



THE ROAD TO CHINA

CONFERENCE REPORT • @TCO'S LATEST FORUM IN SHANGHAI LOOKED AT DEVELOPMENTS IN THE CHINESE ECONOMY AND ISSUES IN THE USE OF TANK CONTAINERS

ENCOURAGED BY FEEDBACK from its inaugural seminar during the 2015 Intermodal Asia show, the Asian Tank Container Organisation (@tco) repeated and expanded its forum at this year's event on 23 March. Regional and international operators and trade associations are recognising the value of having a forum where issues can be aired, even taking account of the reticence of Asian executives to speak out in a public event.

This year's forum attracted speakers from the Association of International Chemical Manufacturers (AICM), which represents the interests of multinational producers operating within China. That alone was an indication of the value of the day, since it is AICM's members who have to wrestle with the logistical and regulatory barriers to the wider use of tank containers in China and in international trade to and from the country.



@TCO'S FORUM AIMS TO HELP SPREAD BEST PRACTICE IN THE TANK CONTAINER INDUSTRY IN CHINA AND MORE WIDELY THROUGHOUT ASIA, SUPPORTING AICM'S OWN ROLE

SPREAD THE WORD

The half-day forum, chaired by Ken Tsang, China advisor to the International Council of Chemical Associations (ICCA), was opened by Dr Alasdair Jeffs, managing director of Merck Chemicals China and chairman of AICM. Dr Jeffs began by explaining that the role of AICM is to encourage its members to apply the same best practices in China that they do in the rest of the world, and to disseminate those best practices more broadly across the local industry. "Our goal is to benefit all stakeholders in our industry, including customers, suppliers, the local community, employees and investors," he stressed.

"One important dimension to our Responsible Care efforts is to promote distribution safety," Dr Jeffs continued. "In China, we actively support and organise a variety of activities in those areas." One such programme is the Road Safety Quality Assessment System (RSQAS), which checks on the performance of logistics service providers (LSPs) and is designed to identify areas for improvement in environmental, safety and health performance. AICM has also been working with @tco to

promote the safe use of tank containers.

"Responsible Care is embedded in the culture of our members and their LSPs wherever they operate. It has been and will always be our goal to achieve and sustain operational excellence and uphold our steadfast commitment to employees, the community and customers in safety, health and environmental performance," Dr Jeffs said.

For many chemical shippers, the nub of the problem regarding the use of tank containers lies in the provision of tank cleaning and repair services. Improving the standard of those services is one of the main aims of @tco and two other AICM representatives – Lidia Li, a manager at BASF China, and Yang Yi, senior specialist at Dow Chemical – presented their views on the minimum acceptable standards in tank cleaning. Mike Duan, sales director at Exsif Worldwide, looked at how industry can learn from the claims record, noting that the TT Club has said that 46 per cent of cargo claims result from contamination of the product being carried.

During the forum, Reg Lee, @tco president, and Graham Wood, technical director, presented depot plaques to the managers of Kerry-ITS facilities in Shanghai and Tianjin, recognising their successful audits. Lee praised Kerry-ITS and its workers for their hard work and dedication in achieving a level of service required by the chemical industries in China. He added that he hoped that more chemical companies would come to understand the benefits of using Asian depots that have been audited by @tco.

IT'S THE ECONOMY

When it comes to doing work in China, one recent issue has been the unexpected weakening in the local economy. As it had last year, @tco brought in Dr Song Bingliang from Shanghai Maritime University to give a report on microeconomic developments and their impact on the chemical industry and its LSPs.

It is clear that the Chinese economy is slowing; annual GDP growth has fallen consistently from 9.5 per cent in 2011 to 6.9 per cent in 2015, albeit this is still well ahead of growth rates in the more developed

economies. What growth there is appears to be being generated primarily by service industries – the tertiary sector's share in the overall economy has grown from 44.3 per cent to 50.5 per cent over the same period, Dr Song said.

Perhaps most alarming are recent trade statistics, which showed the value of both imports and exports dropping last year, with imports down 13.2 per cent in local currency terms. That has had a significant impact on the volume of goods being carried by rail in China, with the 3.36bn tonnes carried in 2015 almost 12 per cent lower than the 2014 figure.

More reasons for concern can be drawn from data on inflation and exchange rates. According to the National Bureau of Statistics, retail prices increased by 1.6 per cent last year while producer prices fell by 5.2 per cent, although this was partly due to lower fuel costs. The decline in the value of the renminbi yuan has also continued, dropping nearly 4 per cent against the US dollar between March 2015 and March 2016, possibly due to a fall in foreign exchange reserves.

These trends may be good news for exporters, Dr Song said. Cheaper raw materials

and a weaker currency will make their products more competitive in the world markets.

WHAT IT MEANS FOR CHEMICALS

China's chemical industry last year achieved a total turnover of R¥8.84tr (\$1.36tr) and a profit of R¥460.3bn. These figures were, respectively, 1.9 per cent and 6.3 per cent up on 2014.

Most sectors of the industry posted increased output, particularly of benzene (6.6 per cent), methanol (8.3 per cent) and synthetic materials (8.2 per cent).

In other areas, however, over-capacity is becoming a problem. Dr Song said there is a structural excess of capacity in the chlor-alkali, chemical fertilizer, synthetic rubber and basic chemical sectors. Furthermore, despite the fall in raw material prices, other input costs are rising, notably logistics, labour and financing.

The chemical industry in China is also coming under the spotlight for its safety record, not least since the disastrous explosion in the port of Tianjin in August 2015 that killed at least 165 people – many of them firefighters – and injured nearly 800 more. Rapid urbanisation and industrialisation has squeezed the safety area around chemical facilities at the same »

•
“RESPONSIBLE CARE
IS EMBEDDED IN
THE CULTURE
OF AICM MEMBERS
AND THEIR LSPS
WHEREVER THEY
OPERATE”
•



time as the public is becoming more concerned over safety and environmental threats. Chemical producers and their LSPs will have to spare no effort to alleviate those concerns, Dr Song said.

There were some specific issues that caused the Tianjin explosion, Dr Song reported. The facility at the root of the blast, Tianjin Huihai International Logistics, was not qualified to provide a logistics service for hazardous chemicals, and the accident investigation team concluded that its safety evaluation had been fraudulently obtained. But Dr Song suggested that weak enforcement of the relevant safety regulations is a broader issue. Many accidents involving hazardous materials can be blamed on a lack of self-governance by the companies involved, weak oversight by the authorities and carelessness on the part of employees.

The Chinese government and provincial authorities have already begun to tighten up the level of oversight and to raise the qualification standards for new entrants to the market. More frequent inspections and audits are likely.

However, this will be quite a task. Dr Song reported that there are more than 3,000 LSPs operating in the Chinese chemical sector, almost all of them locally focused. If things are to improve, unsafe operators will need to be driven out of the business and it is inevitable that operating costs for compliant businesses will increase.



INTERMODAL ASIA OFFERS A BUSY MEETING POINT

SMOOTH AS SILK

Immediately after the Intermodal Asia event, @tco's team had been invited to give a presentation at the two-day Asia Chemical Supply Chain Executive Summit in Shanghai, where the audience consisted of nearly 100 professionals from the region. Lee and Wood presented some of the material compiled for @tco members in recent years, as well as some of the takeaways from the @tco forum the same week.

Lee and Wood also included new material, including photographs taken in the aftermath of the Tianjin explosion that showed how tank containers caught up in the explosion had remained intact even in fire engulfment conditions.

Lee and Wood spoke about @tco's main concerns in terms of safety in the transport of liquid chemicals, including the responsibility for all players in the chain to ensure the safe disposal of residues, the need to use equipment (such as tank containers) that have the lowest lifecycle environmental impact, and to ensure that other containers, such as flexitanks, do not result in disposal to landfill.

Importantly, they stressed to industry representatives at the event: "The support of the chemical companies is imperative for the industry to reach the highest standards in the shortest period of time."

Reg Lee was also invited to take part in a panel discussion on the challenges and opportunities offered by the One Belt, One Road programme, moderated by Ee-Fong

Ewe, vice-president at ICIS Consulting. The One Belt, One Road initiative, introduced by Chinese premier Xi Jinping, aims to connect the major Eurasian economies through infrastructure, trade and investment and comprises two trade connections: the land-based Silk Road Economic Belt and the oceangoing Maritime Silk Road. "It became clear as the meeting progressed that not many of our audience fully understood [the concept] and they all had their own interpretations," Lee says.

Lee had the opportunity during the discussion to give the @tco member position. Some of the Organisation's members have started to move full train loads via the Silk Road route from Europe but progress has been "very slow". As he explained: "In order for the tank container industry to play a part in this initiative the Chinese government must be prepared to invest in improving the rail infrastructure. This will include main rail hubs having their own container lifting facilities and modified rolling stock that is capable of securing tank containers safely. They will also need storage and trucking facilities at these rail hubs for delivery to the final factory locations. It would also be preferable to have repair and cleaning depots at the major hubs.

"Without freer access to the Chinese hinterland via the railways the Chinese chemical industries will not be able to compete in their stated aim of 'exporting more liquid chemical in a safe and cost effective manner'," Lee stressed.

As far as the Maritime Silk Road is concerned, tank containers are already part of this supply chain. However, this route cannot be competitive for those products that have to be loaded from inland China without better and cheaper access to an improved rail service. Chinese exporters may have to look at the combined transport model used by the European chemical industry if they are to get their products to overseas market at a competitive price. HCB

@tco will hold its next general meetings in Singapore on 5 July and in Shanghai on 16 November. Full details can be found at www.atcoasia.com.

