING RULES ..... " 21

**STUDIES & RESEARCH**

DREWRY HIGHLIGHTS SUPPLY-CHAIN ISSUES FROM INCOMING BOX-WEIGHT RULES ..... Page 23

**REEFER**

PERISHABLES SHIPPERS EXPECT AN ENLARGED PANAMA CANAL TO OFFER  
FRESH TRANSHIPMENT OPTIONS ..... " 25

**ON THE CALENDAR** ..... " 28

**February 15<sup>th</sup> 2016**

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

### PORT OF PALERMO

The port of Palermo is touched by a cruise circuit which includes one of the most prestigious shipping companies.

The objective of 2016 is to confirm the positive trend, which places the Sicilian port ranked eighth among those Italians (in 2015 exceeded Bari), first among the Sicilian and first among the insular ones, with an increase of 3.3 %.

This year for the first time the port of Palermo will host five calls of "Vista", the new flagship of Carnival while still on the subject of new arrivals in 2015 has called Palermo the third largest ship in the world, the Norwegian Epic, which in 2016 will touch Palermo five times.

Always in 2016 will call the Disney Magic, a very welcome return, and the Aegean Odyssey with its group of archeology's fans.

The Port Authority will continue to focus a lot on cruises as a development of port traffic and as economic growth potential of the reference territories, initiating actions that are going to bear fruit in the medium term.

The cruise industry, indeed, has shown for driving the city's economy.

Also in 2015 the Palermo Port Authority worked to improve services to cruise passengers, increasing the tourist offer through new excursions and agreements with the most important cultural organizations.

A way to make it easier to stay in Palermo and to renew the opportunity to visit the city, enjoying its artistic and cultural "life".

Opportunities with regard to the "mobility" has been increasing: just outside the harbour, cruise passengers will find, taxis, carriages, City sightseeing bus, Hop on / Hop off bus, tourist train, Ape tours, Segway tours, bike tours, and a car/bike sharing service.

If we want to give a voice to the numbers, it must be said that in 2015 the port of Palermo again exceeded half a million cruise passengers, already registered in 2014: the passenger compartment overall traffic saw an increase of 0.8%.

In particular, the cruise traffic led to Palermo 546,884 cruise passengers (531,712 in 2014) with an increase of 3.3%, while passenger ferry went from 1,147,919 to 1,153,661 (+ 0.5%).

Also in 2015, the port of Palermo handled a traffic of 6,886,762 tons of goods against 6,250,496 in 2014, an increase of 10.2%.

Tons become 7151.449 adding traffic developed from the port of Termini Imerese (+ 9.5% compared to 2014).

The Port Authority is aware of how to companies - in times of crisis - are important costs.

President Vincenzo Cannatella said: "The 2015 data confirm the quality of services offered by the port of Palermo and the competitiveness of our rates.

The increase in traffic is the result of a policy that believes in the criterion of a 365 days long seasonality, as evidenced by the presence of vessels in all months of the year.

A policy that guaranteed a passage of cruise passengers in the territory during periods when tourist activity is firmer: just they are, if properly intercepted, the potential customers of different business activities and attractions of the city and its surroundings.



Also, these figures testify that the ro-ro traffic and cruise represent the true vocation of the port of Palermo.

The Port Authority believes in strong cooperation with the institutions to make pleasing the first impact with the city and the stay.

The appeal of a city is given by many small, but important, things like cleaning, an easy access to tourist information, public transport, and we work in this direction".

Without forgetting the structural interventions, such as the one, just concluded, on Saint Lucia Pier.

The works allowed the extension of the same - by aligning the head with those of the other two piers of the commercial port, the Piave Pier and V. Veneto Pier - and the progress of the north side of its quay, according to an alignment at right angles to its wharf, that is with the Puntone dock.

The south side of the dock was instead kept unchanged.

Furthermore, it was realized an extension of the quay planned in the project of about 6,800 square meters, which allowed the establishment of operational service yards: boarding lanes, temporary parking areas for commercial vehicles and cars, roads, maneuver areas.

The north side expansion work was completed, the static test was carried out and the place is ready to be bound to the port area to RO-RO traffic service.

But also it proceeds in those jobs necessary to improve the infrastructure in the cruise service, while with regard to security, in 2015 the Port Authority provided the port of two prefabricated modules, equipped with metal detectors, and two-arch tunnels for control of passengers and vehicles to/from North Africa.

They are located near the area of land granted to the Grimaldi Group, in the non-Schengen area.

Since 2007, the Palermo Port Authority's jurisdiction has been extended to the port of Termini Imerese and, since then, the infrastructure works in Termini have been numerous.

The Port Authority, in fact, considered essential to push for a revival of the port of Termini, providing it with adequate infrastructure and working on the increase in traffic.

Interventions, over the years, mainly related to the consolidation works and static restoration of service yards of the commercial port, and the renovation of facilities and furnishings.

A passenger terminal has been created, while the work to complete the breakwater jetty is in the process of tendering.

These are all preparatory works so needed to accommodate the shipping companies, and which requested a remarkable economic investment.

Within the Plan of Measures for the South of the Ministry of Infrastructure and Transport for the 2016/18 triennium, the Palermo Port Authority included dredging to bring to -10 meters the mirrors watery front of the breakwater, the Riva pier and the trapezoidal north pier (35 million euro), whose project has already been prepared, in order to accommodate ships

with a draft greater than now allowed in some places which does not exceed six meters; the completion of the outer breakwater (20 million) and breakwater (1.5 million), whose works are being contracted out, and the security and surveillance works (4.2 million).

The Port Authority also considered appropriate to suspend the application of fixed charges due to the Entity for passengers boarding-landing-on ferries, and supplementary fees for the loading/unloading of vehicles: a further promotional action with the clear intention of attracting new traffic, meeting operators in this long period of crisis.

*(from: Palermo Port Authority)*

## PORTS AND TERMINALS

### **LIVORNO OPENS BIDDING FOR NEW BOX TERMINAL, WHILE CONTSHIP ITALIA SHOWS ITS GATEWAY CONCEPT WORKS**

As the Italian port of Livorno today formally invites tenders for the construction and operation of its new container terminal, the country's leading terminal operator, Contship Italia, delivered annual results that show its strategy to offer its facilities primarily as gateways to Europe is beginning to bear fruit.

The operator, which is also part of a consortium that operates one of the Tanger Med terminals in Morocco, reported a group-wide throughput in 2015 of 6.3m teu, a decline of 4.5% from the 6.6m teu its handled in 2014.

This was largely due to a reduction in transshipment volumes at its hub-and-spoke facility of Gioia Tauro, located at the tip of the country.

"Medcenter Container Terminal (MCT), in Gioia Tauro, and Eurogate Tanger saw a slight fall in volumes, generally consistent with the Mediterranean transshipment market trend," the company said in a statement, adding that the 14.2% reduction in throughput at Gioia Tauro, from 2.97m teu in 2014 to 2.54m teu, was "mainly due to network adjustments by the shipping lines in the Mediterranean hubs".

However, its gateway terminals serving shippers in Italy and central and southern Europe all saw growth.

In particular, its flagship facility of La Spezia appeared to benefit from both its own expansion project and the expansion of its 300,000teu capacity Melzo intermodal hub, located near Milan, which allows Contship to offer shipping lines and cargo owners a combined terminal-intermodal service.

According to the latest Container Trades Statistics data, Italian imports from Asia, a key source of containers for Italy's gateway ports, declined year-on-year by 5.7% in the third quarter last year, and followed similar declines for the previous two quarters.

Cecilia Eckelmann-Battistello, Contship Italia group president, said: "The investments involve both maritime and inland terminals, delivering fully integrated port-to-door products for the global supply chain.



As the group's customer base extends to the total supply chain in Italy, southern Europe and beyond, Contship's alternative gateway solutions are gaining momentum, providing opportunities for shipping lines, freight forwarders, and cargo owners to re-think their options in terms of faster, more efficient and environmentally friendly transport.

Italy has changed and will keep changing.

Contship will continue to drive that change in the supply chain sector," she added.

The company expects to make further investments in both Melzo and its in-house "over-the-Alps" intermodal operator Hannibal, and it will likely need to, because further port competition will arrive in Italy over the next couple of years.



Livorno's plans include a 72ha terminal, with over 1km of quay, costing over €800m.

Some €500m is expected to be provided by the

Italian government, the Tuscany regional government and the port authority, with the remainder from the private operators.

The tender was originally scheduled to be launched last autumn, but was delayed due to arguments over the depth alongside, explained port authority president Giuliano Gallanti.

"Tuscany Region asked for depths of up to 20 metres alongside the new quays to accommodate the ULCVs [ultra large container vessels] of the latest generation.

However, this would have led to a major revision of the project, which provides for depths up to 16 metres.

We found a solution: the wharves will rest on a 20-metre depth so that the operator that wins the tender is free to decide what depth to dredge the seabeds.

Needless to say, it must be enough to accommodate 14,000-16,000 teu vessels."

Like La Spezia, the terminal will also be directly connected to rail lines leading north.

“By linking directly the new infrastructure to the rail network the facility will offer importers and exporters an all rail-route to warehousing and manufacturing centres in Italy and beyond,” Mr Gallanti added.

The port currently has a 13-metre draught, and critics have argued that even dredging down to the 15 metres required to handle the largest ships would present difficulties in terms of winning the environmental permits.

Meanwhile work is also continuing on APM Terminals’ new facility at Vado, located less than 20km south along the coast, and which is set to open in 2018.

In November APMT signed a MoU with the port of Qingdao which is expected to lead to the Chinese group investing in the facility.

The port is seeing some €450m of government and private funds funnelled into its development with an initial offering of 800,000teu capacity.

Last year APMT also acquired the port’s privately owned conventional reefer terminal.

*(from: theloadstar.co.uk, January 26<sup>th</sup> 2016)*

## MARITIME TRANSPORT

### **HAPAG-LLOYD TO IMPOSE POST-CNY RATE HIKES AS BLANKED SAILINGS SLOW THE PACE OF PRICE DECLINE**

Hapag-Lloyd today announced a new general rate increase (GRI) of \$900 per teu on headhaul westbound Asia-North Europe and Asia-Mediterranean shipments for 1 March.

The line also scheduled a transpacific GRI for 1 March of \$540 per teu and \$600 per feu.

The announcement coincided with another week of declining freight rates on the major east-west deepsea trades.

The Shanghai Containerised Freight Index (SCFI) again headed south this week as the industry prepares for the two-week Chinese New Year holiday.

This officially begins on Monday, but judging by scenes at Guangzhou railway station this week, hundreds of thousands of factory workers have already begun heading home.

With a series of blanked sailings by the four major container shipping alliances, the pace of rate decline slowed.

The SCFI's Shanghai-North Europe component dropped by \$38 per teu to \$431 per teu, a decline of 8% – the smallest fall since October, although today's rate level is still 59% below this time last year.



On other trades, the Shanghai-Mediterranean leg dropped \$34 to \$454 per teu, a decline of 7%, the transpacific Shanghai-US west coast fell \$67 per feu to \$1,321, down just under 5%, and the Shanghai-US east coast leg fell \$125 per feu to \$2,341, a decline of 5%.

Meanwhile, Alphaliner reported that the O3 alliance is set to increase capacity on its Asia-Mediterranean services, as it completes the transition of its AMC-1 service (marketed as the MEX2 by CMA CGM and AMX1 by China Shipping) to an ultra-large container vessel (ULCV) operation.

“UASC is to complete the fleet upsizing of its AMC-1 service by replacing the last four 9,580 teu ships, chartered from UASC’s alliance partner, CSCL, with owned tonnage of 13,000-15,000 teu,” it said.

This weekend, UASC will deploy the 14,993 teu Linha onto the AMC1 after it completes its final sailing on the O3’s FAL8 Asia-North Europe service, and will be followed by the Al Murabba in March and the similar-sized Al Mashrab later.

In a clear sign of vessel cascading, all three will, in turn, be replaced by UASC’s new series of 19,870 teu newbuildings.

*(from: theloadstar.co.uk, February 5<sup>th</sup> 2016)*

## RAIL TRANSPORT

### DB PART-SALE ON THE CARDS AGAIN

Deutsche Bahn AG could be shedding some assets to raise finance, including DB Arriva and perhaps a stake in forwarding company DB Schenker AG.

Plans to privatise parts of state-owned DB AG under the past Chairman Hartmut Mehdorn were blocked by the then federal government in Berlin, a SPD and Green Party coalition.

Current Chairman Dr Rüdiger Grube is keen to sell off some assets, including DB Arriva which operates passenger rail and bus services in various European countries, as well as a minority stake in leading forwarder and logistics group DB Schenker AG.

An extraordinary meeting of the Advisory Board, due next month, has been postponed, while various options are considered.

Berlin remains sceptical, although the view of the CDU/CSU and SPD coalition is more pragmatic.

Dr Grube says his position is based on purely on the need to reduced debt and raise funds to finance investments.

"We need around €20B in the next five years," he said.

"Capital funds from outside partners in Arriva and DB Schenker would help us limit the debts of the group."

It is hoped to raise around €4.5B with a part-sale.

The Advisory Board is expected to consider the proposals in March.

Meanwhile, DB Schenker Logistics, the largest business of DB Schenker, has reorganised its European business by merging four management regions into one unit, called "Region Europe," with Ewald Kaiser as CEO, in order to streamline administration and cut costs.

The new set-up embraces 36 European national organisations organised into 10 "clusters."

Kaiser remains a member of the Management Board of Schenker AG responsible for land transport.

"The new structure in Europe will make us stronger and more responsive when it comes to making and implementing decisions," said Jochen



Jochen Thewes, Chairman of the Management Board of Schenker AG in Essen.

"In these days of digitalisation and globalisation, this is a vital requirement."

Kaiser said: "Especially among global customers, there is strong demand to have access to Europe as one single area without

borders.

This is reflected in the new structure.

Simpler and shorter decision-making processes will make it easier to come up with integrated logistics solutions geared specifically to the customer's requirements and to implement them quickly.

The 10 "clusters" are: Germany and Switzerland; Nordics - Sweden, Finland, Norway, Denmark; France and Morocco; Southeast - Austria, Romania, Slovakia, Bulgaria, Bosnia Herzegovina, Croatia, Czech Republic, Serbia, Greece, Hungary, Macedonia, Turkey; Poland and Eastern Europe - Poland, Estonia, Latvia, Lithuania, Ukraine, Belarus; Benelux; Italy; UK and Ireland; Iberian Peninsula; Russia.

Hence Austria has been counted as part of Southeast Europe rather than part of the core "German speaking world."

*(from: worldcargonews.com, January 26<sup>th</sup> 2016)*

## ROAD TRANSPORT

### ROTTERDAM TO TAKE PART IN PLATOONING CHALLENGE

The Port of Rotterdam has announced that it will be taking part in the European Truck Platooning Challenge, a trial initiated by the Netherlands as part of its 2016 Presidency of the European Union to develop the method further and bring it to people's attention.

'Truck platooning' involves having a column of automated trucks travelling closely together and is said to have a number of advantages for port users, such as fuel efficiency, and societal benefits in the fields of sustainability, environment and infrastructure.

For this trial, the column of trucks will depart from a number of European cities and head for the Netherlands.



They are expected to reach their final destination at the Maasvlakte, Rotterdam on April 6.

The Netherlands' Presidency of the European Union gives it the perfect opportunity to bring platooning to people's attention, said Bob Dodemont, project manager of smart mobility at the Port of Rotterdam Authority.

"We need each other in Europe, and it is important to reach satisfactory agreements about who is going to do what and how we can provide mutual support," he added.

"This challenge is a fantastic chance and a first test to demonstrate successful European cooperation."

Singapore's Ministry of Transport previously joined forces with PSA International to test and develop a truck platooning system in a similar way to the Port of Rotterdam now, trialling inter-terminal haulage between

Brani Terminal and Pasir Panjang Terminals via a 10km route along the West Coast Highway.

*(from: portstrategy.com, February 9<sup>th</sup> 2016)*



## INDUSTRY

### FUEL PRICE FALLS POSE STRATEGY QUESTIONS FOR CARRIERS

Falling oil prices are giving smaller classes of container ships a new lease of life and forcing lines to consider speeding up vessels in a bid to cut costs, according to Drewry Maritime Advisers.

The analyst said lower marine fuel bills – prices are now at levels last seen in the early 2000s – were reducing big containerships' cost advantages.

Although this was not going to change the drive of lines towards operating fleets of larger vessel sizes in pursuit of economies of scale, it represented a stay of execution for Panamax ships.

"Low bunker prices may well give a new lease of life to Panamax vessels which, at current charter rates, can compete on costs with vessels twice their size on trades that cannot sustain the largest vessels," said Drewry.

Although lines would likely continue to operate slow steaming loops for now, sustained lower fuel bills could eventually encourage a rethink given



the cost-cutting potential of increasing speeds now that bunker costs were in the \$100-150 per tonne range, rather than around \$600 per tonne when slow steaming strategies were

originally introduced a decade ago.

"At a bunker price of \$100 per tonne, there are clear cost savings from increasing service speed, and reducing the number of vessels per loop," said Drewry.

However, the analyst said lines would be wary of changing their strategies, partially because this would be disruptive, but also because it would increase effective vessel supply.

"Lines and alliances will have carefully planned their networks, including terminal berth windows, based on their present slow steaming speeds," said Drewry.

"To increase service speed would require major re-planning, and potential disruption.

Lines may be nervous of making radical changes, in case bunker prices swing back up again.

And at present, as at the outset of slow steaming, there is an excess supply of tonnage, which would only be exacerbated if more ships were released as a result of speeds being increased."

The report concludes: "A continuation of the current low bunker prices is not going to change the drive of the lines to larger vessel sizes in pursuit of economies of scale, but it does represent a stay of execution for the smaller Panamax ships.

While there are other reasons why lines may continue slow steaming for the time being, a trend of increasing service speeds will reduce global requirements for tonnage.

Lines should carefully consider this change when planning any orders for new vessels."

*(from: lloydsloadinglist.com, February 8<sup>th</sup> 2016)*

## LOGISTICS

### UPS DOWNPLAYS CONCERNS ABOUT AMAZON'S LOGISTICS AMBITIONS

UPS this week played down concerns about the threat to UPS and other carriers from e-retail giant Amazon's apparent desire to expand ever further into the logistics and delivery market, while elsewhere in its business reporting increased operating profits from its Freight Forwarding business.

In a conference call with investors, analysts, and media this week following publication of the company's fourth-quarter and full-year results, UPS executives were questioned about reports of Amazon planning to lease B767 freighter aircraft and possibly B737s to operate both in the US and in Europe – and, in particular, if this did come about what the impact would be on competitive pricing dynamics in the US domestic and European express markets.

UPS CEO David Abney replied: "I didn't read anything in the last quarter (with regard to Amazon's possible move into freighter aircraft) that we felt, on any kind of substantial basis, is going to affect our pricing in the market.



We just believe that we need to continue to focus on our values, stay on our strategies and our technologies and feel we can have another good year as far as return to investors (is concerned).

Amazon is a good customer of ours and we have a mutually beneficial relationship.

Our goal with Amazon or any other big customer is to continue to show our value through our integrated network and through our technologies and have a value proposition that is difficult to match.

We do add capacity for large customers such as Amazon but ensure we have the proper economic return and at the same time we also ensure the integrity of our network for all customers like planning and forecasting our volumes."

Commenting on the performance of the group's Supply Chain and Freight business in the further quarter of 2015, CFO, Richard Peretz said the decline in organic revenue had been due to two factors: "on-going weakness in both Forwarding and US LTL markets and the continuation of targeted revenue management actions".

But he said both the Forwarding and Freight units were "executing initiatives that are driving change into customer mix to improve profitability.

The Forwarding unit improved operating margin as the group held firm with rates achieving the highest buy-sell rate spread in the last few years," he said.

"The Distribution unit (with Supply Chain and Freight) saw double-digit revenue growth from targeted industries – healthcare and aerospace – particularly in the US and Europe.

However, market conditions continue to challenge UPS Freight as they saw tonnage decline by about 12%."

Commenting on the outlook for the Supply Chain and Freight business in 2016, Peretz remarked that revenue should be up 15-20% thanks to the addition of Coyote Logistics (acquired in the second half of 2015) added for the full year, with organic revenue growth of 3-5%.

"Operating profit growth is forecasted at between 6-10% (for the year).

However, first-quarter growth is likely to be down 8-12% on last year due to continued softness in the LTL, freight brokerage, and freight forwarding markets.

As a reminder, the west coast port strike provided some benefits in (Q1) 2015."

Operating margin should be around 7%, he added.

Adjusted operating profit for the group's Supply Chain & Freight business increased 11% to \$199 million in the fourth-quarter, over adjusted 2014 fourth-quarter results, with revenue up 6% to \$2.6 billion.

The inclusion of Coyote Logistics revenue for the full quarter more than offset the impact of softer markets, lower fuel surcharges and actions to improve revenue quality in the other business units, UPS said.

Freight Forwarding generated increased operating profit and margin expansion despite declines in tonnage.

“International Air Freight benefitted from revenue quality initiatives, which when combined with a drop in buy-rates, resulted in the best pricing spreads in several years,” UPS said.

UPS Freight LTL revenue per unit increased 2.1% as lower fuel surcharges drove the growth rate lower by about 550 basis points.

This improvement was offset by a 12% tonnage decline that lowered revenue, UPS said, noting that it was continuing to “focus on profitable revenue in a challenging market environment”.

*(from: lloydsloadinglist.com, February 4<sup>th</sup> 2015)*

## LAW & REGULATION

### **MAERSK LAUNCHES CAMPAIGN TO HELP SHIPPERS PREPARE FOR NEW CONTAINER WEIGHING RULES**

Maersk Line is preparing an awareness campaign to alert shippers to container weighing regulations that come into effect on 1 July.

Amid confusion over the IMO's guidelines for implementing the Safety of Life at Sea (SOLAS) regulations, which state a verified gross mass (VGM) must be provided by shippers to shipping lines before a container is loaded, Maersk Line's VGM programme manager Lars Lorenzen told The Loadstar the current state of industry readiness was in significant need of improvement.

"Unlike previous IMO regulations, the number of impacted parties this time around is much higher," said Mr Lorenzen.

"The key is transparent and clear communication to and by all regulated parties, and earliest possible identification of requirements and timely adjustment to the specific supply chain by each shipper."

He added: "Both the IMO and World Shipping Council (WSC) have provided adequate guidance to implement the regulation in a structured manner, which should assist eliminating concerns raised over the lack of governmental guidance in a number of countries."

A recent survey by INTTRA, an ocean shipping e-marketplace, showed that only 30% of shippers expected their company, and/or their customers, to be compliant by the time the regulations come into effect.

One area of confusion appears to be the timing of VGM submission, since the legislation does not provide any official deadlines.

Mr Lorenzen said Maersk Line would continue setting deadlines for submissions locally, and that the line was able to "receive submissions of the VGM from shippers in the usual manner, ie via mymaerskline.com, industry portals, direct electronic data interchange (EDI) and manually."

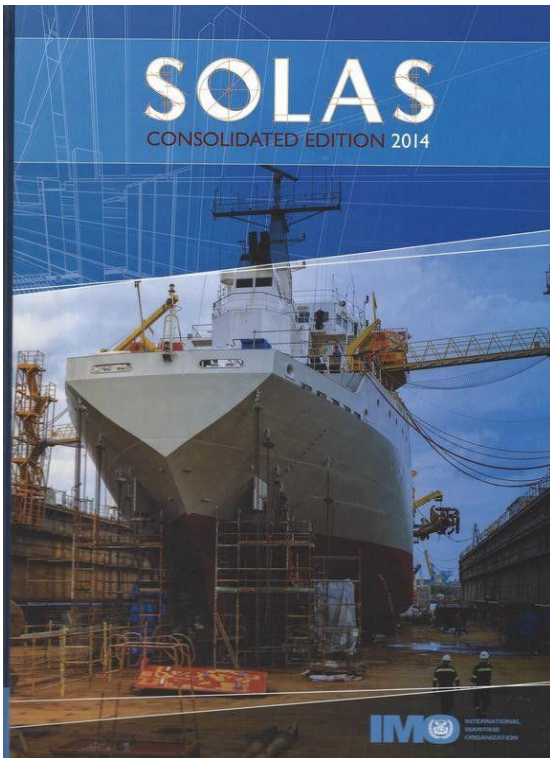
One way of avoiding potential supply chain disruptions could be a standardised method for electronic VGM submission.

INTTRA is working towards a uniform technology standard for digital documentation of VGM submission, while Maersk Line is also focusing its preparations on EDI.

“Maersk Line has been preparing for the implementation of this SOLAS amendment for the past 15 months,” said Mr Lorenzen.

“This includes modifications to proprietary systems and processes as well as raising awareness internally and externally.

“The current main focus is on updating EDI with service providers (mainly terminals) and shippers.



We are preparing, and will soon launch, an awareness campaign directed at the shipper community.”

Meanwhile, the European Shippers’ Council (ESC) has expressed concern over the lack of government guidance surrounding the regulations.

The ESC says shippers throughout Europe are “fully aware” of the changes, but that a “lack of international harmonisation poses a challenge for many businesses”.

In a statement in December, the ESC said: “Just a handful of countries have published national regulations for the

weighing of containers.

Businesses need these regulations in order to ship their products overseas following the right guidelines.”

Their concerns have been shared publicly by at least one major European shipper.

On LinkedIn.com, Nestlé’s global logistics procurement head Jochen Gutschmidt commented: “Many people rightfully talk about the readiness of shippers.

It is evident, however, that the entire system, carriers, terminals and governments included, likewise have huge awareness gaps. Too many open questions...”.

*(from: theloadstar.co.uk, February 4<sup>th</sup> 2016)*

## STUDIES & RESEARCH

### **DREWRY HIGHLIGHTS SUPPLY-CHAIN ISSUES FROM INCOMING BOX-WEIGHT RULES**

Some supply chains seem certain to suffer significant disruption when the IMO's new container-weight legislation comes into force in July, according to Drewry Supply Chain Advisors, which predicts that many importers will build safety stocks during the transition process and there could be a late June surge in shipment volumes.

The International Maritime Organisation (IMO)'s amendments to the Safety of Life at Sea Convention (SOLAS), which become mandatory on 1 July, require shippers to verify weights of packed containers, regardless of who packed the container, and analysts note that a significant number of shippers currently appear unprepared for the changes.

As reported in Lloyd's Loading List.com, the International Air Transport Association (IATA) is planning to notify its member airlines that the change to SOLAS "may result in some isolated situations where ports may have some backlog", leading to some possible instances where shipments are diverted from the ocean freight supply chain to air cargo.

According to Drewry Supply Chain Advisors, IATA's prediction of modal shift is likely to prove prescient, although the analysts also highlighted a wide range of potential supply-chain issues.

The consultancy said that while some shippers had made preparations, many others were unlikely to be ready to meet their new obligations.

"We are seeing some progress, but equally it is becoming clear that not all shippers will be ready to comply with the new IMO rule," said Drewry.

"A poll of 410 customers of booking portal Intra in October 2015 found that 66% expected 'a moderate or major disruption in the industry'."

Large companies that export the same products on a regular basis with the same stowage pattern are not expected to have difficulties identifying the weight of the products in the container.

However, they still need to find a way to capture the tare weight of the empty container.



But for some shippers, meeting the requirements will be far more difficult.

According to Drewry, inbound supply chains from more exotic countries are high risk due to the lack of process, IT, infrastructure and weighing machinery at origin.

Shipments by smaller exporters and shippers transporting combinations of



packaged products with various securing equipment or loose products in containers could also find the new legislation difficult to comply with, as could those using smaller Asian or African suppliers to provide accurate container packing weights.

“Many importers will build safety stocks during the transition process and there could be a late June surge in shipment volume,” said Drewry.

“Supply chain managers are unlikely to switch mode from ocean transport to air across the board but, for emergencies, they will use air more after 1 July.

There will be delays, cargo rolls, operational disruption and extra costs for shippers at origin ports, particularly in Asia and in Africa.

Following from these, some shipments will arrive late and some ships will sail with empty slots.”

Drewry also predicted there would be a surge in demand for emergency services offered by forwarders and inland transport operators in cases where there were mismatches between the declared weight and the checked weight, a process that could be particularly difficult to manage for those operating a cold chain.

“The impact on supply chains of the new regulation will depend on the delay in complying and the extent of non-compliance,” said the analyst.

*(from: lloydsloadinglist.com, January 29<sup>th</sup> 2016)*

**REEFER****PERISHABLES SHIPPERS EXPECT AN ENLARGED PANAMA CANAL TO OFFER FRESH TRANSHIPMENT OPTIONS**

After nine years of construction, 130m tonnes of excavated spoil and 4.4m cu metres of concrete, the Panama Canal's third set of locks will be inaugurated in June – barring any further delays.

The mammoth US\$5bn project expects to see the average capacity of containerships transiting the canal nearly triple, from 5,000 teu to 14,000 teu, ushering in a new post-panamax era for container shipping.

Industry debate on how the expansion will affect container supply chains largely centres on whether US east coast (USEC) ports can capture significant cargo volumes from their west coast counterparts.

After June, shipping lines will have the option to re-route mega-ships with Asia-USEC bound cargo via the Panama Canal.

Multiple variables are at play, including the handling capabilities of USEC ports; the canal's new toll structure; and competition with the Suez Canal.

Meanwhile, less attention has been paid to any potential impacts on regional reefer trades, and whether perishables shippers can expect the expansion to affect their transportation options.

“Long term, it's likely that more carriers will use the Panama Canal region as a transshipment hub,” said Gary York, director of global sourcing at Robinson Fresh, the fresh produce brand of global 3PL CH Robinson.

He added: “Instead of sending a ship from Chile to multiple ports on the US east coast, these feeder vessels will discharge in Panama to larger post-panamax vessels that will then be able to carry containers from multiple origins, including Latin America.

The same is true for Asia or European destinations, with containers from the Latin America region arriving in the Panama region on smaller vessels and transshipping to the much larger ships destined for Europe or Asia.”

Research conducted last year by CH Robinson and Boston Consulting Group on the trade impacts of the canal expansion found that up to 10% of

container traffic to the US from East Asia could shift from west to east coast ports by 2020, adding that increased use of transshipment in the Caribbean could magnify this trend.

Caribbean ports will be hopeful of an upturn in transshipment cargo.

Panama, in particular, is positioning itself as a regional transshipment and value-added logistics hub.

According to Drewry, Panama transshipment activity could jump by double digits following the canal expansion, with annual growth of 5% a year thereafter.

At the canal's Pacific end, a new 5m teu container terminal will be built at Corozal to capitalise on the expected increase in transshipment traffic.



It remains to be seen whether the economies of scale gained from deploying larger vessels, and the resulting increase in transshipment will translate to lower reefer rates for perishable shippers.

And while Panama could be a big beneficiary by operating as a regional hub for cold chain logistics services, some shippers will undoubtedly be concerned by longer transit times and the added handling risks associated with transshipment.

From the perspective of US shippers, Mr York pointed out that there could be long-term effects as the market reacts to the additional supply chain options.

"First, shippers and importers from the middle and eastern regions of the US will have expanded shipping options versus solely utilising the west coast ports.

However, many of the effects from the Panama Canal expansion will be felt in the years to come, as supply chains react to the changes taking place in the market.

If supply of ocean container services is increased by the expansion on the east and Gulf coasts, this could potentially translate to reduced prices.

In addition, the investment and routing decisions of rail and truck carriers, and the location of distribution centres, are likely to change, based on trade-offs that shippers make between the cost and speed of transportation," he said.

*(from: theloadstar.co.uk, January 29<sup>th</sup> 2016)*

## ON THE CALENDAR

### 2016

16-17 Feb	RoRo Shipping Conference
25-26 Feb	7th Intermodal Asia 2016
29 Feb - 2 Mar	ICHCA International Conference 2016
13-15 Mar	International Maritime Transport and Logistics Conference "Toward Smart Ports"
22-23 Mar	8th International Conference & Exhibition USA 2016
7-8 Apr	15th Intermodal Africa 2016
24 -29 Apr	28th Annual Port State Control Course
27-28 Apr	4th MED Ports 2016
19-20 May	International Conference on Short-Sea Shipping: Myth or Future of Regional Transport
26-27 May	5th Black Sea Ports & Shipping 2016
30 May – 2 Jun	10th International Harbour Master Association Congress
14-16 Jun	TOC Europe
27 Jun – 1 Jul	38th PMAWCA Council and 11th PAPC Conference
14-15 Jul	14th ASEAN Ports & Shipping 2016
22-23 Sep	11th Southern Asia Ports, Logistics & Shipping 2016
26-27 Oct	12th Trans Middle East 2016
17-18 Nov	16th Intermodal Africa 2016

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