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BUSINESS | LOGISTICS REPORT

DHL, UPS Build Up 'Cold Chain' Shipping for Pharmaceuticals

Investments come as report says changes in drug manufacturing put a greater premium on temperature controls in logistics



The move by drug manufacturers toward more structurally-complex drugs is creating a need for stronger temperature controls in distribution channels, according to a paper released by Deutsche Post DHL AG. *PHOTO: EUROPEAN PRESSPHOTO AGENCY*

By **ROBBIE WHELAN**

June 18, 2015 4:54 p.m. ET

The largest U.S. logistics companies are preparing for a boom in spending on specialty drugs that require temperature-controlled shipping by investing in so-called cold-chain infrastructure.

On Thursday United Parcel Service Inc. announced it is building a health care distribution center in the Netherlands, just a month after opening an air freight facility

at the Amsterdam Airport Schiphol dedicated to health care shipments. .

The announcement comes in the same week that Deutsche Post DHL AG released a white paper that said pharmaceutical manufacturers face an “exponential growth in the need for temperature assured distribution and handling of materials, from active ingredients to finished products.”

The boom stems from a move by pharmaceutical companies away from so-called “small molecule,” chemical-based drugs, which includes most over-the-counter pill-based medications. Instead, the manufacturers are moving toward more structurally-complex biotechnology drugs, including hormones and cancer drugs, which in general require strict temperature controls when shipped.

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pipeline of drugs waiting for approval over the last few years has been biologically-based drugs with large molecular structures. These require temperature control,” said Angelos Orfanos, DHL’s president of life sciences and health care. “What we’re seeing is an acceleration of that right now.”

The DHL report cited projections from the PwC Health Research Institute that by 2016, spending on specialty drugs, including those requiring refrigerated shipping, will rise to \$192.2 billion, up 121% from \$87.1 billion in 2012. By 2020, spending is expected to reach \$401.7 billion, DHL’s report said.

In the last two years, DHL has invested heavily in staff, warehouses and facilities equipped to handle temperature-sensitive shipments—many of which require a package to be kept at between 2 and 8 degrees Celsius for the duration of a shipment—and which must meet Food and Drug Administration and European Medicines Agency standards for quality control.

The expansion includes 13 new life sciences-certified packing stations added so far in 2015 and five added last year to the 36 facilities the company had in 2013. DHL’s life

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sciences staff has grown from 4,500 to 4,900 in the past year, including about 150 pharmacists, Mr. Orfanos said.

DHL's competitors are also focusing on cold-chain logistics.

In December, UPS announced a deal to acquire Polish pharmaceutical logistics company Poltraf Sp. z o.o., which specializes in temperature-controlled warehousing and transportation company to bolster its capabilities in the 2-8°C refrigerated and 15-25°C refrigerated spaces. And in 2014, FedEx Corp. expanded its temperature-controlled packaging portfolio to include a new "cold shipping" option for customers requiring a 2-8° Celsius option for shipments that take up to 96 hours.

UPS said its facility in the Netherlands, meantime, will be completed in January 2016. It will allow "shippers to comply with international healthcare quality standards and serve a broad customer base," Harld Peters, the president of UPS in Western Europe, said in a prepared statement.

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