Council Of Intermodal Shipping Consultants

Newsletter

March 15th 2018

Link road, rail, sea!

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March 15th 2018

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PORTS AND TERMINALS

PORTS WARY OF THE BITCOIN BUBBLE

Port authorities and terminal operators are traditionally meat-and-potatoes types for technology.

Reliable, proven and trusted have always appealed to their tastes.

New types of gantries, straddle carriers and automation were seen as strange types of food, picked at gingerly before being enthusiastically seized on.

Along comes blockchain and its cryptocurrency derivative.

The offering is pushed away with a shudder.

"The problem is that the two are often confused as being the same thing," says a US analyst, "largely because Bitcoin has become so prominent in the news.

Added to this, there has been an explosion of digital start-ups promising their cryptocurrencies can be used for any industry and are secure and legal."

The analyst says that the market place has become so competitive that start-ups are making unverifiable claims and trying to outdo each other.

Ports point out the turmoil and uncertainty in trading markets as the most immediate deterrent to being involved.

Observers agree that in the current climate this is certainly a valid argument, but should not be the reason for avoiding crypto indefinitely.

Legality concerns

Aljosja Beije, logistics & technology lead for Blocklab in Rotterdam, says: "Right now cryptocurrency is not an accepted payment for logistics and the supply chain.

We must remember that it is not legal tender - yet."

He says it would need to become so in the future for critical national businesses such as ports to deal with it on the same basis as physical currency.

"The price and valuation bubble has finally burst, as we knew all along it would."

But Mr Beije cautions against the antipathy going too far.

"The price crash and uncertainty does not mean the underlying idea of cryptocurrency is wrong.

What it has been used for is very limited – illegal activities are the main focus of attention - and there is so much more potential.

People in the maritime industry (and of course elsewhere) do not understand the technology."

Despite the torrent of negative publicity causing ports to avert their eyes, international banks, traders and consultants are holding more seminars and conferences – albeit without some of the breathless hysteria that accompanied cryptocurrency three years ago.

Public sentiment emerging from these is that four conditions have to be present for the system to be more palatable and for publicly-owned or operated enterprises to take part: insurance/underwriting and legal redress mechanisms have to be established when payments go wrong; the laws and regulations need to match in applicable trading centres; and there has to be financial stability.

The fourth conditions, and with the most long-term implications, is tax.

The IRS in the US is working itself into a frenzy over effective ways to keep track of payments and establish procedures to decide just which transactions, and what proportion, are taxable.

Prohibitive fees

Ian Chan, a blockchain professional with Deloitte in Canada, notes that transaction fees of, mostly, Bitcoin are extremely high.

"It's crazy," he says.

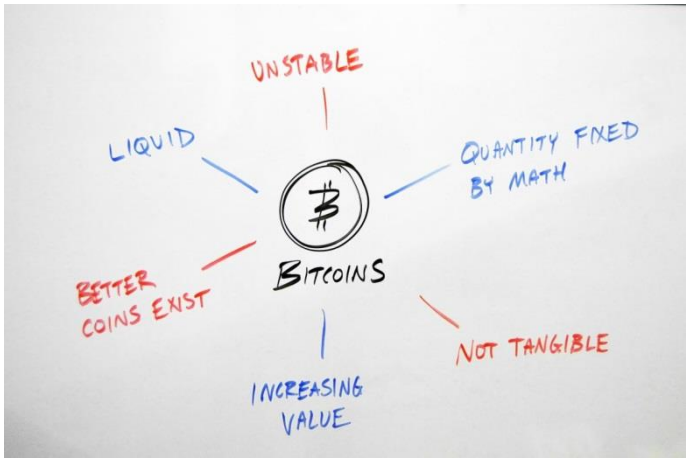
Others back up his observation, pointing out that a main advantage of cryptocurrency – cutting out intermediaries – is lost when fees are higher than for other forms of payment.

He says digital currency needs hedging just like any other currency, however, "the volatility is so much that the cost of hedging makes it prohibitive".

Mr Chan emphasises that ports must, however, realise that blockchain is "an absolute necessity for the supply chain.

I always ask clients to look at what they can do with blockchain today compared with what they could do before it appeared."

The distaste for any form of Bitcoin in the US is demonstrated by the response from the Port of Los Angeles: "We have not used Bitcoin cryptocurrency, not looking into and have no plans to look into it," says a spokesman.



One port on the West Coast however, San Francisco, is considering whether to take a taste sample.

Leslie Katz, one of the four port commissioners, who oversee operations, says staff have been asked to look into the possibility of using cryptocurrency.

"We are looking at crypto generally and are not considering any specific product," she says.

Recent reports in US and foreign publications claimed said that San Francisco and other West Coast ports were interested in AML Bitcoin.

However no port contacted by Port Strategy confirmed this to be the case and four of the biggest West Coast ports said they were not discussing any type of Bitcoin.

Crypto advantages

Ms Katz notes the advantage of cryptocurrency cutting out the layers of intermediaries in international commerce.

"We would of course make sure that any form of digital payment we might use would conform to the highest legal and ethical standards.

San Francisco is a forward-thinking city and we would be crazy not to look at new technology."

Rotterdam's Blocklab, which includes the port authority as a partner, is steering clear of involvement in digital currency for the moment and working on projects to improve the efficiency of the supply chain through blockchain.

"Supply chain invoices, combining waybills, are of particular interest to us," says Mr Beije.

"The supplier gets paid immediately with no involvement of human beings.

It can be used for any other logistics transaction.

Inventory finance is another area, where small and medium businesses can get their inventory financed by banks and other financial entities.

The data stays in the system and you can make sure people are not messing with the system."

Mr Beije adds that projects are in the early stage.

"We did a proof of concept for demurrage and detention, bringing together logistics providers and a big shipping line.

Freight forwarders and lines don't see eye to eye and just getting them in same room is something of an achievement."

Blocklab is also working on automation of trade lanes between the UK and the Netherlands, partly because of Brexit.

"Tokenisation is the way forward, for the supply chain," he says, "not as a currency but as replacement of bills of lading.

That's where I hope it is going to go.

The difficulty is getting the ecosystem to accept it.

We are looking at smaller scale logistics, with barge loading.

Blockchain will allow customers to trade places easily with someone who is willing to take their token."

IoT engagement

The lab is also researching blockchain integrating with IoT, using a consensus protocol.

"Our aim is to close down the lab eventually - we will not become a software vendor and we are blockchain agnostic, open to working with any protocols."

The three being used at the moment are Ethereum, IOTA, IBM Hyperledger.

In the US, Nevada startup Filament is developing software and Blocklet Chip to allow devices to work together in a blockchain.

The company says its technology is "well-suited for environments that operate frequent scheduled services including maritime projects and ports that require attestation to verify specific details of container shipping services."

Says chief executive Allison Clift-Jennings: "For example, container shipping companies may want their containers to track time from points of origin, around container terminals, and to final destinations in order to improve inefficiencies.

In these cases, our blockchain native chip, which brings an established root of trust to a device, can secure data in transit and attest to time.

Once you have Blocklet Chips securing physical assets within the machines themselves, it's a natural extension to provide native cryptocurrency capabilities to these machines, including internal corporate tokens," says Ms Clift-Jennings.

Not a magic potion

In a research paper, Deloitte cautions that "blockchain is certainly not the magic potion for all cost- and efficiency-related issues".

Hence, businesses should carefully assess the technology's applicability and feasibility to different processes, it advises.

In fact, cryptography-based trust models could bring new and unforeseen risks, so companies would need to consider appropriate changes in their risk management strategy and governance models.

There is also a legal hurdle to consider, according to the consultancy.

"Smart contracts' validity is not yet recognised in court, although many states and countries are reportedly working toward it."

(from: portstratergy.com, March 8th 2018)

MARITIME TRANSPORT

HOW CHINESE NEW YEAR 2018 AFFECTED CONTAINER RATES

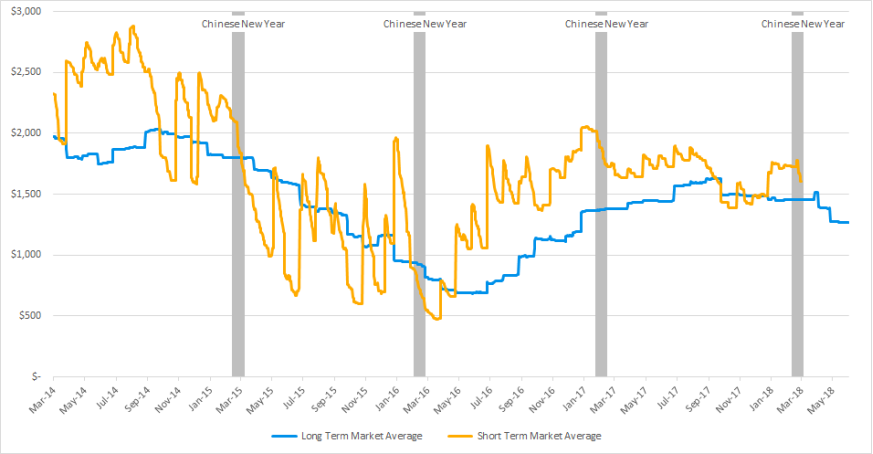
With the year of the Dog in full swing, Xeneta looks back at Chinese New Year and how rates may develop in the coming months.

In the run up to Chinese New Year, rates on the key Far East – North Europe trade managed to maintain their upwards momentum.

The market average recorded on the Xeneta platform rose from $1,487 FEU on 1st Dec-17 to $1,726 FEU on 16th Feb-18, representing an increase of 16.1%.

Rate growth may have been even higher if carriers were more successful in fully implementing their desired minimum FAK rate on the route of around $1,900-$2,000 FEU, effective 1st Feb.

By comparison, the market average on the Xeneta platform was reported at $1,732 FEU on 1st Feb, while the market low was reported at $1,374FEU.



Although Chinese New Year was somewhat later in 2018 compared to the previous year, the increase isn't too dissimilar to what the market reported in 2017, as shippers rush to fulfil shipments prior to factory shutdowns in China.

Between 1st Dec-16 and 28th Jan-17 carriers were able to increase rates on the same key trade lane by some 12.1%.

Carriers Unable to Maintain Positive Rate Environment

Even though carriers have historically been able to increase rates in the build up to Chinese New Year, they are very rarely maintained.

For example, in 2017 carriers were unable to maintain the positive rate environment once New Year celebrations had come to an end.

Between 28th Jan-17 and 28th Feb-17, rates declined from $2,018 FEU to $1,731, a fall of 14.2%.

In 2016 a similar trend was also reported, as carriers lost even more ground post Chinese New Year.

Between 8th Feb-16 and 8th March-16, rates slid from $887 FEU to $553 FEU, representing a decline of 39.9%.

However, declines in rates post Chinese New Year in 2016 were reflective of a more volatile rate environment, which has since stabilised somewhat.

Taking the monthly average rate on the Far East – North Europe trade, volatility has declined from an average month-on-month change of 28.4% in 2016 to 5.8% in 2017, which will be seen as a positive from a carrier cash flow perspective.

Market Fundamentals Play Predominant Role

Although market fundamentals will play the predominant role in determining how rates develop, this reduction in monthly rate volatility could suggest rates are less likely to immediately rebound following any declines.

Meanwhile, prudent shippers looking to finalise their RFQ bids will, along with analysing market fundamentals, wish to glean an advantage by investigating how rates have performed in the past few years, post Chinese New Year.

Those seeking long term contracts will then have the information needed to best understand how rates may develop and what impact it could have for longer term contracts.

For example, early indications show rates have followed the trend seen in previous years, albeit at a slightly reduced pace compared to 2017.

Since Chinese New Year on 16th Feb-18, the market average FAK rate has fallen from $1,726 FEU to $1,606 FEU as of 6th Mar-18, a fall of 7.0%.

Over the equivalent post Chinese New Year period of 2017, rates declined from $2,018 FEU on 28th Jan-17 to $1,714 on the 15th Feb-17, representing a decline of 13.0%.

With FAK rates drifting downwards, those seeking comparative "value" from their long term contracts effective Q2-2018, are starting to achieve heavier discounts compared to those secured in Q1-2018.

However, if long term contracts and FAK rates become more closely aligned, as they were in the final three months of 2017, then further discounts to spot rates could become a reality.

(from: hellenicshippingnews.com/xeneta.com, March 12th 2018)

RAIL TRANSPORT

SMART AND QUIET FREIGHT WAGONS TO PROMOTE GROWTH IN RAIL FREIGHT TRANSPORT

DB Cargo continues to digitalise its freight wagon fleet: by 2020, every one of the roughly 70,000 wagons in Germany will be fitted with state-of-the-art sensors and telematics systems.

Some 19,000 wagons will be retrofitted this year, with the remaining 50,000 to follow by 2020.

A total of 1,000 wagons have already been equipped with smart technology.

The Management Board of DB Cargo recently approved tens of millions in investment in smart wagon technology between now and 2020.

Wagons equipped with GPS and other sensor technology will benefit DB Cargo customers directly.

GPS will enable direct, constant wagon tracking, which in turn will make it possible to calculate estimated time of arrival.

The sensors will also provide information about whether each wagon is full or empty and about the temperature and humidity levels inside the wagon.

Such information is key to ensuring effective end-to-end supply chains for customers.

If paper reels, for example, are too damp when they arrive at the printing works, they cannot be used immediately to print newspapers.

The wagon sensors will also be able to detect mechanical factors, such as bumps that occur during shunting.

"In a world of ever-increasing digitalisation, today's customers expect a high level of service – they want to know, in real time, where their freight is, when

it will arrive and what condition it is in," says Dr Roland Bosch, the CEO of DB Cargo.

"This is why we are retrofitting our entire fleet with digital technology.

We are also dedicated to sustainability, and so we are making sure that our wagons are also low-noise.

We want to offer a digital, low-noise wagon fleet which shows our customers how serious we are about performance, and which ultimately helps shift more traffic to rail."

By 2020, DB Cargo will be retrofitting all the freight wagons than run in Germany with "whisper" brakes or leasing low-noise wagons for them.

Whisper brakes keep the wheel service smooth when the brakes are applied, halving the noise emissions generated by the wheels as they roll.

Some two-thirds of DB Cargo's own fleet has already been retrofitted, with nearly 11,000 more wagons scheduled for retrofitting in 2018.

(from: dbcargo.com, February 27th 2018)

INTERMODAL TRANSPORT

KOMBIVERKEHR: NATIONAL TRANSPORT ON THE RISE, LIMITED GROWTH IN INTERNATIONAL TRANSPORT

Kombiverkehr KG, the European market leader in intermodal transport, ended the 2017 financial year with a total of 958,299 truck consignments (one consignment corresponds to the capacity of a truck), or 1.91 million TEU, which were shifted from the roads and sea routes onto the railways.

This means that 2.8 per cent fewer containers, swap bodies and semitrailers were transported compared with the previous year.

Nevertheless, the demand for intermodal transport services continues unabated.

This is shown primarily by developments in the individual market segments of national transport.

The company increased the number of truck consignments transported within Germany in the de.NETdirekt+ network by 4,662 to a total of 207,589, which equates to a rise of 2.3 per cent.

The trend in the 2017 financial year was even more positive in traffic between inland Germany and the Baltic Sea ports of Kiel, Lübeck and Rostock with onward transport by ferry to and from Scandinavia and the Baltic States.

This transport segment grew by 2,536 truck consignments, or 3.3 per cent, to 78,991 truck consignments.

The volume of consignments in international transport (excluding the Baltic Sea) fell to 671,719 truck consignments (-4.9 per cent) as a result of various factors.

The effects of the Rheintal closure near Rastatt during the period from mid-August to early October 2017 had a particularly negative impact on the result in bilateral transport with Switzerland and in Germany – Italy via Switzerland transport.

The company recorded considerable losses in consignment volumes for well over seven weeks due to the disruption on this line and the absence of, or restrictions on, alternative routes.

This more or less coincided with a worsening of the operational situation on the parallel route Germany – Italy via Brenner.

Accidents, infrastructure engineering works and the increasingly frequent and lengthy train controls in Raubling and Rosenheim due to the refugee situation meant that more trains than ever failed to run on schedule in the second half of the year.

It became virtually impossible during this period to plan and provide a normal range of services in the road-rail Combined Transport sector.

"External factors had a really huge impact on the improvement of train services to and from Italy, the most important market for our company with the highest volumes.

At the start of the year, it was simply no longer possible to provide us with new trains and capacity increases due to the overall operational situation, which ultimately led to increasingly serious resource problems for the rail freight transport companies and terminals," said Robert Breuhahn, Managing Director of Kombiverkehr KG, commenting on the unusual developments in the Italian transport segment.

"In spite of these circumstances we still achieved another gain of 1.5 per cent in traffic via Brenner, but our growth on international routes was limited even though demand for environmentally friendly intermodal services was strong among the freight forwarders."

The company also felt the effects on its range of services in other European corridors, where consignment volumes fell in some areas due to the far from satisfactory levels of service provided by various rail freight companies.

The situation was exacerbated by environmental factors such as the Egon, Xavier and Herwart low-pressure systems which, while they only raged through Germany for a few days, upset train schedules for nearly a week and caused trains to be cancelled, thereby also contributing to the overall balance of consignments in 2017.

The outlook for Kombiverkehr in 2018 is positive.

A significant increase in the frequency of departures in the network makes more trains available for forwarders and logistics companies on selected routes, which should result in more growth in consignments.

For example, the operator responded to continuing demand for transport between the inland terminals and the Baltic Sea ports by significantly increasing the days of departure on the important west-north Duisburg – Lübeck-Skandinavienkai v.v. service.

Having been upped to nine departures a week in each direction in October 2017, the frequency of train services was boosted to eleven departures a week in each direction in mid-November last year.

Further capacity increases were implemented at the start of the new year on the Neuss – Wels v.v. and Köln – Verona v.v. routes.

By undertaking to transport their consignments on the climate-friendly railway, the customers of Kombiverkehr KG relieved the environment of 1.1 million tonnes of CO2 in 2017.

With a total of 286,580 truck consignments transported, Kombiverkehr KG improved the result in the National Transport (including Baltic Sea) market segment by 2.6 per cent in the 2017 financial year.

(from: kombiverkehr.de, February 23rd 2018)

TRANSPORT & ENVIRONMENT

CLIMATE CHANGE: IS SHIPPING FINALLY ON BOARD?

Trade is on the rise again globally, and ships are back trawling our seas, connecting places and people.

But ships don't just drive trade, they unfortunately contribute to climate change too.

In fact, global shipping is responsible for about 2.5% of global greenhouse gas (GHG) emissions, and these are projected to rise by between 50% and 250% by 2050 if nothing improves.

And yet, maritime transport was excluded from the Paris Climate Agreement struck two years ago.

Why?

One problem lies in deciding which country to assign carbon emissions to when ships are almost always outside national borders.

The issue is further complicated by the fact that the actual nationality of ships is often different from that of their owners, operators or crew.

Because of this, regulation of the international maritime sector's greenhouse gas emissions falls to the International Maritime Organization (IMO), a specialised agency of the United Nations whose 172 member countries set global shipping standards.

Has the IMO made any progress on reducing emissions in the past two years?

Well, it depends on whether you are the kind of person who sees the glass half full or half empty.

Half-empty types feel the organisation has lost time embarking on a process to define a greenhouse gas emissions reduction strategy rather than just adhering to the targets of the Paris agreement right away.

This process is intended to yield an "initial strategy" in April 2018 and a "revised strategy" in 2023, eight years after the Paris Agreement.

The one publicly available outcome two years after COP21 is a seven-line draft outline and a decision to start collecting data on the fuel consumption of ships.

Half-full types, however, see this as a thorough approach.

By establishing the "how" first, the IMO sets and adheres to targets they are sure can be met.

Whether these are sufficient to reduce shipping's footprint remains a matter of discussion.

Different greenhouse gas emissions strategies

What is clear is that the highly divergent positions of the IMO's member countries will make it harder to achieve a unified strategy on reducing those greenhouse gases.

At one end of the spectrum, we have a group of Pacific Island states, most notably the Marshall Islands, home of the world's third largest shipping registry but also threatened by rising sea levels.

They want the shipping sector to reach zero emissions as early as 2035.

The other end of the spectrum is mostly dominated by emerging economies such as Brazil who want to postpone decarbonisation efforts of the sector to the second half of this century.

They have not specified preferred targets for shipping emissions.

In between lie most of the OECD countries.

A group of EU countries has proposed reducing maritime carbon emissions by an absolute target of 70% by 2050.

They also want to reduce carbon intensity, that is, the number of tonnes of carbon emission emitted per kilometre, by 90%, using the 2008 rate as baseline.

The shipping sector itself, represented by the International Chamber of Shipping (ICS), has officially proposed reducing carbon intensity by 50% to 2050, but not suggested an absolute reduction target.

Whatever carbon reduction strategy the IMO settles on, to keep the planet's temperature "well below" a 2°C rise, as spelt out in the Paris Agreement, requires that shipping's greenhouse gas emissions peak as early as possible and descend to zero by the third quarter of this century.

The aforementioned IMO projection of an increase in emissions of 50-250% by 2050 makes that target difficult to attain, to say the least.

Efficiency by design

One of the ways IMO member states have agreed on to reduce greenhouse gas emissions is to increase the energy efficiency of ships.

The IMO's Energy Efficiency Design Index, known in shipping circles simply as EEDI, entered into force in 2013.

But its effects are limited and very gradual: the new energy efficiency standards get stricter in stages.

They also apply only to new ships, with the average lifetime of a ship being approximately 26 years.

And two thirds of new container and general cargo ships already comply with the stricter standards that will enter into force after 2025, which has raised questions about their effectiveness.

Besides energy efficiency, other measures that have been suggested include speed optimisation for ships, retrofitting existing ships to make them more energy-efficient and use of alternative energy sources (see below).

But there is no agreement on targets or measures, and, in a larger context, there are two stumbling blocks to consensus on how to lower shipping emissions: one which concerns principles and the other, economic effects.

Developing and emerging economies argue that developed countries should carry a greater financial burden in lowering greenhouse gas emissions from shipping.

They base their argument on the United Nations Framework Convention of Climate Change (UNFCCC) principle of "common but differentiated responsibilities and respective capabilities".

But how does this sit with the IMO's principle that all ships should be treated equally, otherwise known as the "no more favourable treatment" principle?

The second stumbling block is also financial in nature.

Several countries that are located far from the world's main consumer markets are worried that decarbonisation of shipping will raise transport costs and affect the competitiveness of their exporting sectors.

While the concern is legitimate, it is far from clear how trade flows will change in the future and what the impact will be.

Dynamic modelling of global trade flows could help project the possible effects of decarbonising shipping, which, in turn, might provide a basis for some sort of compensation mechanism.

Looking ahead

More effort is needed as the basis for consensus on an effective Initial Greenhouse Gas Strategy for shipping by April 2018.

An unambitious target and postponement of any policy measure until 2023 could stifle innovation and increase the likelihood of a patchwork of uncoordinated, potentially ineffective, regional and national measures.

It might even lead to the unravelling of the global framework as public patience is tried.

The European Union has already indicated that shipping will be integrated into its emissions trading scheme by 2023 if no significant progress is made at the IMO.

China has embarked on an ambitious national programme to decarbonise its shipping sector, including via carbon pricing.

Front-runners in the maritime sector are beginning to embrace emissions-reducing technologies.

There are already ships roaming the oceans that are propelled by electricity, methanol, hydrogen, biofuels and–as the OECD Observer reported as long ago as in 2010–wind.

The innovations to help keep greenhouse gases down are available, and an ambitious, agreed-upon emissions strategy in April will put extra wind in the sails of a cleaner, more efficient maritime industry.

The glass is still half full; shipping nations should take care not to accidentally knock it over.

(from: hellenicshippingnews.com, February 23rd 2018)

INDUSTRY

MAERSK: PAINT IT RED

It is an unusual sight to see dry boxes coming out of Maersk Container Industry's factory in China that are not dressed in all-gray, accompanied by the blue star.

Nonetheless, around 8,000 new forty-foot dry containers with the distinctive red exterior paint and white lettering are ready to get global trade moving.

"Watching those powerful red boxes leaving the factory makes us very proud," says Sean S. Fitzgerald, CEO of Maersk Container Industry.

"We're happy to welcome Hamburg Süd to the family with a brand-new batch of industry-competitive and high-quality containers that support Hamburg Süd's well-known reputation of quality delivery."

The containers were built in Dongguan from 15 January to 9 February.

Besides the high-quality standards that customers will experience, the production also represents good business value, says Fitzgerald, enabling consistent and competitive production at full capacity.

New routines for Maersk Container Industry's employees in Dongguan, China, painting an all-red batch of Hamburg Süd-branded boxes.

Investing in the brand

The containers were ordered by Maersk Line and will join its equipment fleet until a joint equipment pool is established during the second quarter of 2018.

Branding the boxes in the Hamburg Süd colours marks a welcoming gesture as the MCI production demonstrates Maersk's commitment to a smooth integration and to the continued independency of the strong Hamburg Süd brand.

"This is a sign of our appreciation for the strong Hamburg Süd brand and a very tangible example of how we will continue to invest in it, strengthening our separate value propositions," says Søren Toft, Chief Operating Officer of A.P. Moller – Maersk.

Important statement

While painting red boxes is a new routine for employees at the production facility, the warm and well-known colour of Hamburg Süd remains a familiar face to customers, recognised for its quality delivery of products and services.

"The new red containers are an important statement to our customers that Hamburg Süd will keep serving their logistical needs in the well-known manner – just like we always have," says Arnt Vespermann, CEO of Hamburg Süd, and elaborates: "If customers work with Hamburg Süd, they will talk to the same sales and customer service staff, and they will enjoy the same high level of cargo expertise and swift exception handling as before."

Better availability

When all containers become part of the same pool, customers will experience increased equipment availability, explains Ingrid Snelderwaard, Head of Equipment for Maersk Line and Hamburg Süd.

"Combined equipment depots will reduce the number of containers laying idle in buffer stocks and the bigger pool of containers will allow us to better balance the flow of equipment to customer needs," she says.

The joint equipment pool will be the largest container fleet in the liner shipping industry serving customers of both carriers – including a pool of more than 350,000 reefer units.

(from: hellenicshippingnews.com, February 26th 2018)

LOGISTICS

SMES OFFERED 'BIG SHIPPER' RATES VIA NEW OCEAN BUYING GROUP PLATFORM

Shipping and supply chain consultancies Drewry and Chainalytics have launched a sea freight procurement solution for small and medium-sized (SME) beneficial cargo owners (BCOs) that they claim will give better pricing and terms by combining SME shippers' collective buying power.

Philip Damas, head of Drewry's logistics practice, said the ocean freight market had been particularly challenging for SME shippers in the last two years following the recent wave of ocean carrier alliances, mergers and acquisitions (M&As).

As well as facing the problem and risk of rate volatility and occasionally very high rates faced by shippers, they have been unable to obtain annual contracts with fixed rates.

He told Lloyd's Loading List: "Until now, big shippers have been immune to these problems thanks to annual contracts with fixed rates with ocean carriers or forwarders, but small and medium shippers have not been able to get these.

After the ocean carrier alliances and M&As, now is time for a neutral alliance of small and medium-sized shippers.

We are announcing today the new Chainalytics-Drewry Ocean Buying Group for small and medium-sized BCOs.

With the Ocean Buying Group, we provide a large combined volume to ocean carriers and automate or simplify some transactions, and in return they provide access to contracts with competitive, fixed-rate contracts."

He said the platform had already been piloted with existing clients and was now opening up for new participants.

It had already negotiated "big-shipper rates" with carriers having grouped together 100,000 teu per year of collective buying power from among BCO customers that the companies already represented in a consultancy role, including in some cases in a procurement role.

But he insisted that the role being taken by the Ocean Buying Group was different from that of a forwarder or NVOCC.

"There is not a mark-up; they (the BCOs) become an additional party to the carriage," he added.

Instead, the BCO clients will pay a "small" management fee, "and we get a small management fee from the carriers – which is transparent and is known by the customer.

But the rates quoted are the contracted rates between the carrier and the shipper.

And they are lower than what a small shipper would get individually."

Some larger shippers in mainland European have reportedly made attempts to combine their collective volumes, but Damas believes this is the first such platform for SME shippers.

Drewry said the Ocean Buying Group will provide participating BCOs with "enhanced purchasing power, service monitoring and cost transparency", adding: "The new strategic partnership delivers a pioneering ocean freight procurement platform that will enable medium and small-scale importers and exporters to collaboratively achieve 'big shipper' rates and terms direct with ocean carriers and benefit from shared intelligence for better commercial decisions".

Damas added: "This is an exciting initiative for both organisations.

By combining propositions, we're able to offer a unique service delivering much-needed improved ocean carrier contractual terms with full transparency, cost stability and predictability, market intelligence and technology-driven category management to a segment of the market that often suffers pricing volatility and opaque service levels."

He said the platform would help to provide a level playing field between smaller shippers and their larger counterparts.

John Westwood, senior manager of Chainalytics' transportation practice, commented: "We designed the Ocean Buying Group to provide companies often outsized by competitors the opportunity to gain 'big' shipper value relative to the size of its organization and quantity of shipments, and our partnership with Drewry further enhances our clients' capabilities to competitively acquire ocean freight services."

Arjun Batra, group managing director at Drewry, affirmed: "Smaller retailers and manufacturers often struggle to achieve favourable rates on their international shipments.

This initiative levels the playing field by providing these organisations with a collective buying solution that can deliver real purchasing power."

He added: "This is an exciting initiative, not only for both our organisations but also for BCOs.

Between our two companies lies a vast knowledge bank of market insight and intellectual know-how, which can be exploited to the full.

Through the launch of the Ocean Buying Group we look forward to delivering something compelling to those that value our independence and impartiality."

(from: lloydsloadinglist.com, March 2nd 2018)

LAW & REGULATION

EUROPEAN COMMISSION DECISION PUBLISHED ON THE MERGER OF OOCL AND COSCO SHIPPING

The European Commission (the Commission) has [today] published its decision in relation to the acquisition of Orient Overseas (International) Limited (including its subsidiary Orient Overseas Container Line (OOCL)) by COSCO Shipping (COSCO).

The merger was cleared by the Commission on 5 December 2017 and the full text can be found here: https://www.hellenicshippingnews.com/wp-content/uploads/2018/03/m8594_405_3.pdf

Relevant markets

The main competitive overlap between the parties is in relation to deep-sea container liner shipping services and as expected the Commission has followed its previous decisions in relation to this market – that the product market is the provision of regular, scheduled services for the carriage of cargo by container and the market is geographically defined as the range of ports which are served at both ends of the service by leg of trade (for instance, a geographic market would be Northern Europe – Far East eastbound).

The Commission did consider whether the trade between Northern Europe and Montreal via the St Lawrence Seaway could be differentiated from the Northern Europe – North America trade.

The Commission noted that from the supply side there are differences between the trade to Montreal and the trade to the rest of North America (such as ship sizes and ice conditions); however, from the demand side this was not the case.

From the Commission's market investigation, customers who responded gave the opinion that services to the Port of Montreal are at least substitutable for the services to the ports of North-East America (e.g., Philadelphia and New York).

Therefore, the Commission considered the Northern Europe – North America trade was correct as the relevant trade.

Other markets where the parties had a less significant overlap were container terminal services and freight forwarding.

These market definitions were left open as the transaction did not raise serious doubts as to compatibility with the internal market under any plausible definition.

Competitive assessment of deep-sea container liner shipping services

The Commission adopted its previous practice of including parties' alliances and consortia when assessing their market shares.

Both OOCL and COSCO are members of the same alliance, the Ocean Alliance.

The Commission considers that the part of the market over which the parties have no influence, i.e., corresponding to carriers that are not members of any of the parties' alliances and consortia, is viewed as fully competing with the parties in the respective trade – the 'free market'.

The Commission's approach to the reefer market (where lines carry refrigerated containers) also remained consistent with its other decisions, and so market shares are only taken into account on those legs of trade where the share of transport in reefer containers is more than 10 per cent of the total leg of trade.

The Commission found that when attributing the parties' alliances and consortia, their market shares would exceed 20 per cent on eight legs of trade.

The affected trades were for both the eastbound and westbound legs of: Northern Europe – North America; Northern Europe – Far East; Mediterranean – Middle East (including the Mediterranean – Middle East eastbound leg, reefer only); and Mediterranean – Far East.

Except for the Northern Europe – North America trades, the 'free market' was above 60 per cent (meaning that the parties, along with their alliances and consortia, had market shares below 40 per cent) and the transaction did not raise any competitive concerns, especially as the parties were already members of the same alliance.

For Northern Europe – North America the shares of the parties, along with their alliances and consortia, were [60-70] per cent for each leg of the trade, leaving a 'free market' of less than 40 per cent.

However, the Commission was able to clear the transaction without any commitments as it considered that the merger did not raise any competitive concerns for the following reasons:

1. COSCO would be able to access the capacity of OOCL's consortia on the trade and the transaction would not lead to a completely new link between previously fully independent consortia, as OOCL was already a member of the SLCS consortium and the Ocean Alliance prior to the transaction.

   As a result, the parties' alliances and consortia are already interconnected on this trade and the only change brought about by the transaction would be the increment added by COSCO (which is of [0-5] per cent).

2. The parties were not close competitors – OOCL provides a service to Canada and the U.S. Midwest via the Port of Montreal, whereas COSCO does not.

   In the Commission's market investigation, when respondents were asked to rank the closest competitors to COSCO in relation to this trade, respondents indicated CMA CGM, followed by Evergreen and Hapag-Lloyd.

   CMA CGM was also identified as the closest competitor to OOCL by the majority of respondents.

3. There would still be sufficient competition post-merger as independent competitors account for [30-40] per cent on the eastbound leg of the trade and [30-40] per cent on the westbound leg, and include the world number one carrier, Maersk.

   The Commission also acknowledged that there exists some price competition within the alliances and consortia.

4. Finally, the Commission found from its questionnaire that both customers and competitors consider that there will be sufficient competition to prevent the merged entity from raising prices post-transaction.

Conclusion

In other recent mergers in this market (Hapag-Lloyd and UASC, Maersk and Hamburg Sud) commitments were given to compensate for high market shares. In this case the Commission has looked beyond market shares and analysed other factors affecting competition in the liner shipping market.

(from: hellenicshippingnews.com, March 5th 2018)

STUDIES & RESEARCH

MOST SUPPLY CHAINS BENEFITS FROM DIGITALIZATION ARE YET TO COME

Most of the supply chains benefits of digitalisation are yet to come, with 95% of companies still to realise the full opportunities that new technologies can bring, according to a new survey of supply chain and operations professionals.

The report, commissioned by DHL Supply Chain, reveals that new technologies and solutions are "developing at a fast-pace and disrupting industries on multiple fronts, with supply chains struggling to keep up".

The global survey of nearly 350 professionals reveals that 95% of respondents are not fully capitalising on the potential benefits that physical innovation and information or analytics offer.

The 'Digitalization and the supply chain: where are we and what's next?' report by the lharrington group, was commissioned by DHL to identify how industry is coping with the fast-changing and disruptive environment posed by the rise of digitalization in the supply chain.

Next-generation robotics, AI, AVs, blockchain, big data analytics and sensors are just some of the technologies which businesses must now consider integrating into their operations and supply chain strategies, the report noted.

Respondents ranked 'big data analytics' as the most important information solution, with 73% reporting that their company was investing in this technology, ahead of cloud-based applications at 63%, the Internet of Things (IOT) at 54%, blockchain at 51%, machine learning at 46%, and the sharing economy at 34%.

Importance in physical hardware has focused on robotics with 63% of respondents ranking it as the most important physical technology, beating AVs at 40%, 3D printing at 33%, and augmented reality and drones at 28%.

Lisa Harrington, president of lharrington group, said: "There is no doubt that digitalization is having an incredible impact on supply chains and operations across the globe and is here to stay.

Companies are faced with many options as new products and applications enter the market and gain acceptance in the industry.

Having a purposeful strategy for supply chain digitalization is now essential to assess the new technological landscape and chart a way forward to reap the benefits and stay ahead of the competition."

The report found that businesses are "beginning to test the waters", with 39% reporting that they are developing one or more information or analytics solution; but only 31% are doing the same for physical applications.

The underlying reasons for the slow pace are symptomatic of traditional organizational change scenarios, it noted.

For hardware technology applications, 68% of respondents said that reliability was the top concern, while 65% reported a resistance to change in their organization followed by insufficient or prolonged return on investment at 64%.

Comparatively, for information and analytics solutions, 78% of respondents reported that organizational siloes and legacy systems were the top impediments, followed by a lack of specialized talent expertise at 70%.

DHL said: "It is vital for companies to digitalize processes to meet an ever-increasing demand to drive efficiency and flexibility and improve the customer experience.

The results of the research will help to further shape the DHL digitalization strategy.

It said DHL had already embarked on its digitalization journey, "focusing its investment on innovations that have potential to solve real business problems and exploit new opportunities.

For example, DHL already uses augmented reality in warehouses to drive efficiencies in picking and warehouse robots are improving picking times and supporting employees in repetitive tasks such as Packaging Services.

"Software robots (robotics process automation) are taking over selected back-office processes.

New sensors are providing our customers with real time information about the location and condition of their goods, using Internet of Things," the company noted.

José Nava, chief development officer for DHL Supply Chain, said: "This is a transformative juncture for the supply chain industry.

The traditional model is facing unprecedented levels of disruption from new hardware technologies combined with information and analytics solutions.

Technology offers considerable opportunity to reduce cost and improve profitability but it also means businesses that fail to adapt risk getting left behind.

Our customers are increasingly looking to us to lead the way during this transition."

Nava said one example demonstrating how DHL was also looking into future technologies was blockchain, where it was partnering with Accenture to test a concept that is aimed at preventing the counterfeiting of drugs, which Interpol estimates kills one million people each year.

"This trial incorporates blockchain into the pharmaceutical supply chain via a track-and-trace serialization system.

This allows us to securely capture the unique identifier of each unit of a pharmaceutical shipment as it moves through the supply chain.

The technology is nascent, yet promising, and we are excited about the opportunities it could bring to our customers in the future."

You can download the 'Digitalization and the supply chain: where are we and what's next?' research report here:

http://supplychain.dhl.com/LP=975?&utm_medium=PR&utm_campaign=AO-Digitalization-1&utm_source=PR-Gated-Comms%20and

(from: lloydsloadinglist.com, March 5th 2018)

INFORMATION TECHNOLOGY

CARGOX Q&A: HOW BLOCKCHAIN IS EVOLVING BILLS OF LADING

CargoX is going to use blockchain to make shipping processes more efficient by digitizing Bill of Lading (B/L), one of the most important documents in the shipping process.

It aims to disrupt the global logistics industry by using blockchain to introduce smart B/L and eliminate paper versions of the legal document between the shipper and carrier which detail the goods a ship is carrying.

The company, a spin-off from an existing container booking platform business 45HC, which has an office in Hong Kong, but is based in Ljubljana, Slovenia, has already started raising money.

It reached a target of US$ 7 million through an ICO on January 23, 2018, with the initial coin offering (ICO) — an unregulated means by which a company raises funds for a new cryptocurrency — lasting 7 minutes and 40 seconds.

This is an impressive feat, but what is the company hoping to solve through its blockchain solution?

PTI Editor Laurence Doe spoke to Stefan Kukman, Founder and CEO of CargoX, to find out more.

Kukman is the CEO and entrepreneur at 45HC.com, who describes himself as a growth-oriented and highly focused CEO with a strong background in leading teams, product promotion and market research.

He used to work for Kuehne-Nagel, one of the biggest logistics providers.

What is CargoX's aim?

"We are hoping to solve the three major pains of the current archaic Bill of Lading: the Smart B/L will be much faster to deliver, there will be less cost associated with it, and there will be much less chance to have it stolen or lost.

We are now on our way to deliver the product, build strong partnerships and start marketing activities to provide blockchain-based Smart Bill of Lading, and later on a Smart Letter of Credit as well.

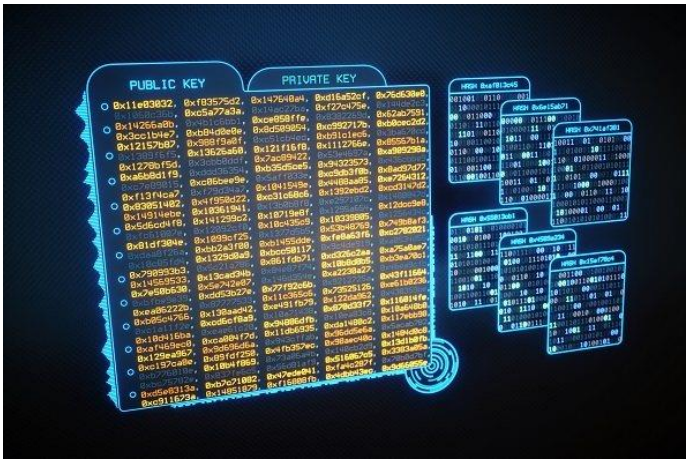
We are also working on transforming our website, to equip it with detailed descriptions of our products.

This will be available in the coming weeks."

How could Cargo X transform the way B/L documents are currently processed?

"It is quite simple, there will be no couriers involved, and there will be no need to send multiple copies.

Blockchain will encrypt the uploaded document and transfer it securely and quickly to the next receiving party in the process.



That transfer will not take days, but could take just a couple of minutes.

It will be encrypted in a way that nobody else except the involved parties can read it, and it will be delivered to the exactly addresses needed.

The system will also identify the parties involved, and only they will be able to process the document.

There will be much less cost."

Are you in talks with any other organisations such as ports or carriers about collaborating? Is there a collaboration happening now?

"Yes, a strong community and partnerships are key for our success, therefore, parallel to our product development, we are also developing new partnerships - they will be announced soon.

Collaborations are going to take place at various levels, but we cannot disclose details yet, as we need all the details confirmed from both sides.

Nevertheless - we want to stress out that there is a lot of interest in our product."

What cryptocurrency is CargoX using for service payments?

"We have established our own currency - the CXO token.

It is an ERC20 Ethereum-based utility token that will form a core part of our digitalised business model.

It will allow partners to interact with smart B/L dApp.

The tokens will be used for sending, archiving, changing ownership and also as payment solution for logistic services offered by selected logistic partners.

ERC20 is a common list of rules that any token based on Ethereum has to implement."

What are the next steps you will be taking in order to launch the platform?

"At the end of Q1 2018, we plan to release the B/L exchange protocol and announce the first beta trial Smart B/L sea-freight shipment.

In Q2 of 2018, the distributed application Smart B/L dApp will be available, which will handle the blockchain-based bills of lading.

We have already signed an NVOCC [Non Vessel Owning Common Carrier — a person or company that organizes shipments for individuals or corporations] for the test trial!

The Smart B/L will be issued in Asia for a container shipment from Asia to Europe.

Then we will on-board our first customers in Q2 to Q4, which will include NVOCCs, importers and exporters.

In Q1 2019, we will continue development with the banks and insurance companies to provide the Letter of Credit equivalent solutions, insurance agreements.

We plan to employ our CXO tokens as a settlement instrument by the end of 2019.

A B/L exchange protocol upgrade will allow on-chain settlement.

First, this will be possible by using our CXO tokens, but later we will also enable settlement with stable tokenised currencies."

Why did you decide to target the shipping sector with your solution?

"We have a lot of experience in this field, and have seen the opportunity to offer a simpler, safer way to handle the very important documentation, which is currently still being treated in a way that makes possible theft, loss, and is associated with high cost and long delivery time.

We think that the shipping industry deserves better, faster, more cost sensitive ways to handle these documents."

Is the volatility of cryptocurrency prices a concern?

"Volatility is not a concern, as the price in CXO will be pledged against US$."

What do you think of Maersk and IBM's entrance into the blockchain market? Do you hope to work with carriers and ports?

"IBM and Maersk are working on a solution for Maersk.

What we do differently from IBM and Maersk is that we are working on a solution for mass adoption with freight forwarders.

In addition, they are trying to add other parties within the loop such as customs.

This is perhaps fine for Europe, but impossible in the short term for Russia, Brazil or other countries, which have a slightly more complicated procedural structure.

We are also aware of others entering into blockchain, but these are all very big projects and companies.

Our approach is very different from theirs – gradual and laser-focused.

We foresee that we will be the first on the market, and we are the only one with an open ecosystem, so we expect wide and fast adoption.

Ports and carriers are not in our focus; however, if requested, we can work with them as well."

(from: porttechnology.org, February 21st 2018)

ON THE CALENDAR

▪ 28/03/2018 - 29/03/2018	Beira	19th Intermodal Africa 2018
▪ 18/04/2018 - 19/04/2018	Livorno	6th MED Ports 2018
▪ 30/05/2018 - 31/05/2018	Varna	7th Black Sea Ports and Shipping 2018
▪ 04/07/2018 – 05/07/2018	Johor	16th ASEAN Ports & Shipping 2018
▪ 24/09/2018 – 29/09/2018	Napoli	Naples Shipping Week 2018
▪ 26/09/2018 – 27/09/2018	Riga	2nd Baltic Sea Ports & Shipping 2018
▪ 24/10/2018 – 25/10/2018	Aqaba	15th Trans Middle East 2018
▪ 28/11/2018 – 29/11/2018	Accra	20th Intermodal Africa 2018
▪ 30/01/2019 – 31/01/2019	Kuwait City	16th Trans Middle East 2019
▪ 20/02/2019 – 21/02/2019	Manila	10th Philippine Ports and Shipping 2019
▪ 20/03/2019 – 21/03/2019	Mombasa	21st Intermodal Africa 2019

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