

# SCMS

## IN BRIEF



## Taking It to the Road and Sea:

NEW FREIGHT OPTIONS CAN HELP MOVE MONEY TO HIV/AIDS TREATMENT

Although ARV prices have fallen as low as \$90/year for some regimens, most countries still have more patients needing treatment than they can serve with available funding. Traditionally, most programs have used costly air freight for shipping HIV/AIDS commodities. SCMS, the largest procurer of ARVs for PEPFAR programs, determined to reduce shipping costs in order to help clients redirect money saved for other purposes, including ARVs and other treatment and testing commodities.



SCMS utilizes UPS, a third-party logistics (3PL) provider, to plan and coordinate shipments and negotiate pricing with carriers worldwide; PHD, a South African 3PL, coordinates road shipments within Africa. Through technical assistance, SCMS has worked with clients to develop forecasts and demand plans for commodities that help SCMS and our clients to plan for switching appropriate shipments from air freight to sea and/or road and avoid periods of peak shipping prices, reducing costs by as much as 90 percent. To help clients make informed decisions, SCMS produces a transportation cost savings report that estimates cost of air, sea and road freight. Decisions are based on needed delivery dates, product expiry and other factors.

SCMS is saving many of its clients significant funds by shifting appropriate shipments. For the life of the project, total savings have been \$22.5 million for sea shipments (86 percent less than air freight) and \$1.8 million for land shipments (66 percent less than air freight).

The savings by switching to sea and/or road vary depending on the volume of shipments and type of commodities shipped. Examples of cumulative cost savings include \$400,000 (83 percent) for Botswana, \$10.1 million (86 percent) for Ethiopia, \$1.1 million (87 percent) for Haiti, \$1.1 million (85 percent) for Tanzania and \$1.2 million (85 percent) for Zambia.

Clients who plan in advance can take advantage of these savings. When countries implement longer supply plans, it allows time to forecast and schedule lower-cost transportation. It may take, for example, 45 days longer for shipments to arrive by sea than by air, but the significant cost savings can then be assigned to other uses. Zimbabwe provides a good example. As the political situation stabilized in this country, the PEPFAR program, which supports 40,000 people on treatment, switched from air freight to road shipments of ARVs from SCMS's regional distribution center in South Africa, saving around 60 percent in shipping costs — or potentially \$130,000 per year. Initial savings were used to purchase HIV test kits to make up for the shortage in the national testing program.

Achieving results like these requires careful collaboration between clients and procurement agents to select appropriate commodities, combine shipments when possible and negotiate delivery dates. Employing experienced 3PL providers provides efficiencies of scale and price negotiating power with multiple shippers.

---

***SCMS, the largest procurer of ARVs for PEPFAR programs, determined to reduce shipping costs in order to help clients redirect money saved for other purposes, including ARVs and other treatment and testing commodities.***

---

Those who plan orders well in advance by preparing and sharing forecasts and supply plans will be best positioned to benefit from savings in freight costs from air to sea and/or road. More cost savings can be negotiated with carriers by doing smaller, regularly scheduled shipments rather than large, one-off shipments.

Even land-locked countries can benefit from shipping by sea to a neighboring country's port and then transferring to delivery by land.

## CONTACT

Nita Correa

SCMS

1616 Fort Myer Drive

12th Floor

Arlington, VA 22209

Email address: [ncorrea@pfscm.org](mailto:ncorrea@pfscm.org)

T. 571.227.8646

## ABOUT SCMS

The Supply Chain Management System (SCMS) was established to collaborate within country and global partners to ensure a reliable, cost-effective and secure supply of high quality medicines and health products for HIV/AIDS prevention, care and treatment. SCMS is funded as part of the President's Emergency Plan for AIDS Relief. Visit us at [www.scms.pfscm.org](http://www.scms.pfscm.org).

The author's views expressed in this publication do not necessarily reflect the views of the US Agency for International Development or the United States government.