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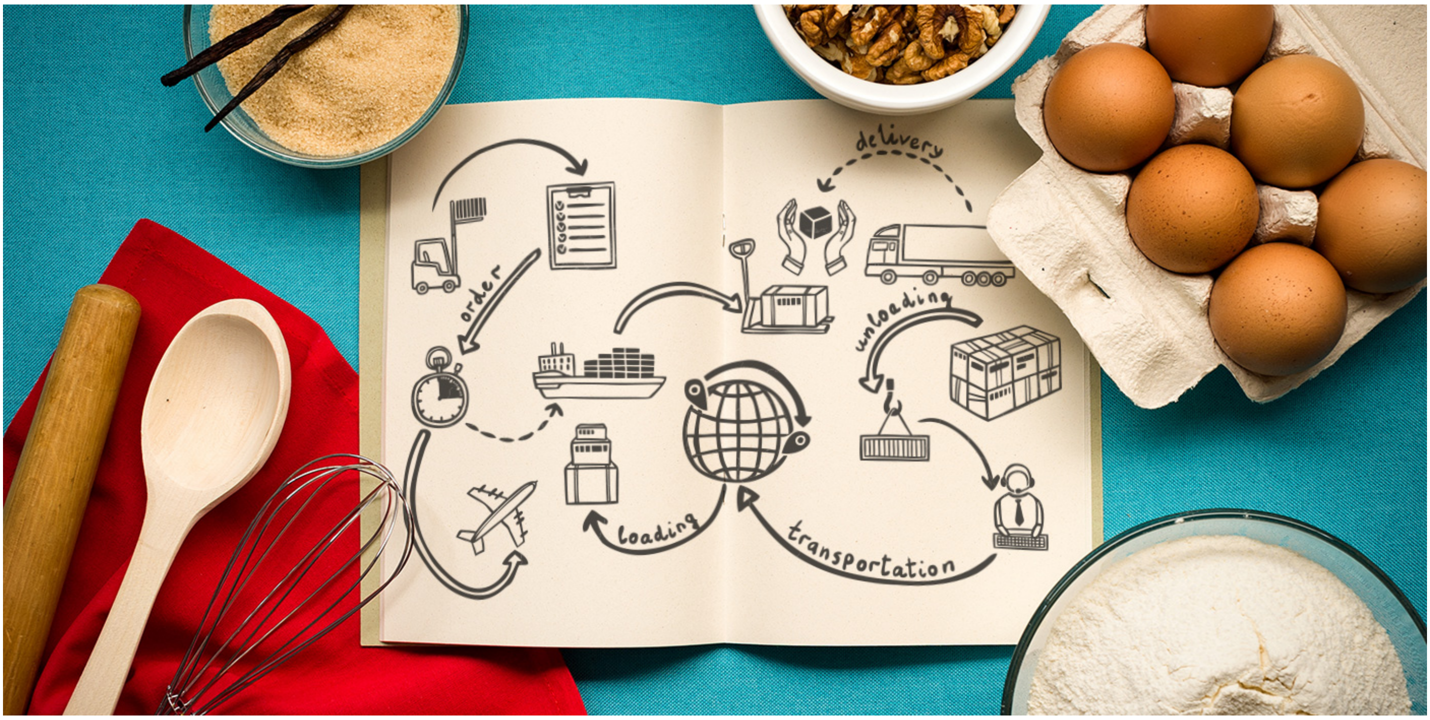

We have come a long way in the last 25 years, but fully understanding how to make our enterprise supply chains more effective, and successfully executing to plan, is still a long way off.

In many ways the explosion of ERP system installations in the lead-up to Y2K era was a false dawn. Billions was spent, but the return can now be classified as 'limited'. In the meantime, operating environments for global and domestic enterprises have become increasingly complex and difficult to manage, and the antidotes to this condition are hard to find.

The following five themes are what I see as essential ingredients to any success formula in the immediate years ahead:

1. We must get real and find better ways to understand customers' true demands, and directly link these to the design of our logistics infrastructure; the guessing must stop!
2. Likewise, at the supply-end, in source markets, we must seriously advance our knowledge about supplier expectations, and how we can better align our procurement strategies, for mutual benefit. The heavy-handed practices used to date are not sustainable going forward.
3. In just about every enterprise on the planet, the organisation structures are now seriously mis-aligned with customers' and suppliers' expectations; we must seek innovative new designs that make the business of management less fraught with crises.
4. We now live in the 'Age of Digitisation', so we must learn quickly how to collect and use data that connects our business to all external points that weigh on our performance.
5. With consumer power rising inexorably, we have to find ways to allay consumer concerns about the origin of the products we sell to them, and the way they are manufactured. Traceability is now critical to all consumer-facing businesses.

This is just for starters. I think I should stop here, but there are many other things we can do!

by ***John Gattorna***

John Gattorna has spent a lifetime working in and around enterprise supply chains, in many different capacities – line executive, researcher, consultant/adviser, teacher, mentor and author. He is passionate about the subject – some might say obsessive.

In the late 1980s, John became disenchanted with the lack of conceptual depth in the ‘logistics’ field; and as it turned out this did not improve much as logistics thinking morphed into ‘supply chains’ in the 1990s. So he started to search for a new model/framework that would better inform the design and operation of enterprise supply chains, seeking to satisfy customers and consumers, at the appropriate cost-to-serve. And he found it in dynamic alignment.

For the last two decades John has been working with major blue chip corporations around the world to take his new model from the conceptual stage to a finer level of granularity; companies such as Dell; Unilever; Teys Australia; and Schneider Electric.

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- ## Transport Logistics China

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- ## SMM

  6 Sep 2016 - 9 Sep 2016 Hamburg

- ## JOC TPM Asia

  Shenzhen

- ## Asia Logistics Maritime Conference

  Hong Kong

- ## Crew Connect

  15 Nov 2016 - 16 Nov 2016 Manila

- ## OSEA

  29 Nov 2016 - 2 Dec 2016 Singapore

News in Brief

- ## Hapag Lloyd and UASC in merger talks

Ocean carrier Hapag-Lloyd has announced it is discussing forms of cooperation with United Arab Shipping Company (UASC), such as a potential combination of their mutual container shipping operations, while also noting there is no binding agreement and no assurance that an agreement will be reached. Hapag-Lloyd added the discussion of a combination is based on the possibility that it would own 72 percent of a combined company and UASC would own 28 percent, “subject to a mutually satisfactory completion of the negotiations and the mutual due diligence exercise.”

- ## Volga and Sheremetyevo airport sign cargo hub deal

Volga-Dnepr Group and Sheremetyevo international airport in Russia have signed an agreement covering cargo hub development at Sheremetyevo that covers compliance with global industry standards.

“For our airport, the agreement anticipates a systematic approach towards enhancement of cargo infrastructure. We are delighted to see that it embraces not only the quantitative side where Volga-Dnepr Group guarantees an agreed volume of transit, transfer and import-export cargo flows, but the qualitative side as well with the building of an up-to-date hangar complex for maintenance and repair services, expansion of cargo facilities to offer handling for special commodities and, most importantly, provision of all the resources needed from our side,” said Michael Vasilenko, director general of Sheremetyevo international airport.

Besides cargo infrastructure enhancement at the airport, the agreement will encourage co-operation with other international airports in order to increase cargo flows and exchange experience in terms of implementation of certain business-related projects and innovations.

- ## CMA CGM, COSCO Container Lines, Evergreen Line and OOCL to establish OCEAN Alliance

CMA CGM, COSCO Container Lines, Evergreen Line and Orient Overseas Container Line today signed a Memorandum of Understanding to form a new Alliance enabling each of them to offer competitive products and comprehensive service networks covering the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-North America East Coast, and Trans-Atlantic trades.

This is a milestone agreement among four of the world’s leading container shipping lines. Each line will offer best-in-class services to customers with fast transit times, competitive sailing

- ## CX cargo RTKs take a dip in March

Hong Kong’s Cathay Pacific Airways and Dragonair traffic figures for March 2016 show an increase in the number of passengers carried compared to the same month in 2015, but a decrease in the volume of cargo and mail uplifted.

The two airlines carried 157,006 tonnes of cargo and mail in March, a drop of 0.4 per cent compared to the same month last year. The cargo and mail load factor fell by 5.4 percentage points to 63.0 per cent. Capacity, measured in available cargo/mail tonne kilometres, increased by 4.1 per cent while cargo and mail revenue tonne kilometres (RTKs) fell by 4.1 per cent. In the first quarter of the year, the tonnage carried fell by 3.1 per cent against a 2.6 per cent increase in capacity and a 4.8 per cent drop in RTKs.

Cathay Pacific general manager cargo sales and marketing Mark Sutch said: “Following a generally weak February, we saw some improvement in air freight demand in March. Overall, however, the air cargo markets remain soft and yield remains under pressure in what is a highly competitive environment.”

- ## Antwerp’s first quarter box traffic rises 4.6pc to 2.5 million TEU

The Port of Antwerp increased its containerised cargo volumes to 2.5 million TEU and increase of 4.6 per cent during the first quarter, when compared to the same period in 2015.

During this period the port handled a total of 53.3 million tons of cargo, up 3.9 per cent.

Dry bulk volumes for the quarter fell by 17.9 per cent to 2.9 million tons, which port authorities attributed to coal volumes plummeting 81.1 per cent year on year to 69,975 tons.

- ## Asia Europe box volumes tumble in February

Asia exported 1,028,981 TEUs of containers to Europe in February, plunging 11.9% from a year earlier and suffering a year-on-year decrease for two back-to-back months, according to a report unveiled by the Japan Maritime Center (JMC). In the first two months (January-February), the total fell 6.4% to 2,407,378 TEUs.

By origin, containers from China incurred a double-digit decrease of 15.4% to total 721,072 TEUs, which was a year-on-year decline for the second consecutive month, but managed to hold the largest share of the pie. Those from South Korea, meanwhile, improved 1% to 72,993 TEUs, enjoying growth from a year earlier for three months in a row. Exports from Japan came in third place, which fell 2.9% to 39,674, registering a year-on-year contraction for two straight months.

- ## Hong Kong International Airport tops global air cargo league

Most of the world’s top 20 airports saw a small increase in cargo growth during 2015. Hong Kong International Airport retained the top spot, with a 0.4 per cent increase to 4.4 million tonnes, followed by Memphis International Airport, Shanghai Pudong International Airport, Ted Stevens Anchorage International Airport and Incheon International Airport, according to Airports Council International (ACI). While only four airports recorded a fall last year, in which Taipei’s Taoyuan International Airport saw the biggest fall of 3.2 per cent to two million tonnes, the other three are Tokyo’s Narita International Airport, Frankfurt Airport and Amsterdam Airport Schiphol.

- ## IATA says inefficient European air network will cost €235bn by 2035

IATA says Europe is well-served by air connectivity, which today supports 11.7 million European jobs and $860 billion of European gross domestic product (GDP), but says it is inefficient with average flights are nearly 50 kilometres longer than they need to be in terms of distance travelled. Delays also averaged around 10 minutes per flight. This inefficiency negatively impacts prosperity, productivity and sustainability, IATA claims and a study it commissioned by SEO Economic Research estimates these inefficiencies, if unchecked, will grow to cost the European economy 245 billion euros in 2035.

- ## APAC air cargo decline in February says AAPA

Weak air cargo markets and a seasonal slowdown saw a 12.1% decline in February’s freight tonne km (FTK) for Asian-Pacific carriers versus same month 2015. Association of Asia Pacific Airlines (AAPA) attributed the decline in international air cargo demand to “weakness in global trade volumes, as well as the Lunar New Year seasonal slowdown in factory operations in the region”. Freight load factors for the region’s carriers remained under pressure with an 8.6 percentage point decline to 56.8%. By comparison, international air passenger demand showed “continued healthy growth” in February among AAPA members.

- ## Philippines’ Customs issues 24-hour advance cargo manifest order

The Philippines’ Bureau of Customs has issued Customs Administrative Order requiring all shipping lines and agents, NVOCCs and freight forwarders including cargo consolidators and co-loaders to electronically transmit all cargo information including type of packaging, gross weight in metric tons, measurement in cubic metres, carrier Identifier and IMO number of vessel within 24 hours from the time of departure of the carrying vessel from the port of origin. To help the bureau track and trace the movement of cargo bound to the Philippines from the port of origin, advance information can now be captured electronically, according to a report in Greater China Transport and Logistics (GCTL).

- ## Amazon to lease 20 767 freighters to build its own air cargo fleet

  Amazon has signed a deal to lease 20 Boeing 767 wide body freighter aircraft to handle more of its own deliveries in the United States.

  The world's biggest e-commerce retailer is offering shorter lead times for deliveries for millions of online orders, the freighter order is aimed at providing the company with more control over its supply chain costs.

  Amazon, which relies on carriers like United Parcel Service Inc and FedEx Corp to deliver most of its packages, spent $11.5 billion on shipping last year.

  In a bid to assume more control over its supply chain and reduce costs, Amazon has also rolled out thousands of trailers and launched a program that uses contract drivers to deliver fast orders.

- ## Phnom Penh port expansion brought forward by government

  Cambodia is to begin its multi-million dollar second phase expansion of the container terminal run by Phnom Penh Autonomous Port.

  This is accompanied by plans to double capacity, with volumes expected to grow to 160,000 TEU this year, up from 145,000 TEU last year.

  The second phase development is scheduled for completion next year. A third phase is already in the pipeline to boost the port's capacity to 500,000 TEU by 2028, according to a report in Splash 24/7.

- ## Drewry says mega box ships need supply chain collaboration to succeed

  A Drewry simulation study of the impact of mega ships on lines, terminal operators, ports and other supply chain stakeholders shows they will not deliver hoped-for cost benefits.

  "As more megaships enter service the industry is rapidly approaching a critical stage," said Drewry managing director Tim Power.

  "To ensure the economics of vessel upsizing continue to benefit the entire supply chain, lines and ports need to work in a more coordinated manner," he said.

  The study suggests that the economies of scale, that have been a key feature of the liner industry, may be running out as ships get bigger than 18,000 TEU, according to a report in Asian Shipper.

- ## Hyundai launches China Thailand Express service

Ocean carrier Hyundai Merchant Marine (HMM) has launched the China Thailand Express (CTX) between China, Korea and Southeast Asia.
The CTX vessels will call at Xingang, Busan, Ulsan, Busan, Gwangyang, Shanghai, Ho Chi Minh, Laem Chabang, Sihanoukville, Manila, Busan, Inchon and Xinang.
The 2,200TEU vessels Hyundai Vladivostok, Hyundai Bridge, Hyundai Future and Hyundai Highway will provide the service.

SOLAS VGM mandate “very challenging” for industry says INTTRA

From 1 July this year the IMO has mandated under an amendment to the SOLAS Convention that shippers provide a Verified Gross Mass (VGM) for all ocean containers before they are loaded aboard the vessel for the purposes of the stowage plan.

INTTRA is rolling out an electronic VGM (eVGM) system, which allows shippers to electronic submission of the required data for submission.

“Carriers will require VGM data three days before the ship arrives in port for stowage planning to be completed. The industry needs to be ready and shippers, freight forwarders and carriers need to collaborate closely to ensure the data is available and delivered to carriers on time,” said Inna Kuznetsova, President and COO of INTTRA.

Speaking about the pressure facing the industry Jim Whalen, President Asia for INTTRA, told a briefing in Singapore: “It is a very challenging regulatory change.”

- ## Bangladesh PM requests UK to review air cargo ban

The Prime Minister of Bangladesh, Sheikh Hasina, sent a request to British Prime Minister David Cameron to review the United Kingdom’s decision to impose a ban on direct air cargo from Dhaka to London, according to a report in The Daily Star, a national newspaper in Bangladesh.

The UK banned direct air cargo flights from Dhaka until further notice from March 8, as Hazrat Shahjalal International Airport failed to meet some international security requirements during a scheduled inspection by UK Government airport security officials.

The Bangladesh Premier made the request on Monday March 14 in a letter to Mr. Cameron.

Bangladesh and UK have reached an agreement on the measures to be taken to further improve security standards at Hazrat Shahjalal International Airport, including acquisition of modern ground handling equipment and increasing the number of security personnel, The Daily Star reported.

The UK has proposed the appointment of one of four British security companies to supervise and provide training to the authorities concerned.

Only Biman Bangladesh Airlines carries cargo directly to the UK in its four weekly passenger flights but there will no longer be any air freight carried due to the ban, according to officials of the national flag carrier.

An average of 25 tonnes of cargo – mostly apparel, vegetables and agricultural products are flown to the UK onboard each flight.

- ## Toll Global Logistics sees productivity gains through Zebra mobile computer

  Toll Global Logistics, has experienced significant productivity gains through the implementation of the TC8000 – the latest enterprise mobile computer from Zebra Technologies Corporation (NASDAQ: ZBRA). The enterprise-class mobile computer is a landmark innovation in warehousing technology that will drive significant gains in productivity and decrease worker fatigue. Zebra worked with users around the globe to completely re-think, re-design and re-engineer industrial mobile computers based on deep research and human factors analysis.

  The ergonomic and lightweight TC8000 mobile computer offers an innovative design that reduces muscle effort by eliminating the need for “tilt and verify” motions that warehouse workers repeatedly conduct with traditional devices. Shaving seconds off each repetitive motion can save up to one hour per worker per shift – increasing productivity by an average of 14 percent based on workflow.

- ## US Coast guard claims that container weight guidelines not mandatory

  US Coast Guard Rear Admiral Paul Thomas said that the SOLAS guidelines on container weight verification are not mandatory at the Journal of Commerce TPM Conference in Long Beach California, according to a report on JOC.com.

  “SOLAS places no legal obligation on the shipper. It places legal obligation only on the vessel subject to SOLAS. So if you need to meet that obligation by working on a business practice with your partners, that’s where you need to focus,” Thomas said.

- ## Etihad takes on new 777 freighters

  Etihad Cargo has expanded its fleet by taking delivery of a new 777F, the eleventh freighter in its fleet. The carrier announced last year at the Dubai Air Show that it would take delivery of two additional freighters this year. The new aircraft are part of the US$67 billion fleet order that was placed in 2013 for 199 aircraft. These two new freighters are valued at US$637 million at list prices. The second freighter is due to arrive in Abu Dhabi later in March.

- ## Hacking pirates target high value containers

  According to a report in Splash 24/7 pirates are using information technology to target ships and specific cargo. The story is based on a report from Verizon the US-based communications technology company.

  The tech company was employed by a shipowner to look into a piracy incident –and they discovered a sophisticated hacking operation.

  “Rather than spending days holding boats and their crew hostage while they rummaged through the cargo, these pirates began to attack shipping vessels in an extremely targeted and timely fashion,” the report said. “Specifically, they would board a shipping vessel, force the crew into one area and within a short amount of time they would depart.”

  The pirates targeted specific high value containers, located by bar codes. “Fast, clean and easy,” the report stated.

  Verizon then helped the shipping company shut down servers the pirates had compromised and to build a security plan.

- ## India forecasting 180 per cent rise in air cargo by 2031

  In the next 15 years, the air cargo industry in India is expected to grow by more than 180 percent, while manufacturing will rise 14 percent by 2022, according to Speaker Renu Singh Parmar, senior adviser at the country’s Ministry of Civil Aviation, in a report carried on aircargoworld.com

  He estimated that India’s air cargo throughput would rise from 2.6 million tonnes in 2015 to approximately 8.7 million tonnes by 2030, necessitating an urgent need to improve supply chain logistics and airport infrastructure across the subcontinent.

- ## Growth in containership capacity is lowest ever

This year's global containership capacity is expected to grow at a pace of only 4.6%, the lowest ever recorded for the global containership fleet, according to Alphaliner.

Falling below the previously smallest year-on-year increase of 5.5%, recorded in 2009, this year will register well below the average annual growth rate (CAGR) of 10.3%, recorded since 1990.

In combination, the slower pace of vessel deliveries and the projected increase in the numbers of containerships sold for demolition are expected to curb 2016 net fleet growth to less than 1 million TEUs of nominal vessel capacity.

Adjusted for potential deferrals, vessel deliveries are expected to reach 1.25 million TEUs this year, compared to a record capacity of 1.72 million TEUs delivered in 2015, and Alphaliner added that this figure could end up even lower if the current weak market demand persists over the course of the year.

Vessel scrapping and other deletions are expected to reach an estimated 350,000 TEU this year, as sagging demand is expected to increasingly force owners to de-commission elderly ships.

- ## SOLAS VGM conference set for February 29 to discuss compliance for July 1 deadline

The International Cargo Handling and Coordination Association (ICHCA) will hold a conference on 29 February – 02 March at the World Trade Centre in Barcelona that will focus on compliance with the UN's compulsory container weight verification that takes effect 01 July.

The conference is being held amid concerns that many shippers will not be compliant and will focus on options for weighing containers at ports, shippers' premises and packing houses.

- ## Russian airfreight volumes tumble in 2015

The Russian Federation airport airfreight volumes fell by 12.1 per cent to 679,622 tonnes in 2015, compared to 2014. The marked decline affected all airports administered by the national aviation authority Rosaviatsia.

In the Greater Moscow area , the smallest airport Vnukovo saw volumes fall by 1.3% to 36,707 tonnes when compared to the year before while Sheremetyevo dropped by 9.9% to 178,168 tonnes and Domodedovo receded by 17.9%, to 133,183 tonnes. St Petersburg's airport saw double digit losses of 10.1% lowering the total to 22,535 tonnes.

- ## Air China Cargo launches cold chain product

Air China Cargo has announced it will launch a cold chain product in 2016 and is leasing special airfreight containers from Envirotainer to support expansion in the temperature controlled market.

The airline is planning to roll out the cold chain this spring with further network expansion planned in 2016 based on market demand.

Beijing, Shanghai, Singapore, Frankfurt and Geneva have been named as the airports for the first phase of implementation.

- ## CMA announces Asia-Northern Europe rate restoration program

CMA CGM Group announced a Rate Restoration Program from Asia to North Europe effective from 01 March 2016.

The rate restoration applies from all Asian ports (including Japan, Southeast Asia and Bangladesh) to all Northern European ports (including UK and the full range from Portugal to Russia. The new rate will be US$900 per TEU

- ## Amazon expands logistics operations in China

  Amazon is expanding its logistics operations in China to control the rising cost of shipping billions of packages for its growing e-commerce business according to a report in Reuters.

  The company plans to handle cargo and customs brokerage for goods headed for Japan, Europe and the United States to be lodged in its warehouses that can ship goods to customers.

  The forwarding unit, Beijing Century Joyo, plans to charge customers between US$530 and $2,530 to transport an FEU from Shanghai to Hamburg, according to documents filed with the Shanghai Shipping Exchange.

- ## Maersk reports loss for fourth quarter of 2015

  Maersk Line fell into the red in the fourth quarter as tough conditions in container shipping hit the bottom line, and it reported a lower than expected full year profit of $1.3bn.

  In its annual report Maersk Group said its container line, the world's largest, reported a $1.3bn profit for 2015, lower than the $1.6bn forecast by the company 23 October last year, when it cut its expected full year result from the $2.2bn it previously said it expected. The $1.3bn profit for 2015 compared to a $2.3bn in 2014.

  In the fourth quarter of 2015 Maersk Line fell into the red with a $182m loss, compared to a $655m profit in the same period a year earlier.

- ## Drewry Air freight index down

  Drewry Shipping Consultants says in its 'Drewry Sea & Air Shipper Insight' that average rates for airfreight fell for the first time in four months from $3.31 per kilogram in October 2015 to $3.22 per kilogram in November 2015, driving the Drewry East-West Air Freight Price Index down 2.8 points to 99.2 in November 2015.

  Compared to November 2014, when the average price was $3.92 per kilo, the index "is now a startling 22 points adrift, indicating the extent of underlying market weakness," said Simon Heaney, senior manager of supply chain research at Drewry.

  Drewry is forecasting "another year of flat-lining growth" for international airfreight in 2016, although capacity is expected to grow as more passengers take to the air, increasing belly-hold cargo space and putting more pressure on rates.

- ## HACTL breaks freighter handling record

  Hong Kong Air Cargo Terminals Ltd (HACTL) has broken two records for its ramp handling operations.

  The company handled 2242 full freighters in November, beating its previous monthly record of 2232 set in November 2014.

  The November record was 308 higher than the October figure, due largely to an increase in pre-Christmas scheduled and charter flights, along with ad hoc project freighter movements.

  The company has also broken its record for freighters handled in a single day, with a total of 95 on December 2, breaking its previous record of 92 set on November 19 last year.

- ## Qatar Airways Cargo takes delivery of two A330 freighters

  Qatar Airways Cargo has taken delivery of two freighters as part of its program to expand its all-cargo fleet.

  The Doha-based airline has taken delivery of its seventh Airbus 330-200F and its first nose loading Boeing 747-8F.

  The aircraft will be used to increase frequencies to Bahrain, Brussels, Chennai, Hyderabad, London Stansted and Mumbai.

  Qatar Airways Chief Officer Cargo Ulrich Ogiermann said, “The arrival of this new aircraft brings our total fleet up to 16 freighters and is an important addition to the airline at a time when we are experiencing unprecedented growth.

- ## China’s domestic rail freight volumes fall in 2015

  China’s national rail freight volumes declined by 10.5 per cent to 3.4 billion tons in 2015 when compared to 2014, according to a report published in business magazine Caixin.

  Caixin, reported that sources in the National Railway Administration said rail freight volumes declined volumes fell only 4.7 percent in 2014.

  Rail freight volumes in China are seen as an indicator of domestic economic activity.

- ## Japanese shipping giants warn of tough year ahead

  MOL chief executive Junichiro Ikeda and K Line president and chief executive Eizo Murakami both highlighted the challenge of fleet overcapacity in global markets in their New Year messages.

  : “Our business climate remains severe. Fleet oversupply is still an issue, and we see few prospects for recovery with the Chinese economy slowing down and markets stuck at historically low levels for both container ships and dry bulkers, ” said Junichirio Ikeda.

  Meanwhile K Line president and chief executive Eizo Murakami said, “We were exposed to tough market conditions, particularly in our container ship and dry bulk businesses, as the cargo movement fell below expectations while supply pressure on shipping capacity was intensified.”

- ## COSCO and China Shipping Group have green light to merge

  The formation of China Cosco Shipping Group has been approved by the Chinese Government.

  The new company was created by the merger of COSCO and China Shipping Group (CSG).

  Xu Lirong, formerly the Chairman of CSG has been appointed to head the new company. He previously held the position of deputy president of Cosco Group, before joining CSG in 2011.

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