Newsletter

July 31st 2017

Link road, rail, sea!

Council Of Intermodal Shipping Consultants

C.I.S.Co. - Via Garibaldi, 4 – 16124, Genova Tel. 010 2518852 - www.ciscoconsultant.it

YEAR XXXV
Issue of July 31st 2017

CONFERENCES

July 31st 2017

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

PORTS AND TERMINALS

RETHINK ON BARGE OPERATIONS VITAL TO EASE CONGESTION AT ANTWERP AND ROTTERDAM

Major cultural and structural changes are needed before the severe barge congestion at Antwerp and Rotterdam eases.

Shipping consultant SeasC4U owner Gunther Ginckels told The Loadstar a fragmented barge industry at the mercy of inland terminal operators was to blame for the delays at the European ports.

Dispersed underloaded discharge and loading sequences were the norm for the region, he added.

Mr Ginckels' comments came as Rotterdam announced its 2017 first-half throughput had grown 9.3% year on year, to reach 6.66m teu, which is likely to put further pressure on hinterland logistics operators.

"You are seeing situations where 30% (at Rotterdam) or 40% (Antwerp) of barges are arriving with 60-75 containers for deepsea terminals, despite having a capacity of 200-300 teu" said Mr Ginckels.

"This is because of the fragmented nature of barge operations and because loading is focused on the needs of inland terminals not the discharge requirements of the ports."

There are over 7,000 barges on Northern Europe's waterways, roughly 70% are "father-son" operations with three barges or less per company.

This equates to around 1,600 barge operators.

According to Mr Ginckels, these small operators have no direct contact with cargo owners and are instead contracted by inland terminals or brokers trying to squeeze the best deal out of them.

"By monopolising the industry, brokers and inland operators can make demands on independent barge operators or shippers, including use of their terminals and their barges," said Mr Ginckels.

“So, you’ll have incidents where barges stop at terminals to collect just four or five containers and then have to move onto another terminal to collect the next set of containers.”

Pointing to MSC, by far Antwerp’s largest ocean carrier, Mr Ginckels said the line sees around 830 barges generate 67,000 moves at its Antwerp terminal each month – roughly 28 a day, each requiring an average of 80 moves.

In reality however, Mr Ginckels says, 76% of barges load less than 50 containers and 40% less than 15, failing to generate any economies of scale.

As a result, port operators are left out of pocket as they require a disproportionate amount of labour, against the operational value, to handle the barges.

“Terminals seem to lack the courage to recoup these costs, as to do so they would need to approach the shipping companies and container lines,” said Mr Ginckels.

“These are their customers and there seems to be some fear that by charging the proper costs associated with barge operations they could lose customers.”

There are ways to address these problems, however, such as increasing port staffing pools but this brings its own issues: for instance, the social cost of off-work labourers,” he continued.

“I’d also like to see ports impose a flat minimum fee for 30 containers, with a sliding scale on additional containers that would make it more profitable for operators to bring in more containers.”

Rotterdam World Gateway has recently imposed a restriction on barge operations involving 15 containers or less.

Mr Ginckels also argued that deepsea carriers could help ease inland flows by adopting a more constructive partnership approach with terminals.

“By only agreeing to single-year contracts – rather than committing to multi-year deals – the carriers are failing to give terminals the confidence to invest in equipment or properly develop infrastructure.

Post-panamax cranes cannot be purchased on single-year contracts, certainly not in the numbers required to handle the new ULCV ships, and this all has a knock-on impact in delays."

However, Mr Ginckels was quick to note that this was not true of all carriers, citing Maersk and MSC as two operators that own their own terminals and are able to commit to multi-year contracts.

"As Antwerp is MSC's main hub, it is doing the most to develop sustainable intermodality by investing seriously in barge-friendly facilities and concepts.

Maersk is doing the same in Rotterdam at its APM Terminals facilities at Maasvlakte II.

This will help reduce barge congestion, but what is really needed is for all parties to sit around a table and hash out a way to work efficiently together," he said.

"Barge operators and terminals have to agree to minimum container regulations, use of dedicated quays and fixed berthing windows for all operators."

(from: theloadstar.co.uk, July 21st 2017)

MARITIME TRANSPORT

OCEAN FREIGHT PRICES REMAINING STEADY ON TRANSATLANTIC TRADE

Ocean freight spot prices have remained steady for several months on the transatlantic trade and look set to remain so even as the strong headhaul westbound demand growth seen in early 2017 tapers off as the year progresses, Drewry analysis suggests.

Drewry noted that in the first five months of this year, North European exports to North America registered a rise of 5.7%, according to statistics from PIERS and CTS.

Broken down, loads bound for the US rose 4.9% to 890,000 teu; Canadian imports were flat at roughly 260,000 teu, while inbound Mexican volumes continued to soar, rising by nearly 20% to just under 180,000 teu.

The container shipping analyst said some carriers are hopeful that this current rate of growth will continue throughout the year, but Drewry is more sceptical.

"In our opinion, westbound transatlantic volumes are likely to soften in the second half of the year and the annual growth rate will probably end up closer to 3%," it noted.

"The key factors that have brought us to this conclusion are the Brexit effect and a slowdown in new car sales in the US."

The outcome of the Brexit referendum, which was held now over a year ago, caused the value of sterling to fall to a 30-year low against the dollar, and this had the immediate effect of boosting British exports to America.

According to one British forwarder, exports out of the UK in the first quarter on Transatlantic vessels were running 8-10% above what was being shipped a year ago, Drewry noted.

"Much of the increase was concentrated in the food and drinks sector, but pharmaceuticals, motor vehicle spares, aircraft machinery and lighting equipment were also said to be moving in larger quantities," it noted.

"Come the latter half of 2017, however, the Brexit effect might not be so pronounced when making year-on-year comparisons."

The second factor that could dampen growth on the westbound leg is the cooling of the new car sales market in the US.

The movement of automobile parts – predominantly from Germany – is the largest commodity block in the trade and has enjoyed two extraordinary years of growth, coinciding with the boom in car purchases in the US, Drewry said.

"If there is a growth story in the coming months, then it will be the flow of components that are being dispatched to the numerous suppliers that have sprung up in Mexico to support the new breed of car assembly plants in the country," Drewry added

The eastbound 'backhaul' leg of the trade has been pretty much static, which is where it landed last year, Drewry said, adding: "At the time of writing, we have not yet seen complete data for May, but were it not for greater exports out of the diminutive Mexican market, eastbound volumes would have been in decline after four months of the year."

US exports were down by 0.5% year-to-date to 457,000 teu, Canadian exports fell by a similar margin to 154,000 teu, while Mexican shipments jumped 9% to 113,000 teu thanks in the most part to enhanced movements of car parts and beer.

Subsequently, total North American exports to North Europe were up by 0.8% after four months to 724,000 teu.

"There seem to be no drivers that might generate any meaningful growth in the eastbound trade, either now or in the foreseeable future," Drewry said.

"The dollar remains strong and American exporters are focusing on new markets in the Far East."

Well over 40% of the backhaul volume is composed of goods for the UK, but, with sterling weakened even further by the result of the country's snap election in early June, North American exporters face an uphill struggle to gain any new traction in the British market, Drewry noted.

On the capacity side, Drewry said the transatlantic would see only minor changes, "which should help maintain trade stability.

Effective capacity has been creeping up, primarily due to a few upgrades in ship sizes of 2M's TA2 and Ocean Alliance's Liberty Bridge Express, while ACL has taken delivery of its final 3,800 teu containership to replace the much smaller and older ro-ro ships on its North Atlantic service," it noted.

"Further ahead, we expect to see more upgrading via the cascade; replacements including two MSC ships (8,089 teu) in place of 7,400 teu ships on 2M's TA3/NEUATL3 loop, two 7,450 teu ships in place of 6,600 teu ships on 2M's TA2/NEUATL2 loop and one 6,500 teu in place of one 4,200 teu on Ocean Alliance's Victory Bridge/EUG/ATG1 service."

Drewry said westbound spot rates have "moved very little" in recent months, although long-term contract rates have seen some rises.

"When some of the BCO contracts and forwarder FAK agreements came up for renewal in April, the carriers were able at least to recover the $100 or so they had given away on a 40ft loads back in 2016," the analyst noted.

Drewry cited one forwarder source that suggested space on the North Europe-Asia eastbound trade had been so tight during April and May that carriers were able to extract some improvement in revenue in the transatlantic market.

In a few isolated reported instances, shippers, desperate to get their goods to Asia, had actually despatched shipments across the Atlantic and switched them to transpacific westbound loaders at a US terminal, Drewry noted.

The analyst concluded: "Westbound demand growth will probably taper off as the year progresses, but even so spot rates will continue to be relatively stable."

(from: lloydsloadinglist.com, July 24th 2017)

RAIL TRANSPORT

OGI VARIABLE-GAUGE FREIGHT BOGIE COMPLETES FIRST TESTING PHASE

Spanish companies involved in the development and certification of the OGI automatic gauge-changing system have completed the first phase of dynamic testing.

The OGI bogies are designed for use on freight routes crossing the Spanish-French border where the track gauge changes from 1668mm to 1435mm.

Following the rules set by the national technical specification (ETH), the system was subjected to 500 consecutive gauge-changing test runs, at a maximum load, on the La Gineta test track in southeastern Spain.

This facility is owned by Spain's infrastructure manager Adif, which is leading the project.

On a single day, more than 100 automatic gauge-changing operations between 1435mm and 1668mm were carried out, with no problems detected.

The OGI system is being certified for two types of flat wagon: a MMC3 container wagon with a maximum axleload of 22.5 tonnes and a wheel diameter of 920mm, and an LFT car transporter with 760mm-diameter wheels and a 16-tonne axleload.

Mainline dynamic testing of a minimum of 100,000km and at the wagons' maximum permitted speed will now be carried out in Spain on both 1668mm-gauge conventional lines and 1435mm-gauge high-speed lines.

Dynamic testing will then switch to the standard-gauge cross-border Barcelona - Perpignan line, which is the only mixed-traffic, high-speed line currently in operation in Spain.

The OGI system dates from the 1970s, but in 2014 Adif decided to lead a project to reengineer it and to adapt it to current rolling stock technical specifications.

Companies involved in the certification project include OGI, AZVI, which owns open-access freight operator Tracción Rail, and Tria Railway, the sole manufacturer of gauge-change facilities used extensively in Spain.

As with the Talgo and CAF gauge-changing systems, the OGI bogies passively adapt their wheels to each track gauge when passing over a fixed infrastructure composed of rails and check rails which transition the wheels between the two gauges.

The system can be installed easily at existing freight yards or stations.

(from: railjournal.com, July 13th 2017)

TRANSPORT & ENVIRONMENT

IMO AND GHG: FIRST STEPS ON PATHWAY TO DECARBONISATION

After two weeks of detailed discussions at the International Maritime Organization about how to respond to the Paris Agreement, what do we have?

We have a plan for the first step of a plan that is itself part of a bigger plan.

That may seem unkind, but don't be fooled into thinking the IMO won't deliver, and the signal is clear: IMO will come up with a framework to set shipping on a pathway to decarbonisation in the second half of the century.

The bigger plan is the IMO's agreed 'roadmap' for its strategy to control greenhouse gas (GHG) emissions from international shipping.

The first step of that plan is an initial IMO strategy, to be agreed in 2018.

Getting there won't be easy as it will require finding a way to reconcile two seemingly mutually exclusive principles, namely the Common but Differentiated Responsibilities (CBDR) for developing and developed countries, and the IMO's principle of no more favourable treatment (NMFT) because IMO regulations must apply equally to ships of all flags to be effective.

It will be hard, but not impossible because the IMO already managed to do this in 2011 when adopting a new Chapter 4 to MARPOL Annex VI regulating ship energy efficiency.

Last week's 71st session of the IMO's Marine Environment Protection Committee was preceded by a week-long meeting of the Intersessional Working Group on Reduction of GHG Emissions from Ships (ISWG-GHG).

The task of that meeting, and MEPC 71, was to draw up the initial IMO strategy under the roadmap.

This is important as the IMO needs to communicate its intentions and response to the Paris Agreement to the United Nations Framework Convention on Climate Change (UNFCCC) in late 2018.

The outcome, after two weeks of deliberations and position statements, was agreement on a draft outline for the structure of the initial IMO strategy in 2018.

The initial strategy is set to include:

- Preamble/introduction/context including emission scenarios

- Vision

- Levels of ambition/Guiding principles

- List of candidate short-, mid- and long-term further measures with possible timelines and their impacts on States

- Barriers and supportive measures; capacity building and technical cooperation; R&D

- Follow-up actions towards the development of the revised Strategy

- Periodic review of the Strategy.

In order to put in place this initial strategy and have it agreed at MEPC 72 in April 2018, there will be two more ISWG-GHG meetings, the first in late October 2017, and the second in early April 2018, shortly before MEPC 72.

Although discussions remain at a high level for now, a few signals are emerging about what we may expect:

- Shipping will be expected to play a part in helping to realise the goal of the Paris Agreement to keep the global average increase in temperatures below 2 and preferably to no more than 1.5°C.

- To achieve this, GHG emissions from shipping must start declining as soon as possible and the sector must decarbonise in the second half of the century.

- A new study presented to the ISWG-GHG and MEPC 71, using the same methodology as the Third IMO GHG Study 2014, showed that shipping transport work has grown markedly slower than in previous years and hence this study had significantly lower projections for maritime GHG emission projections under the business as usual emission estimates for the period 2012 to 2050 than the Third IMO GHG Study.

This led to considerable debate about how to deal with data uncertainty as a basis for decision-making.

- The IMO will have a battle on its hands to agree on quantified ambition levels in 2018 because many think they must be evidence-based and there won't be reliable data yet (the IMO's ship fuel consumption data collection only starts in 2019).

- Many support the industry paper proposing setting non-binding aspirational targets similar to those set by countries under the Paris Agreement, and to adjust the targets as more data become available.

  There is some doubt, however, if this is compatible with IMO's 'modus operandi', which is to set specific regulatory targets and then agree on measures to achieve them.

- In addition to CO2, there seems to be growing consensus to include emission of methane associated with LNG and also volatile organic compounds (VOCs) from ship's cargo in a definition of GHG emissions from shipping, but not black carbon because it is not a gas.

- Initial work at the IMO to reduce GHG emissions from shipping should build on the existing legal framework to enhance energy efficiency, but longer term the IMO needs to pursue the development of zero-carbon or fossil free fuels.

- If, as expected, a large portion of the global fleet chooses to comply with the 2020 sulphur limit by using low sulphur fuels, the increase in fuel cost will be a powerful market signal to improve fuel efficiency.

What does this mean for IBIA's members, who include both suppliers and consumers of fuel, and associated services?

The upshot of it is that global sales of oil-based bunker fuels may have peaked in 2008, because even if global trade grows between now and 2025, existing IMO policies to enhance ship efficiency may stem any overall growth in fuel consumption.

By 2025, new IMO instruments and emission reduction targets may have been agreed, and if you are planning to stay in business beyond 2050, you must find a way to supply and/or consume fuels that are carbon neutral.

(from: hellenicshippingnews.com/ibia.net, July 19th 2017)

LOGISTICS

HIGHER FREIGHT RATES AND MARGIN PRESSURE SUBDUE PROFITS AT PANALPINA

Higher freight rates and margin pressure subdued profits at international freight forwarding and logistics group Panalpina in the first half-year of 2017 despite "robust" volume growth in both its air and ocean freight businesses.

And the group expects higher air freight rates will continue to impact the profitability of the group's air freight unit in the second half of this year, while "higher but stable" ocean freight rates will support the recovery of profitability within its ocean freight unit.

In its other outlook predictions for the remainder of 2017 and beyond, the Switzerland-headquartered group said it expected a strong air freight peak season, while in the ocean freight sector it expects "stable volume growth and further carrier consolidation".

Commenting on the outlook after publishing the group's half-year results today, Panalpina CEO Stefan Karlen said: "We expect ocean carriers and airlines to be much more disciplined than in previous years in managing transport capacity and sustaining freight rates.

While we are confident that we can improve unit profitability in Ocean Freight in the second half of the year, unit profitability in Air Freight will remain under pressure.

We will therefore concentrate on what we can influence directly: controlling cost very effectively and pushing ahead with our operations transformation programme."

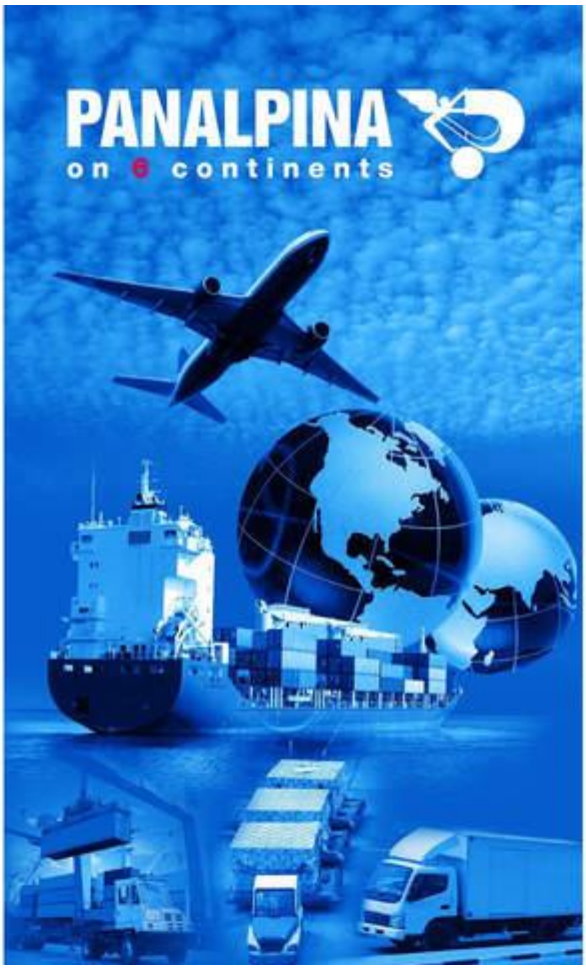
In the first half-year of 2017, the company said that while higher freight rates and margin pressure "persisted in a continuously challenging market environment", Panalpina had managed to increase its reported pre-tax profits (EBIT) by 21% to CHF 42 million and increased reported consolidated profit by 37% to CHF 29.9 million for January to June 2017.

"Thanks to strict cost management we improved EBIT quarter-on-quarter in the first half-year of 2017 and restored profitability in Ocean Freight in the second quarter," says Panalpina CEO Stefan Karlen.

"With the successful implementation of our new IT system in the key market Germany, we also gained further momentum in our operations transformation programme."

But analysis by logistics investment analyst Jefferies was less generous, noting that Panalpina's second-quarter EBIT fell 30%, 8% below the consensus of analysts' expectations, "reflecting market share losses and ongoing pressure on yields and conversion ratios".

Nevertheless, Panalpina highlighted its higher reported EBIT in the first two quarters overall and higher consolidated profit for the first half.



As a result of continued margin pressure, group gross profit decreased 9% to CHF 673.1 million in the first half of 2017.

At the same time, costs were "reduced considerably" as total operating expenses decreased 6% to CHF 609.8 million

Reported EBIT and consolidated profit increased year-on-year, but decreased when compared to respective 2016 figures adjusted for restructuring costs.

Meanwhile, the EBIT-to-gross-profit margin stood at 6.2%, up from 4.7% last year.

Panalpina's Air Freight volumes increased 7% in the first six months of 2017, "in line with an estimated market growth of about 8%", although some analysts put overall market growth at closer to 10%.

It said high demand for air freight capacity "pushed up rates which put margins under continued pressure".

Gross profit per tonne decreased 10% to CHF 623, resulting in a gross profit overall of CHF 294.6 million, compared with CHF 304.5 million last year.

Reported EBIT in Air Freight increased from CHF 33.1 million to CHF 39.1 million, while the reported EBIT-to-gross-profit margin for the first half of 2017 came in at 13.3% compared to 10.9% a year before.

In Ocean Freight, Panalpina's volumes in the first half-year increased 5% year-on-year, which was above an estimated market growth of about 4%.

However, gross profit per TEU decreased 12% to CHF 283 (HY 2016: CHF 323), resulting in a gross profit overall of CHF 214.6 million (HY 2016: CHF 232.9 million).

Ocean Freight reported an EBIT loss of CHF 2.6 million for the first half-year, down from a profit of CHF 1.3 million in 2016 (adjusted HY 2016: CHF 10.9 million), but returned to profitability in the second quarter.

In contract logistics, as the turnaround of underperforming sites continued, the group's Logistics gross profit decreased 18% to CHF 163.9 million in the first half-year (HY 2016: CHF 198.9 million), but profitability increased further in the meantime: Logistics posted a reported EBIT of CHF 5.4 million for the first six months of 2017, compared to CHF 0.3 million (adjusted HY 2016: CHF 4.1 million) for the same period of last year.

(from: lloydsloadinglist.com, July 20th 2017)

PROGRESS & TECHNOLOGY

NAVLANDIS, REVOLUTIONIZES SHIPPING WITH ITS ZBOX FOLDING CONTAINER

Navlandis has presented in the Port of Valencia its Zbox, the revolutionary folding container that saves costs in transport and CO2 emissions.

The act of presentation was supported by the Port Authority of Valencia, with its President, Aurelio Martínez, and the Generalitat Valenciana, through its Regional Secretary of Economy, Mª José Mira.

The event has get together the main shipping companies operating in the Port of Valencia, investors, and potential customers of this innovative container.

The presentation of Navlandis' proposal, is a 20-foot folding container, which once empty and folded gets to place 5 units in the space that a standard container occupies, with the consequent reduction of logistical costs, transport and CO2 emissions.

Nowadays, this transport represents millions of containers traveling around the world, and in this sense, Aurelio Martínez stated that "there are 164 million movements of TEU's" reason why an innovation like this one is an opportunity for investors and for the port community that should be able to integrate it into the logistics chain on a global scale in an easy way".

The President of the Port Authority of Valencia has congratulated Navlandis as a high R & D Valencian company and said that "an innovation introduced in a port is quickly replicated by the rest of the world's ports".

After Martínez, Miguel Navalón, the Navlandis' CEO, explained the technical characteristics and business model of Zbox.

As he pointed out in his presentation, the empty containers are the 25% of the sea traffic, and the Zbox of Navlandis minimizes it to a fifth.

During his speech, Navalón said that the transport of containers with this folding system "will reduce up to 50% of operating costs of companies, and up to 20% of CO2 emissions".

Other added value is "an easy folding, with a not much manual work".

The company will run “a series of pilot routes to check the suitability of the container which will allow us to find our space in the market.”

The container complies the requirements, standards and dimensions of any ordinary container.

Specifically, it has all the ISO and CSC certifications, which guarantee the requirements of load, resistance and watertightness of the logistics industry, with the added value of being able to manage very easily and advantageously the empty containers.

According to estimates of shipping containers, it is estimated that at present there are around 40 million units (TEUs) globally, and that in 2014 shipping companies bought 5 million new containers, representing a market of about 12 billion of annual dollars, in which Navlandis aims to sell 3,000 units in 2019.

Navlandis has also exposed the advantages of Zbox and its added value in reference to its Dutch competitor, which is 50% more easy to fold, 25% cheaper to produce, and 25% more profitable to exploit.

Navlandis and his CEO have been reaching some milestones since it was founded in 2015 as start-up and participated at Climate-KIC Programmes: Start-up Accelerator and Pioneers, the professional mobility programme.

His passage through Climate-KIC did not get unnoticed, because that year was also European finalist of the Venture Competition that was held in Birmingham.

As Navalón said, and after their passage in 2015 through Climate-KIC, in January 2016 they obtained financing from IVACE, closed the first round of investment of € 150k in July 2016, in January 2017 they were approved as a H2020 project, and they are currently closing the second round of € 400k investment.

As a next step, the Navlandis team plans to carry out commercial actions, with verification of the savings and optimization of the Zbox by launching pilot routes.

They plan to open the third round of investment for € 2m for the first quarter of 2018, and start with the commercial sale of 3000 units in 2019.

(from: climatekic-spain.org, July 19th 2017)

STUDIES & RESEARCH

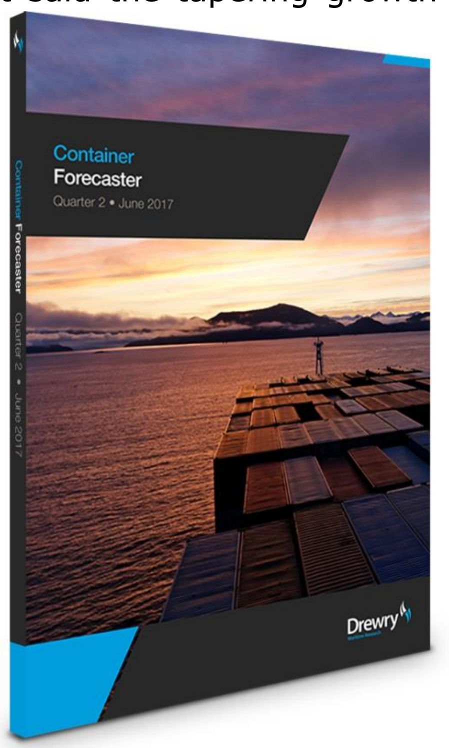
ASIA-NORTH EUROPE OCEAN FREIGHT RATES 'SHOULD CONTINUE TO RISE'

Asia to North Europe container traffic is exceeding expectations and, with careful capacity management, carriers should reap the benefit with higher spot rates, according to container shipping analyst Drewry.

Drewry noted that headhaul Asia to North Europe demand growth has slowed slightly since the "breakneck speed" of the first-quarter, according to the latest release by Container Trades Statistics.

Westbound shipments after five months increased by 3.8% to 4.1 million teu, whereas the revised first-quarter growth rate was 4.9%.

It said the tapering growth rate "does lend credence to the view" that some shipments were brought forward to March to avoid any anticipated schedule upheaval arising from the realignment of the alliances in April.



Nonetheless, the uptick in fortunes for this trade is greater than expected and has led Drewry to carry out a "quite radical revaluation" of its 2017 demand forecast, lifting it from a previous 2.1% to 4% for the year.

According to Drewry's World Container Index, spot rates for a 40ft box on the benchmark Shanghai-Rotterdam route "shot up" last week by 17% or $284 to $1,936 – "as a result of peak season demand and the 1 July GRIs" (general rate increases) – although that is 4% below the same period last year.

Average 12-month shipments have been steadily rising since the end of 2015 with the average monthly shipment reaching 819,000 teu as of May, around 3% above the same month in 2016, Drewry noted.

"Our current annual forecast implies that the growth will plateau somewhat through the remainder of the year," it added.

"Part of our rationale is that with interest rates at ultra-low levels and falling warehousing costs in Europe, there is less pressure nowadays on retailers having to keep budget-squeezed inventories, which should smooth out some of the peaking in demand throughout the year, especially in the third quarter."

Drewry said operational capacity on the Asia to North Europe route has so far increased in line with demand growth.

"Deliveries of Ultra Large Container Vessels (ULCVs) at the end of the year threaten to tip that balance, but for the time being the fundamentals are supportive of freight rate gains," Drewry said in its latest Container Insight Weekly report.

Forward schedules indicate that monthly effective westbound capacity will rise to 935,000 teu in August, around 2.6% higher than the same month last year, the analyst noted.

That figure includes additional slots from a new SEANES service from CMA CGM due to start in mid-July, on which Cosco and APL will take slots.

"SEANES provides a unique direct link between Europe and Jakarta as well as giving CMA CGM an opportunity to deploy excess owned Panamaxes within its global system," Drewry noted.

It said westbound spot rates were much less volatile in the first six months of 2017 than the back end of 2016.

"The calmer environment is a testament to the fact that the chaos surrounding Hanjin's bankruptcy has dissipated and because carriers are more adept at aligning tonnage supply with fluctuating demand by means of blanked sailings," it said.

Drewry believes that the current spot levels will prevail until well into the autumn.

"There is a danger that rates could come under pressure in the last three months of 2017 when there will be more capacity in place than in the last quarter of 2016, when all the Hanjin capacity was removed," it noted.

"Load factors could then dip in the final quarter, although judicious voiding of sailings could moderate any falls in prices, in which event the carriers might find themselves in a position to push for a $200-300 increase in the BCO 40ft rates for 2018 contracts.

Were that situation to materialise, the trade could very well return to a state of financial health not witnessed for several years."

Drewry concluded: "The outlook for this key trade is steadily improving, and with judicious capacity management carriers should see freight rates continue their upwards trajectory."

(from: lloydsloadinglist.com, July 11th 2017)

INFORMATION TECHNOLOGY

ONLINE FREIGHT MARKETPLACES 'NOT A THREAT TO FORWARDERS'

Forwarders and shippers unwilling to implement digital solutions will increasingly be left behind by rivals able to generate cost savings and service improvements through new technologies, according to 25-year logistics veteran Alex Ruf.

"An information revolution is taking place and companies are demanding greater visibility, more sophisticated analytics and the ability to make better and faster decisions," said Ruf, CEO of freight rate search platform book-cargo.com.

"It's not about choosing whether or not to adopt new technology and working practices, it is about when you do so – change is inevitable."

Ruf also claimed it was wrong to frame the discussion about new technologies entering the logistics space as a battle between incumbents and disruptors.

"New technology does not have to be negatively disruptive to the traditional ways that forwarders and shippers conduct business," he said, arguing that his company's product was "designed to enhance the businesses of our users, not detract from them.

The feedback we get from forwarders and shippers is very positive."

Ruf insisted all supply chain stakeholders – whether procuring or providing air, land or ocean forwarding services – could now reduce costs and improve supply chain transparency by deploying new technological solutions.

"And, of course, customers also want lower quotes and improved transparency, so it's a win-win," he added.

"Whether now or in the near future, failing to embrace digitisation and the automation of supply chains and freight bookings will have an impact on profits and customer relations."

His company's platform was 'soft launched' last October and already has around 6,000 registered shipper and forwarder users, making it one of the world's largest freight rate search marketplaces.

The system provides a way to request and compare freight rates for global FCL, LCL, air and road shipments online, with comparisons possible based on price and transit time.

It also offers tariff-management and rate-upload functions as well as analytical tools "which enable strategic planning across variables including reply times, hit ratios and most requested lanes".

Online bookings can be made by forwarders, shippers or agents with just a few clicks, the company claimed.

Ruf claimed these kinds of products bring the freight forwarding and logistics industry "into the digital age", with his company's freight rate search platform "attracting more users every week".

"Forwarders like it because they can upload their rates.

Counter-parties like it because they can get an immediate response," Ruf said.

"As well as shippers using it to procure rate and routing options by all modes, freight forwarders are also reaching out to other forwarders."

It also helps forwarders who do not have partners or agents in specific countries to find them, he claimed.

Electronic Data Interchange (EDI) connections can be established to share booking details and shipping instructions with other users.

And once a booking is made, the platform "provides a tailored control tower to ensure end-to-end supply chain visibility".

Ruf claimed this kind of online freight marketplace "vastly reduces the time and resources required to effectively manage supply chains for both buyers and sellers of air, ocean and land freight services".

(from: lloydsloadinglist.com, July 19th 2017)

REEFER

PHARMACEUTICAL LOGISTICS – CAN OCEAN CARRIERS EAT INTO THIS GROWING AND PROFITABLE SECTOR FOR AIR?

Carriers – both air and sea – are attracted by the high yields that come with the transportation of pharmaceuticals.

Airlines have taken the highest value shipments, and are swiftly ensuring that staff and handlers are well-trained.

CEIV and GDP are becoming ever-more important to prove that transport quality is high.

And customer expectations are growing – there can be no airport "black hole", no temperature excursions, no delays.

Meanwhile, technology is becoming ever more critical – shipment visibility is key.

Maersk has introduced remote container management, which combined with seamless transport in reefer containers could eat into airline business.

But long periods in transit, plus an insurance cap on high-value shipments will mean air is likely to remain the preferred choice for the high end.

But the LongRead also examines what is happening in the world of shippers.

Disruption has come to pharma companies too – mobile health, apps, and new developments from technology companies are starting to disrupt the heavily regulated and slow-to-move pharma business.

What will this mean for the logistic industry?

* * *

A new flu vaccine is coming on the market.

It requires no injection, is a simple sticking plaster – but most importantly, it has no need for refrigeration, and can be stored at an ambient temperature for up to a year.

This development could have significant implications for pharmaceutical logistics, a sector dominated by regulations and requirements.

And that, of course, means it is also a sector with high costs for shippers – and high yields for those logistics providers which can meet all the rules.

What's more, it is also a sector which is growing and becoming increasingly competitive across all transport modes.

Pharma freighters, drones, a cornucopia of new monitoring devices, as well as the looming spectre of Amazon breaking into the market are marking the battle zones for the pharma logistics market.

It is giving rise to a broad arsenal of tactics, tools and speculation, as an ever-growing number of carriers and logistics providers vie for a piece of the action.

It is easy to see why.

Last September market research firm Evaluate Pharma projected a global growth rate of 6.3% CAGR for the global pharma industry through 2022 to reach $1.12 trillion in prescription drug sales.

"The anticipated rate of growth exceeds all other segments," says Ameet Sareen, general sales manager, product business development cargo at Air Canada.

The airline has enjoyed double-digit growth in this sector in the past three years.

But the market is not one for the faint-hearted.

Regulation and quality are critical.

Besides demographic trends, tightening regulations have been a major driver of growth, especially serialisation, which mandates tracing by serial number in an effort to battle counterfeit drugs.

More than 40 jurisdictions – including the EU, US, South Korea, China and Brazil – are on board.

According to industry tracking provider Tracelink, over 75% of prescription medications worldwide will be covered by the new rules by the end of 2018.

And increasingly, pharma companies, driven by harsher regulations, are calling on their logistics providers to ensure quality and greater visibility.

“Focus on quality continues to be a major trend,” says Mr Sareen.

“Customers are constantly asking for more visibility on the condition of their shipments, including physical location, ambient temperatures and humidity levels.”

High-end versus generic

While high-end pharma traffic commands juicy margins and brings out the full expertise and technology of carriers and forwarders, it is dwarfed by generic drugs, which require simpler and more robust and costeffective solutions.

Carriers like Air Canada reflect this with separate offerings for temperature-sensitive commodities that require active temperature controlled ULDs, and for vaccines and medications that can be moved with passive temperature control measures.

With the latter, the Canadian airline typically uses Tyvek covers for LD-7 size shipments, says Carolyn van Vliet, cargo products business development manager.

Growth has been strong in both segments, she notes.

Ultimately, the question for every player in this sector is whether a focus on one segment is more productive than trying to cover the full range of the pharma industry, and make the most of both volumes and high-yield niches.

“For one carrier to offer the entire gamut with the same level of competence can prove challenging,” says Mr Sareen.

Susanne Wellauer, vertical industry manager, pharma & healthcare at Swiss WorldCargo, finds that there is enough common ground to go after the full spectrum.

“Good distribution practice (GDP) rules apply to both high-end and generic pharmaceuticals, and they are governed by the same principles,” she says.

“If the gap between low- and high-end is widening, it depends how willing players are to invest.”

Brendan Beech, director of trade lane development at Maltacourt Global Logistics, says: “If you have the capability and the knowledge of the business, you can do both.

We handle both.

Some companies focus on one end.”

Product placement

More and more airlines have homed in on pharmaceuticals with special offerings, while established players in this sector have refined their services.

Air Canada set up an internal support group for pharma to ensure all aspects of the operation function smoothly.

Forwarders welcome the carriers’ focus on pharma traffic, says David Bang, CEO of LifeConEx, the healthcare specialist outfit of DHL Global Forwarding.

“Airlines’ inventory is all part of the ecosystem.

It strengthens it.”

Still, carriers face an uphill struggle to attract new clients who already have stable carrier relations.

Most logistics operators in this sector work chiefly with a small number of preferred airlines which move the bulk of their pharma traffic.

“We try to concentrate our spread with a handful of carriers with whom we have close relationships.

If we need a special service for a new customer, we can go to the head of the carrier,” says Paul Martins, CEO of MNX Global Logistics, which specialises in timecritical shipments, especially in the medical sector.

He stresses that there is a need for airlines to offer more than services.

“We need airline partners that understand the importance of it and the unique challenges of it,” he says.

MNX has worked closely with Delta, which consults the logistics firm on how staff should be trained.

Increasingly, airlines are expected to accommodate cold chain and, especially, monitoring technology from customers that move pharma traffic.

Air Canada has active temperature control ULDs from Envirotainer and CSafe in its arsenal, but it also carries va-Q-tec units bought by customers.

Down the road, such units may become part of the airline's portfolio, Ms van Vliet notes.

Sensors and tracking devices have proliferated at a prodigious rate.

"There is a new tracker coming into the market almost every day," says Alain Guerin, head of products, services & technology management at Swiss.

Steven Polmans, head of cargo & logistics, strategic development of Brussels Airport Company, sees a role for BRUCloud, the Belgian airport's cargo community platform, to improve visibility and speed up the data flow between participants.

This is one of the priorities at Brussels this year, while another is the deployment of more cool dollies between aircraft and warehouse, so all pharma shipments can be moved this way.

Collaborative technology

"The feedback we get is that ramp transportation is still the most vulnerable time," Mr Polmans says.

Brussels started using such dollies last year and has four.

A third focus for him is on establishing certified pharma lanes.

Having developed the CEIV initiative at Brussels, he is now pursuing pharma alignments with other airports to provide end-to-end solutions.

"I think what Swiss did with lane validation is the way forward," he says.

The Swiss airline joined hands with ground handlers in Switzerland and Singapore last year to establish a 'pharma corridor', and it has since expanded the concept to other routes.

"The pharma industry is more and more a multi-site industry.

You can't be only good at the hub," says Mr Guerin.

By the end of the year the carrier aims to have 100 lanes covered.

Air Canada's Mr Sareen explains: "The quality departments of the shippers are looking for tradelane or route qualifications.

This enables them to understand the operational handling capabilities of the various parties involved; temperature profiles on that tradelane, ie, what will possibly be the maximum and lowest temperatures shipments will be exposed to on that tradelane; and risk evaluation of that tradelane, in order to better package the shipments."

Mr Guerin believes collaboration with logistics providers is the only way forward in this sector.

He points to serialisation, which makes it important that all the relevant information is shared.

"Collaboration is absolutely crucial," agrees Mr Martins.

The more information a supply chain partner like a carrier or a handler has, the better service the company can provide, he reasons.

For Maltacourt, collaboration is also key.

Being a mid-sized operator, it has moved to expand its reach beyond its own footprint through the Pharma Network of the WCA Group.

"This way we can sell more international tradelanes.

We can sell not only at origin but we can show the customer that we can cover the destination as well," says Mr Beech.

"We've got some exciting things in the pipeline with agents in the US."

In June, DHL outlined three key developments that will change the industry in its Future of Life Sciences and Healthcare Logistics report: pressure to cut costs; consumer behavioural change; and digitisation – or big data.

Mr Bang says visibility is no longer about pallets or containers, "and it's not just arrived and cleared, but also, is this compliant?" he said.

"This is where big data comes in."

According to him, big data analytics and the internet of things are the way forward.

"They are not just looming, they are there with us right now." he says.

"We invested in these in the last three years, and we are starting to get the benefits.

With big data analytics we can predict where a problem may occur or where a packaging issue may arise."

Personalised medication is another game-changer, although the volumes are small.

In some cases, an injection twice a year may replace a daily intake of medication, notes Ms Wellauer.

Mr Guerin believes the high value and unique nature of these shipments raises the bar for speed and cold chain integrity and may require special security arrangements as well.

"As drugs become more patientcentric, there is greater need for accountability and visibility," says Mr Martins.

Mr Bang points to the ramifications for the final mile of the cold chain, as these shipments are largely delivered to hospitals or directly to patients.

This favours logistics providers with final-mile capability, he says.

"And we need to be faster than ever before, and more accurate," he says, adding that monitoring and tracking technology is also affected.

"What was good visibility 10 years ago is no longer good enough," he says.

Mr Guerin says: "Maybe it will bring a need for faster delivery, maybe it will change delivery volumes in some areas.

It may require more speed, and more delivery to the door in future."

Door deliveries are already happening.

Chinese e-commerce giants such as Alibaba and JD.com are investing heavily in China's $1.1bn online pharmacy market.

Amazon has already partnered with some of Japan's pharmacies and speculation is mounting that the giant etailer is poised to enter the pharmaceutical market.

Amazon has not commented, but according to one report, it has hired a general manager to lead the business and personnel for it.

It has the infrastructure and a formidable technology platform to enter this market.

It would seem that this gives Amazon the potential to disrupt the generic side of the business, but it would be harder for it to leave a mark at the high end.

“We have to continue to be very specialised, very personalised.

That’s what’s required in this industry,” reflects Mr Beech.

“Amazon is too big for personal detail.”

(from: theloadstar.co.uk/longread, July 12th 2017)

CONFERENCES

SOME SEAPORTS WİLL SUFFER CATASTROPHİC ECONOMİC FAİLURE: CONSULTANTS

Major container ports could be facing an investment crisis that will dwarf the problems experienced by the container shipping industry in recent years, according to chief executive of liner analyst SeaIntelligence Consulting, Lars Jensen, who was speaking at the TOC Europe Container Supply Chain event in Amsterdam.

Mr Jensen warned delegates attending the event that with the large number of 18,000-21,000 TEU ultra large container vessels (ULCVs) entering the global shipping fleet, the only way operators at hub ports would be able to compete was to embark on major investment projects, but with little guarantee of a return on investment.

"I'm afraid that some of the terminals will suffer catastrophic economic failure over the next few years," he said, explaining that ports are vulnerable to the ongoing consolidation amongst carriers, which he said would continue beyond today's level of concentration.

"In 2025, we are going to face a market where there are only six to eight global carriers left, and at the same time there is likely to be a large reduction in the number of regional niche carriers.

I think in a few years there will be a discussion about how all these ULCVs simply were not needed.

As a result of cascading all trades are seeing larger ships, which means if the volumes are not there to fill those vessels, there will be less and less services in terms of frequency - but the problem is what is required in terms of port investment; and if you think the lines have had it bad over the last five years, watch what happens to the ports over the next ten," he said.

Mr Jensen argued that every region will likely reduce the number of ports to just a few larger transhipment hubs.

"This is where you are going to see fantastic competition between hub ports - the net result is that some ports will have the ability to handle large numbers of TEUs, but won't have a single customer.

The lines have bought 100 ULCVs - that's a US$15 billion investment and means the ports are going to find themselves locked into a game they really won't like, and it will be similar to the game the lines found themselves in: once one or two lines ordered big ships, they all had to, and that meant they all lost because it created so much over capacity.

The ports now face the same thing - they have to invest in facilities that are able to handle multiple ULCVs for multiple strings, and they have to make these investments just to have a seat at the table.

Ports and shipping administrator of the OECD's International Transport Forum, Olaf Merk, said the liner shipping market increasingly resembled a monopsony (a market situation in which there is only one buyer) and could lead to greater pressure on revenues: "If ports have less customers, what those customers individually bring to ports will be larger volumes, which means they will have larger rebates”.

Every consolidation of carriers means the re-negotiation with terminals starts at the level of the lowest tariffs.

Meanwhile, carriers play out ports and terminals against each other with the threat of shifting ports and demanding lower rates and more infrastructure not to carry out those threats," Mr Jensen said.

This would ultimately impact shippers: "There is decline in smaller ports, Amsterdam left the deep sea market and so have many of the terminals in Zeebrugge - this leaves less choice for shippers and less resilient supply chains."

However, senior ports analyst at Drewry, Neil Davidson, reminded delegates that the ports business is currently highly profitable, with almost every major port company reporting double digit EBITDA margins.

(from: seanews.co.tr, July 13th 2017)

ON THE CALENDAR

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

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