

Interview: Phau Hui Hoon – Assistant Vice President, Cargo and Logistics Development, Changi Airport Group, Singapore



“There must be excellent communication between pharma shippers, logistics providers, and the air freight industry to ensure expectations are conveyed clearly and to minimize risk during transportation”•

22.12.2016

Tags:

[Singapore](#), [Asia](#), [Changi Airport](#), [Logistics](#), [Distribution](#), [Pharma](#)

As the world’s best airport, Changi Airport is also a fast growing hub for pharma freight shipping, and has demonstrated significant leadership in the world of pharma logistics hubs while advancing Changi’s quality standards and end to end service in Singapore.

Changi Airport has recently been recognized as the best airport in the world, and also plays a leadership role amongst international airports in terms of promoting quality standards for pharma logistics. What should readers in the pharma industry know about the world of pharma air freight shipping?

Transporting pharma products by air requires very close cooperation amongst stakeholders along entire supply chain to ensure the right equipment, facilities, handling procedures are in place to ensure the integrity of the pharma products during transportation. This means there must be excellent communication between pharma shippers, logistics providers, and the air freight industry to ensure expectations are conveyed clearly and to minimize risk during transportation, particularly when a cold chain must be maintained.

Changi Airport is proud to be a strategic member of the international Pharma.Aero community alongside Miami International Airport, Brussels Airport, Sharjah airport in the UAE, Singapore Airlines cargo – other members include Brussels Airlines and Brinks Life Sciences. Pharma.Aero will serve as a platform through which IATA-CEIV Pharma certified airport communities, including

airports, pharmaceutical shippers, and other air cargo stakeholders, can collaborate to provide end to end services guaranteed under the same harmonized IATA-CEIV Pharma quality certification. With the rising sophistication, sensitivity, and value of many innovative pharma products, many pharmaceutical companies are now taking an active role in determining how their products are transported to ensure that the number of touchpoints is minimized and that the risk in the transport chain is minimized. Going forward, we hope these clients will look to the Pharma.Aero community and IATA CEIV community as a guarantee of end-to-end high quality standard service.

Aside from Changi's leadership role in the international pharma airfreight community, the airport has unsurprisingly seen strong growth in pharma cargo volumes over the last few years. What were the fundamental steps that have set Changi on this growth trajectory?

We have seen pharmaceutical as a high potential niche for several reasons. Global spending on cold chain pharma shipments is growing at between 8 and 9 percent per year, and over the next few years Asia will account for one of the largest share of that global growth. Given our geographic location, connectivity, infrastructure, and capabilities and a whole range of other factors, we feel we are well located to capture a significant portion of this growth in pharmaceutical airfreight.

[Featured_in]

As such we have made significant efforts to position Changi as an optimal hub for these shipment volumes. Changi Airport Group itself is not a direct service provider, so our role was to work with our stakeholders in the airport ecosystem to raise awareness about the potential the pharma industry represented, and some of the necessary investments that would be needed to capture that. We started to discuss the potential of pharma cargo with the local industry a few years back, and in 2015 began to promote the quality certification provided by the Center of Excellence for Independent Validators in Pharmaceutical Logistics (CEIV Pharma), which was created by the International Air Transport Association (IATA), which we know as the IATA-CEIV Pharma certification. This was a significant challenge as this is a very new certification, much younger than the GDP designation which has been present in Europe for many years. We ran some workshops, brought in experts to speak on the subject, and engaged with our community on a one to one basis to get feedback on whether the program aligned with their strategy. The second step was to encourage and support our stakeholders in making investments in cold chain facilities and other necessary equipment, training, and infrastructure to enable high quality pharma logistics service. This was also a significant challenge as given the margin erosion that has been seen in the airfreight industry in recent years, many of our stakeholders were more cautious about embarking on new initiatives.

One of the first movers was SATS, an airport ground handler, who invested in their own Coolport facility in 2010, and who was the very first company to get the IATA-CEIV Pharma certification in 2014. DNATA, our other airport ground handler, followed with their investment in their own cold chain facility in 2013. Going forward, we are expecting six different companies to get their IATA CEIV Pharma certification in 2017.

It has taken a lot of hard work, but if we look at the numbers it's clear that we have been quite successful thus far. Pharma cargo volumes have grown at a CAGR of 13 percent from 2010 to 2015, despite a weak and volatile global market for air cargo. For the first ten months of 2016, we have observed 16 percent year on year growth. The airport's total cargo volume for the first ten months of 2016 grew 6 percent year-on-year, on track to be the strongest growth year in several years. Within this growth, we are seeing a lot of the growth coming from our key markets of China, India and Australia. Our fastest growth route for pharma cargo, which is also our fastest growth route for cargo in general, is Australia to China; we have a strong advantage on such routes due to our large number of destinations and flight frequencies in both countries.

What exactly is the pitch for why pharma shippers should consider shipping through Changi?

The first factor is our connectivity and access. Changi airport is one of the best connected airports in the region, with more than 6800 weekly flights connected to 330 cities. This means we can reach a lot of cities with a high level of frequency, so shipments can reach their destination quickly even if they miss a flight. Being able to access patients in more isolated regions is a key concern for the pharmaceutical industry, and Changi is very well connected to emerging economies across Asia with flights to more than just the capitals and largest economic hubs; for instance, we have flights to 32 cities in China and 15 cities in India. Moreover, we are constantly expanding our reach and access, and just this year we have added two new destinations in India, Amritsar and Jaipur, via our Singapore based carriers. This level of connectivity provides shippers and logistics providers with many options to move shipments to their needed destinations quickly and directly, at a level unparalleled by other airports in the region.

[related_story]

From Changi's perspective, working with pharma also helps to sustain and increase our connectivity. Pharma attracts higher yields for airlines due to their higher handling requirement thus helping to sustain their operations to Changi. In a virtuous circle, this better connectivity helps to bring yet more pharmaceutical shipments through Changi.

The other aspect of our offering to pharmaceutical companies is our facilities and infrastructure. Our two ground handlers have invested in state of the art temperature control facilities, and are getting certified to a level that satisfies the strictest requirements of pharma shippers.

Finally, it is important to recognize that Changi Airport has brought together the entire community to invest in developing their capabilities in serving the pharmaceutical industry. There is a strong community of likeminded people who want to work together to achieve the levels of reliability and quality standards needed to make Changi Airport the most trusted hub for pharma air cargo in the region, and the preferred gateway for pharma cargo to Asia. Going forward, we hope to extend and strengthen this community through the Pharma.Aero association, which will unite IATA-CEIV Pharma certified airport communities and service providers around the world such that we can offer services under this quality designation.

In general, where are some of these areas where the airport sees growth potential, and how do pharmaceutical products fit into that vision?

Our cargo and logistics development team has increasingly been focusing on developing our business in niche cargo areas, pharmaceuticals being one niche. We adopted this strategy after looking at global trends in airfreight, which has featured limited and volatile growth since the financial crisis in 2008/09 making it difficult to anticipate demand trends. From the airport's perspective, we are trying to diversify and specialize our capabilities to mitigate the impact of wider fluctuations in global airfreight demand.

As such, we have decided to focus on a few key segments where we believe there is a strong potential for growth, and where Changi airport can differentiate itself; pharmaceuticals, perishable foods, express/e-commerce, aerospace, and live animals. Perishables are quite interesting as we are well located to capture growth in export volumes from the surrounding region, and perishables have particular handling requirements that we can meet. Much as with the pharmaceutical industry, Singapore's government has shown a broader focus to develop the aerospace industry in Singapore, and as such our expansion into this niche has been in support of the local industry. Another area we've been looking at more recently is ways to leverage the growth in express/ e-

commerce, and this has been one factor behind our efforts to anchor the key express integrators to Singapore. FedEx Express has had a hub at the Singapore airfreight center since 2012, and DHL Express just opened their new hub for South Asia in the past few months.

Another angle we are looking at for growth is different ways to increase our catchment area further beyond Singapore. This includes the possibility to leverage intermodal shipping opportunities, sea/air or land/air, to bring more cargo through Singapore.

Changi Airport was recently recognized as the best Airport in the world. What was the role of the Changi Airport Group in achieving this recognition?

As the manager and operator of the airport, we do not directly provide services, and ultimately such awards and achievements have been won due to the efforts, commitments, and investments of the other stakeholders in our airport; the airlines, freighter airlines, express shipping integrators, airport ground handlers, freight forwarders, and other service providers. The role of the Changi Airport Group is to provide and develop the airport infrastructure, and to add value to the entire airport ecosystem by sharing our macro perspective on how the airport is developing as a whole. Essentially, we engage our stakeholders in regular discussions to try to identify new areas for growth, whether in passenger transport or airfreight shipping, support their efforts to develop such opportunities where possible. In many cases such opportunities can involve multiple stakeholders, and we work to raise awareness and focus to help encourage a degree of coordination and alignment.

Our efforts have not been without success. We are the ninth busiest airport in the world for international airfreight and more than 1.85 million tons of freight pass through Changi per year, and have seen cargo volumes grow at a healthy 6 percent year to date. It is also clear that Changi remains a very attractive destination for freight operations and passenger travel, as we constantly see our connectivity increase. Just over the last two years we have welcomed six new and returning airlines; MyIndo from Indonesia Neptune Air from Malaysia, and K-Mile Air from Thailand all increase our ability to serve markets in the southeast Asia region, while Polar Air, Silk Way West, and Airbridge Cargo increase our wide body main deck capacity to international destinations.

[See more interviews](#)
