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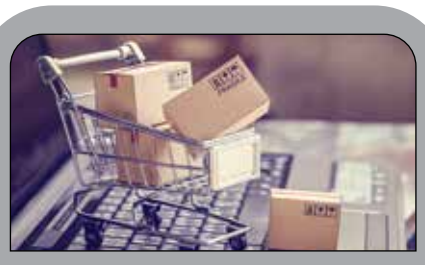

Lines under the spotlight

Shippers increasingly angry over high prices and poor reliability

CONTAINER lines are coming under the spotlight as their customers struggle with high prices and poor reliability. Shippers and forwarders are becoming increasingly angered by the combination, which is starting to attract the interest of legislators.

High rates, low reliability and the chronic shortage of empty containers are plaguing supply chains, and one forwarder said heads should roll over the current situation.

"There is something fishy going on. How can it be so unbalanced, the empties? The lines have to fire someone for such poor management of containers.

"Or maybe it's been done on purpose. The lines had losses for many years - here, they have an opportunity. They needed a good excuse to raise rates - but the service is poor - they cancelled 30 per cent of port calls last year."

Another forwarder said lines were opting for high long-term rates with shippers. Lory Cheung, overseas marketing specialist at China-based MRF International Forwarding, said that carriers were "grabbing what they can, while they can", as eventually the lines expected the market would return to some sort of normal.

"The carriers seem to prefer signing high long-term rates with BCOs instead of forwarders at the moment," he noted, which suggested lines were endeavouring to lock-in contract rates at the highest possible levels to insulate them against spot market volatility.

> "There is something fishy going on. How can it be so unbalanced, the empties?"

Andy Cliff, director at UK-based Straightforward Consultancy, said rate levels were "still crazy".

"Hopefully the lines don't play games and blank more sailings to prop up these unfair and unsustainable rates."

The chaos on the seas has come to the attention of authorities, particularly in the US, where political pressure is mounting.

More than 100 members of Congress have jointly signed a letter calling for the FMC to hold carriers to account.

They said: "Over the past year, American producers, exporters and entire economic sectors have grappled with widespread delays, bottlenecks and increasing fees at our ports.

"These challenges are exacerbated by reports that VOCCs [vessel operating common carriers] are delivering shipments to US ports and then electing to leave without refilling empty containers with American goods for export.

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CMA CGM launches airline – and eyes wide customer base

HIGH air freight rates have driven new operators on to the scene, with shipping line CMA CGM being the most noticeable new entrant.

The shipping line has established an air freight arm, CMA CGM Air Cargo, following the acquisition of four A330-200 freighters from Qatar Airways. The aircraft have begun to deliver, in CMA CGM's livery, to Air Belgium, which will operate the flights out of Liege.

The first route is to Chicago O' Hare, while it is thought that the next steps will be Atlanta and New York as the airline looks to build a network.

However, some forwarders have expressed concern over using CMA CGM's capacity, noting that it owns Ceva Logistics. But sources from the group say that Ceva is to take up to 25 per cent of the capacity via blocked space agreements, but the remainder will be forwarder-neutral.

Ceva's strongest air freight routes are on the Transpacific, but the A330-200F is better suited to shorter distances, in the six-hour region. Despite the aircraft type's limitations – it is mostly popular with express operators - CMA was said to be keen to buy the aircraft as they were well-maintained, available and value for money, said one source.

And many forwarders have welcomed additional capacity in the market, while the new airline has already signed up to booking platform CargoAi, showing CMA's desire to attract customers other than Ceva.

> "I think digital channels will grow a lot because it's easier and faster than sending out requests to 10 airlines"

A platform for independents

CMA is not alone in looking for new customers. Qatar Airways Cargo has also finally joined a booking platform, WebCargo, having so far focused its digital attention on its own website.

"We will join other platforms; if we were going to do exclusivity it would be on our website," explained Guillaume Halleux, chief cargo officer. "But it's a consequence of our resources [if we don't join others immediately]. I don't want to lose focus by going in too many directions at the same time.

"But we are not closing doors. Our criteria for joining will be data security, reach – or the reality of reach. You can say you have 5,000 forwarders on a site, but what do they actually represent in market penetration?

"It's important - ebooking is the beginning of a journey that is transforming the industry."

Digital platforms should help carriers grow their market share, he added, bringing in new customers such as SME forwarders – "which is always a segment we are interested in".

Lufthansa Cargo also recently expressed its desire to attract independent forwarders. Dorothea von Boxberg, chief executive, speaking as the carrier announced record results, said she wanted SMEs to be able to access the airline easily.

"SME forwarders might not be as IT savvy, or want to invest, so we need to be on platforms such as cargo.one or Webcargo, where they can compare rates, routings, stopovers, and capacity, and make their choice directly.

"The plan is to be available to all customers. We are looking at which platforms are valuable, and which ones bring in new revenue, not just move revenues.

"I think digital channels will grow a lot because it's easier and faster than sending out requests to 10 airlines."

Meanwhile, rates are expected to remain "elevated" in air freight for two years, according to some estimates, as much widebody belly capacity remains parked. The prediction has led to older aircraft being brought back into service – and new interest in freighters. Aerotranscargo, which is registered in Moldova and has a base in the UAE, is planning a Dutch offshoot, managed by former Martinair directors. It plans to launch this summer with two 747-400 freighters, for routes to mainland China, Hong Kong and the US. The airline said ultimately it wants to operate 10 freighters – but will look for more fuel-efficient aircraft types, such as the 777F and 747-8F after 2024 – when rates are expected to 'normalise'.

Unsustainable trading conditions

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"Such activity constricts entire supply chains and propels trade to move only in an inbound direction. These conditions are unsustainable for exporters, put significant strain on the US economy and are simply unacceptable."

One of the largest export associations, the Agriculture Transportation Coalition, said last month the FMC held the legal authority to penalise carriers if they were found to be in violation of the Shipping Act.

Meanwhile, congresswoman Kim Schrier, who represents the state of Washington which has a heavy concentration of fruit exporters, wrote separately to the FMC.

"For months, these exporters have shared with me how carriers favouring empty export containers is impacting their industries, threatening export markets and souring relationships they have developed and maintained over decades," she wrote.

"It is not an exaggeration to say that the economic health of my district is being directly threatened by the actions of the nine major ocean carriers.

"The widespread rejection of US exports must end. I support any FMC enforcement action that will ensure ocean carrier compliance with the Shipping Act and bring desperately needed relief to our exporters.

"If you find that current regulations do not adequately equip the commission with enforcement capability, I am happy to work with my colleagues to pursue legislative language to grant you that authority," she wrote.

KIM SCHRIER
State of Washington

Freight rates push shippers to alternative models

LARS JENSEN
SeaIntelligence

SHIPPERS could abandon current business models as record freight rates eat up margins. Sky-high prices out of China, on Asia-Europe in particular, are beginning to undermine existing sourcing choices, with European and US importers looking to alternatives to China.

One European forwarder said that he'd seen importers actively looking for near-shoring solutions as the freight costs have made businesses untenable.

"If I was an importer, I wouldn't want to be beholden to a shipping line, but that is what is happening right now."

Another forwarder said his customers felt they were being held hostage by the shipping lines, and they had had to put up prices or source locally.

"We have seen importers saying they cannot pay these freight rates because they will lose money," said the European forwarder. "If you are shipper of, say, large white goods or furniture where relatively few units can fit in a box, those increases put hundreds of pounds on the cost of the product."

Turkey was cited as an increasingly popular sourcing location, while central and eastern Europe, as well as North Africa have manufacturing capacity, although forwarders noted that location changes do not happen overnight.

"The Chinese government is now concerned because it understands the country's volumes as a sourcing location could be under threat if freight rates remain too high for much longer," said the forwarder.

"And while the carriers may want to hold on to these high rates, their behaviour has meant that shippers are diversifying from the deepsea trades," he said.

Frederick Mercier, network and sales director of French forwarder Mathez Freight said: "Of course our customers are used to rates going up and down – but this is a lot; this can change shipping decisions.

"I have a customer who sells coffee machines and has decided to hold off on imports for now. He's lucky, he doesn't have a just-in-time business. But he said he would not be held hostage and would not import from China any more.

"If you import some low-value and big-volume commodities, like nappies, say, you are in an unsustainable business as the freight costs are through the roof," he explained – although he predicted an eventual return to the status quo.

SeaIntelligence chief executive Lars Jensen said that the additional costs could "detract marginally from the profitability of the high-end retailer, but could render the low-end retailer unprofitable.

"And, importantly, the increase in the price spread is directly impacting competitiveness between shippers operating in the same sectors."

> "Of course our customers are used to rates going up and down – but this is a lot; this can change shipping decisions"

There are similar price problems in air freight. "Shippers shouldn't let down their guards, just yet," said Bruce Chan, analyst for Stifel.

He warned shippers that rates would remain inflated in air cargo, owing to "significant backlogs … in the entire freight supply chain".

"Shippers will need to find new and creative ways to offset these costs, which may include a surgical analysis of modal planning and selection, greater use of buffer stock, tactical procurement and sourcing, reliance on new, bigger, or more nimble logistics providers to supply capacity and better use of technology for supply chain planning and execution.

"We don't see many signs of immediate rate relief on the horizon, so strap in and try not to get gored," he advised.

Shippers asked to pay premium for sustainable fuel

SHIPPERS are increasingly being asked to pay extra costs for sustainable aviation fuel (SAF), so as to achieve a carbon-neutral flight.

Sustainable aviation fuel is two to three times more costly than conventional jet fuel – and requires investment to open up production sites. But increasing environmental concerns from both big shippers and forwarders are triggering a rise in demand.

One major forwarder has said it will buy 11m litres from American Airlines, and offer it to customers prepared to pay a premium. Lufthansa Cargo has done a similar deal with a German forwarder. Air France-KLM, meanwhile, has asked interested customers to help invest in SAF.

While some shippers may welcome the pricey but sustainable fuel, other forwarders are already baulking at telling their customers about the slew of fuel surcharges that are starting up again. Jet fuel prices are now some 33 per cent higher than a year ago.

"They will only go one way now," said one forwarder. "The airlines will all jump on the bandwagon for sure, it's an additional revenue stream. They probably all hedge, and bought fuel when the market was mega-low last year, so it's a real little earner."

But von Boxberg said Lufthansa Cargo did not hedge. "Our customers buy in a short time frame, so we can closely steer the prices to current fuel prices."

Vaccine concerns over airfreight capacity overblown

CONCERNS that shipments of vaccines would further disrupt the air cargo sector have been dismissed as hype by both consultants and carriers.

Now that both the distribution methods, as well as individual vaccine requirements, are better understood, air cargo experts say that shipments will be absorbed by existing capacity, and not put significant additional pressure on the market.

"If you think of all the doses required globally, more than half will be transported by land"

"If you think of all the doses required globally, more than half will be transported by land," said Dorothea von Boxberg, chief executive of Lufthansa Cargo.

DOROTHEA VON BOXBERG
Lufthansa Cargo

"We have flown some, but it's a limited amount. I expect in the second and third quarter more will fly but it will still be small amounts. Doses are small, they don't need much capacity.

"This misperception came from IATA, which was driven by assuming dry ice and packaging requirements."

New research by Cargo Facts Consulting (CFC) also shows the "global impact on air freight will be relatively modest".

Additional cargo tonnage over two years will be about 50,000, "spread unevenly", it said, while domestic cargo levels will be about 70,000 tons, mainly in the US, EU and India, but with some movement in China, Brazil and Japan.

"I don't think there are overall capacity issues – when you think that, normally airfreight moves 60 million tonnes a year, then 50,000 tonnes of international traffic is not going to move the needle," said Frederic Horst, managing director of CFC

Any impact so far has been marginal, with just 2 per cent of globally ordered vaccine doses administered so far, but CFC expects the 'peak' in vaccine movement to be between April and May, when Novavax starts shipping, and Johnson & Johnson ramps up production.

Express operators have added to the confusion about the potential volumes of vaccines: UPS and FedEx have claimed they have been delivering 10 million doses a week, for example, while vaccines are expected to account for 6 per cent of package volumes in the next few weeks.

"That figure seems to misrepresent the volumes moving by a large degree," noted CFC. "Ten million doses a week is only about 2,000 boxes, assuming 5,000 doses per box."

To help show possible impacts on the air cargo industry, CFC has launched a dashboard which maps tonnage and distribution by country, and takes into account production sites, confirmed orders, supplier locations, weight and transport mode.

"What we are trying to do is demystify a lot of the information circling around on the vaccine shipment surge, but also quantify how much is likely to move on which country-to-country market," said Horst. "That can help airlines, airports and forwarders position themselves."

ECU Worldwide struggles following cyber attack

ECU Worldwide is the latest logistics company to be targeted by cyber criminals. Hackers hit the company, a subsidiary of India's Allcargo Logistics, on 7 February, in a move which saw the company's website and emails taken offline for more than two weeks.

Sources told Voice of the Independent that more than a month later, the problems created by the attack were significant. One UK customer said: "ECU is in a mess, on many levels, they are dysfunctional currently in a major way."

He added that boxes were not being unpacked and that customers had to pay upfront get freight released.

ECU's parent Allcargo told the Indian Stock Exchange that it "acted swiftly in relation to the incident and took all the relevant and necessary actions possible in order to minimise the impact of the incident".

It added that it had engaged a firm of IT consultants to investigate the breach, as well as a senior cyber security expert.

But ECU came under fire from some customers for failing to properly communicate about the attack, and the impact on its business.

It is thought that the cyber criminals may have demanded cash in exchange for not publishing or selling ECU's data.

The attack has come at the same time as increased speculation over ECU's future. AP Moller Maersk is known to want to buy into the LCL world, and ECU, along with its parent, could be a good fit – if quite a large bite for Maersk to take. But as one observer said, Maersk has "never been cash richer".

Vanguard has also been cited in speculation over Maersk's possible acquisition.

Focus ON

A pandemic of online buying

GLOBAL uptake of ecommerce has dramatically accelerated over the past 12 months. In the UK, for example, multiple records were broken over the course of 2020 and in January of this year there was a 74 per cent year-on-year uptick in online orders. In North America and Europe, the picture was remarkably similar, with European ecommerce pumping US$46.5 billion in investment capital into logistics services – reportedly, the largest investment surge in logistics for more than seven years.

Branch manager for Quick Cargo Services (QCS) Robert Weckwerth says his company experienced a spike in ecommerce shipments over the course of last year.

"Our ecommerce activity grew by around 25 per cent in 2020 compared to the previous year," Weckwerth tells Voice of the Independent (VOTI). "No other year has given digitalisation such a huge boost as 2020 and given online retail a veritable record year."

> "Our ecommerce activity grew by around 25 per cent in 2020 compared to the previous year"

Canada-based Mantoria and US operator Global Logistics Connections (GLC) reported equally strong performances in their ecommerce activities during the lockdown year. Director of sales at Mantoria, Florent Bojarski, says that the "dramatic acceleration" brought on by the pandemic dramatically built on the "steady increase" in ecommerce activities experienced "every year for many years".

"SMEs have a very competitive edge with brands that desire a more personalised approach, require value added services, or that sell non-standard size products that require special care and handling," Bojarski tells VOTI. "SMEs can react quicker and adapt much better to meet the clients' needs and provide much more tailored and personalised integration capabilities when needed."

For GLC, an increase in demand occurred in all aspects of its warehousing and distribution model: from storage, order fulfilment, pick and pack, both B2B and B2C business, and ticketing and kitting. Indeed, with ecommerce business doubling in 2020, chief executive Derek Scarbrough tells VOTI that, in anticipation of continued growth in 2021, the company has expanded distribution facilities in three of its flagship markets, Los Angeles, Chicago, and Miami, and added a Charleston distribution hub.

"We understand that consistency in our process, capabilities, and customer experience is key to continued growth," says Scarbrough. "For that reason, we have become laser-focused on recruiting skilled warehouse labour and building a comprehensive training programme for our new hires. We have also emphasised managing our vendor relationships with both FedEx and UPS and other small parcel providers to ensure strong service, particularly for the peak season of 2021.

"Certainly, the pandemic attributed to the record spikes in ecommerce business; however, we were already seeing a growing trend in businesses both big and small moving towards an ecommerce selling model. Companies across many sectors are doubling down on their ecommerce efforts while others reinvent themselves to move into the ecommerce space. While we can expect some valleys ahead, the peaks will only continue to rise as I do not believe we have reached the pinnacle yet."

FLORENT BOJARSKI
Mantoria

ROBERT WECKWERTH
QCS - Quick Cargo Service

Surging volumes nonetheless brought with them problems that have exposed serious deficiencies in the logistics sector's capacity to cater to this evolving model of commerce. And the investment spikes are proving much needed, with Weckwerth noting major capacity constraints experienced across Europe.

"Due to the lock down in the second half of the year, the inventory rose sharply, and our warehouse was 150 per cent filled, which led to storage capacity bottlenecks," he says. "In February 2021, the situation eased again slightly, and warehouse throughputs have become more fluid again. Stock management always involves a lot of effort and accuracy. Together with our partner in the UK, we have taken advantage of the time and invested in new software intended to optimise the work processes and data flows, as well as expand the range of services in the area of tracking.

"But challenges lay in various areas," he continues. "Firstly, due to the local lockdowns in Europe and the border closures, there have been massive capacity collapses – roughly 75 per cent – and drastic rate increases – up to 150 per cent in some cases – which

eCommerce

has affected the first two quarters in particular. Regular turnaround times could often no longer be maintained and increased from two to five days. Due to the ongoing pandemic, it was not easy for us to always have enough handling staff."

Canada too is getting to grips with issues of space, a "major concern" for the burgeoning ecommerce logistics businesses. Mantoria manages some 50,000 square metres of warehouse space, and Bojarski says the company is "basically running" at close to 100 per cent capacity currently. In the Greater Toronto Area, warehouse vacancy rates are at an all-time low, with very little on the market. This, in turn, is dramatically driving up lease rates for the small amount of space available.

> "ecommerce trends are driving us to strategically rethink our physical locations"

In order to ensure its own growth in 2021, Mantoria is building a "brand-new, state of the art" fulfilment centre in Ontario to process orders destined across Canada. Bojarski reckons this will add some 20,000 pallet positions of space to what he describes as a "historically tight market".

"It really cannot come soon enough," he adds. "Then of course there are issues linked to the general trends for continuously shorter delivery times, to follow the consumer expectation influenced by Amazon. This means that fulfilment warehouse operators need to become as efficient as possible driven in large part by the use of technology and integration, as well as automation where and when it makes sense. In our case, to manage quicker delivery times in Canada's large footprint, we are also opening a fulfilment warehouse in Vancouver to ensure quicker delivery times for our existing and new clients in Western Canada. We did not have a need for a presence there in the past, but these ecommerce trends are driving us to strategically rethink our physical locations to meet our clients' expectations."

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Inventory matters

STRAINED capacity in the year of the pandemic catapulted inventory management back to the forefront of the supply chain's collective mind. After all, "what is more vital than inventory management?" asks chief executive of California-headquartered Global Logistics Connections (GLC), Derek Scarbrough.

"Inventory is the physical representation of our clients' investments, their companies' lifeblood," Scarbrough tells VOTI. "Significant investments in software and process are required to maintain inventory integrity. Properly defined locations, location planning, pick faces replenishment, forecasting, scanning, consistent cycle counts are all essential to inventory management. It takes a total commitment to protect inventory integrity, including weekly stock movement visibility, to pinpoint any potential discrepancies. Proper SKU descriptions/codes and management are also essential to maintain accurate inventory. Clearing the hurdle is a matter of proper planning and expert execution, those that do it well put their clients in a position to win."

Quick Cargo Services branch manager (QCS) Robert Weckwerth says the lockdown generated a 150 per cent uptick in inventory being held at the company's warehouses. As a result, storage capacity bottlenecks formed. And while by February of this year, the situation had become "more fluid", the previous 12 months had exposed some underlying structural weaknesses in the company's business model.

"Stock management always involves a lot of effort and accuracy," Weckwerth tells VOTI. "Together with our partner in England, we have taken advantage of the time and invested in new software here as well. The software is intended to optimise the work processes and data flows, as well as expand the range of services in the area of tracking."

Having the right technology and warehouse management systems to ensure this, says director of sales at Mantoria, Florent Bojarski, have become "more critical than ever".

"Managing high order volumes to ensure that data is transmitted electronically between systems and shopping carts, rather than manually or on an individual basis, is really becoming mandatory to prevent errors, ensure quicker processing times, and increasing efficiency in the order fulfilment and shipping process," says Bojarski.

Founder and chief executive of 7PSolutions, Jeff Clarke, is focusing on an important but perhaps sometimes overlooked area of inventory management, namely loss prevention. Systems developed by Clarke and the team aim to avert package theft across US towns and cities. To achieve this, 7P provides devices that local police hide in actual packages – using 7P's system, police monitor the packages as soon as they are moving.

Focus ON

eCommerce

Investment in today's technology is crucial

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Scarbrough says whether companies choose to move entirely online or to straddle both physical and digital worlds, an investment in today's technology is required. And like Bojarski and Weckwerth he notes the need for B2C fulfilment space has increased "significantly", particularly for the "big-box" retailers.

"Due to the rapid growth of the US's ecommerce market, driven mostly by the pandemic, warehouse space became saturated, and pricing increased across the board," says Scarbrough. "Distribution facilities are being built in record numbers, and the need for skilled warehouse labour has risen sharply as the market continues a trajectory of accelerated growth."

There seems to be consensus too on the future for the sector. Rather than seeing the peaks of 2020 as outliers, unlikely to be replicated, Bojarski, Scarbrough and Weckwerth expect the boom times to continue, with Weckwerth noting that 2014-2017 experienced average growth rates of 25.6 per cent in ecommerce sales. In the year preceding the pandemic, global sales hit close to $3.5 trillion, which Weckwerth believes is indicative of the direction of travel for retail.

> "Distribution facilities are being built in record numbers, and the need for skilled warehouse labour has risen sharply"

Bojarski says: "While there were indeed some significant peaks in 2020 driven by the pandemic, we do not see our ecommerce order volumes dropping back down to where they were pre-pandemic. Consumers who are getting more experienced with online shopping, and now appreciate the numerous benefits of shopping online, will for the most part not be going back to their old ways. The pandemic has only catapulted forward an already existing trend."

Similarly, Scarbrough notes: "Certainly, the pandemic attributed to the record spikes in ecommerce business; however, we were already seeing a growing trend in businesses both big and small moving towards an ecommerce selling model. Companies across many sectors are doubling down on their ecommerce efforts, while others reinvent themselves to move into the ecommerce space. While we can expect some valleys ahead, the peaks will only continue to rise, as I do not believe we have reached the pinnacle yet."

Weckwerth does express some caution, however. While the pandemic shifted spending from holidays and restaurants to consumption – in the vein of gardening and sports equipment – he still believes that some spending will shift back to the stationary retail trade. Adding further caution, he notes that "it is to be feared that the aftermath of the pandemic will lead to higher unemployment and an economic downturn, which in turn will of course also slow down online trade".

DEREK SCARBROUGH
Global Logistics Connections

Localisation – by drone

EVEN before the pandemic, ecommerce logistics services were engaged in all-out conflict to develop the best supply chain model. Unsurprisingly, the direction of this has been dictated by the aggressive policies of Amazon, with fulfilment identified as the key battle. Amazon's pledge to standardise next-day delivery set an aggressive marker, and that pledge was paired with an equally aggressive investment surge in constructing the facilities to achieve this. But Svilen Rangelov of Dronamics says "just as next-day is better than two-day, so too is same-day better than next".

"The problem with same-day delivery, however, is that while in the digital world you can feature an unlimited quantity of SKUs, in the physical world you can't, or at least not everywhere," Rangelov tells VOTI. "So, the way same-day has worked in ecommerce to date is by restricting it to consumers within a one-to-two-hour drive of fulfilment centres. Therefore, to ensure nationwide same-day coverage you need an extraordinary amount of capital and inventory. Unless you fly."

Rangelov's position reflects that of Amazon, which very publicly continues to push its advocation of drone technology in achieving same-day deliveries. Last year, this took a step towards realisation after the US Federal Aviation Administration granted the ecommerce behemoth the rights to use drone technology. Global Logistics Connections (GLC) chief executive Derek Scarbrough certainly recognises ecommerce fulfilment as driving the business case for drones in the supply chain.

"Not all technology currently being tested will prove useful in future best practices of supply chain management," Scarbrough says. "However, the cutting edge of technology will continue to be part of future supply chains, be that robotics, automation, and/or drones. These technologies will remain vital in increasing efficiency and customer satisfaction – two fundamental aspects of the ecommerce industry."

SVILEN RANGELOV
Dronamics

For Dronamics, its "big thesis" has always been that the cheaper air cargo becomes, and the more cities and towns it covers, the more it unlocks same-day ecommerce on a national and even international level. This, Rangelov says, has huge implications for supply chains of the future, especially on the SME front, as, he argues, it would allow a small entrepreneur from a small town to sell products online to all of Europe and have anyone in Europe get them same-day, all from "one warehouse from your small town".

"Drones remove the need for complex distribution agreements, for locking up inventory hoping it sells, it's just reaching the customers in the physical world in the same day that you would reach them in the online world," he adds. "No longer will you have to move your family to a megacity in order to build or grow a brand, you could do business and create economic value from small towns, without paying a penalty for that remoteness. It's a bit like phones – when you call me in Bulgaria, unless you tell me you're calling from the UK I wouldn't know it, you may as well have been calling from across town. When you sell me something all the way from the UK and I receive it the same day in Bulgaria, you may as well have been selling it in your store in my town, again, in terms of customer experience, I wouldn't know it. The only thing better would be a teleport, but let's leave this for the next decade."

Rangelov's optimism is not shared universally, at least in the short-term. Branch manager for Quick Cargo Services (QCS) Robert Weckwerth tells VOTI that drones do not yet figure for the company, which has instead opted to focus on electrification of collection and delivery vehicles. Similarly, director of sales at Mantoria, Florent Bojarski, is focused on other technological leaps.

"Drones will undoubtedly have a place in the last-mile delivery options of ecommerce orders," Bojarski tells VOTI. "But our current focus is more on looking into existing automation options within our fulfilment centres and implementing when it makes sense."

Forwarders face delays, while Colombo looks to the future

ROHAN MASAKORALA
Shippers Academy Colombo

SRI Lanka's grand plans of becoming a global logistics hub have suffered a setback from the Covid crisis.

However, international interest in developing the South Asian transhipment hub into a global logistics powerhouse, on a par with Singapore or Dubai, remains.

The crisis peaked in November when, like many other ports around the world, surging demand and a lockdown-reduced workforce combined to cripple operations at Sri Lanka's port of Colombo, its key container gateway.

The resulting bottleneck created a 50,000-container logjam at the port, and chaos for the region's transhipment cargo, especially for supply chains in India and Bangladesh, which rely heavily on their deep-drafted southern neighbour.

Given that Colombo handles some 600,000 TEU per month, regional feedering and connectivity was massively disrupted, with carriers forced to divert some mainline calls away from Sri Lanka altogether, dropping off boxes in India, Singapore and Dubai.

> "The backlog's been cleared and all the previously diverted services have now come back to Colombo"

Freight rates ex-Colombo more than doubled and shippers had to wait up to eight weeks in advance to get a slot.

Fast forward four months, and according to Rohan Masakorala, chief executive of Shippers' Academy Colombo, the port's backlog is mostly cleared, but forwarders and cargo owners are still facing delays, nonetheless.

"The backlog's been cleared and all the previously diverted services have now come back to Colombo," explained Masakorala.

"However, the problem is now that schedules are getting delayed by a couple of days due to problems at other ports. We are also still facing equipment shortages, because of the global positioning of empty containers, which is affecting some customers. Rates are three or four times higher than this time last year."

Indeed, early March saw increasing congestion in Singapore due to the unprecedented container demand over the past six months. Forwarders reported week-long cargo rollovers and surging spot rates, with the aftershock spreading to Colombo, too.

"Connections from Singapore are getting rolled for a week or so, especially less-than container load (LCL) imports into Sri Lanka," noted Masakorala.

"Shipments can get delayed by two-to-four weeks in total before arriving here, and I think it could be another six months at least before we see a correction and these congestion issues are ironed out."

In the meantime, Sri Lankan port authorities and various competing private and public interests, continue to grapple over the future development of Colombo's container terminals.

The port handled 7.2m TEU in 2019, punching well above its weight for a small island nation of 21m. About 80 per cent of that is transhipment cargo, with experts predicting an overall volume drop of about 5 to 6 per cent last year.

Privately operated Colombo International Container Terminal (CICT) handles most of the transhipment volumes, while the port's other two terminals handle feeder vessels.

Sri Lankan port officials have been keen to develop the port's East Container Terminal (ECT), situated at the deepsea South Harbour, following double-digit growth up until 2019, when India's economy suffered a slowdown.

"The port's overall capacity, in terms of yard space and on the quay side, can go up to 10m TEU across the three terminals," Masakorala noted.

"But we only have three berths with deep enough draught to handle ultra-large container vessels (ULCVs) of 18,000 TEU and above."

Therefore, he added, the development of ECT is vital – lest the port risk losing ground to regional rivals also coveting lucrative transhipment cargo, particularly in India, where stakeholders are keen to bring back local cargo from Sri Lanka.

"We need two more berths for the largest vessels as soon as possible - so the development of ECT has to go on irrespective of the current market conditions," Masakorala said.

However, he said the project has been delayed several times due to political wrangling, including a change of government in 2019.

As it stands, a joint-venture between Sri Lanka, India's Adani Ports, and Japan has fallen through, but the latest local media reports suggest a new, and larger, concession has been proposed, which would see the parties take on both ECT and also West Container Terminal.

> "We need two more berths for the largest vessels as soon as possible"

The positive news for Sri Lanka is that the interest from international port players is still there, giving support to the government's ambitions to become a global maritime centre.

For example, Masakorala said Sri Lanka has "immense advantages" in terms of its geography, lying in the middle of the Indian Ocean, with four days' sailing to/from Singapore and 4.5 days to/from Dubai, while by air it's three-and-a-half to four hours to either.

One way Sri Lanka plans to capitalise is by growing its multi-country consolidation offering, and by building up value-added manufacturing alongside.

Furthermore, Masakorala said sea-air cargo was another big opportunity for the country, for example, with cargo flights packed with garments coming in from Bangladesh and then onto the deepsea trades.

He added: "The interest seems to be there from the global logistics players, but the current economic conditions are likely to delay things.

"For example, major infrastructure projects such as Colombo's new airport and national highways, have already been delayed, and our exports have come down by about USD1.5 billion compared to 2019.

"The big challenge is from the Covid regulations and production delays, which has seen factories only produce 50 per cent to 60 per cent of orders on time, which is dangerous because the buyers aren't happy and could take their orders elsewhere."

Which, of course, alongside the well-documented disruptions to freight operations, is putting further pressure on local forwarders.

"The SMEs have had serious problems, some had to close down, and some had to reduce staff - so it's a very challenging environment for local forwarders in Sri Lanka right now," Masakorala noted.

The resulting bottleneck created a 50,000-container logjam at the port, and chaos for the region's transhipment cargo, especially for supply chains in India and Bangladesh

Spotlight ON

Frederic Mercier

Life is good on the French Riviera

Sales & Network GM
Mathez Freight

Mathez Freight: A Brexit boost to business

FREDERIC Mercier, director of sales and network for Mathez Freight, is now part-business owner, along with three other staff at the company. And he's delighted.

"It would have been much better for the owners if they had taken a big load of money," he says. "But instead they decided to keep the continuity and feeling of the company and decided to transfer part of the ownership to four managers.

"It's not a normal thing to do, it shows very positive thinking. It's a matter of trust. And it's a story of people who love their company and staff."

The three company directors of Mathez Freight turned down buyout propositions, saying they wanted to maintain independence, as well as the "unique company culture". And they gave shares instead to management, with Mercier and Alexandre Hiernaux managing the freight activities, Nicolas D'Asta in charge of the compliance arm, and Marion Sabatier taking over finance and administration of both groups. The full process will complete in January next year when they take on their new roles.

> "Should we thank the pandemic? It has accelerated management training, and crisis management has been very interesting"

"I must have a bit of luck on my side," smiles Mercier. "There's a good angel standing over our shoulders!"

But it is perhaps judgement, rather than luck. Mathez Freight has typified the characterisation of an independent forwarder this past year: opportunistic, quick-thinking, flexible.

"Should we thank the pandemic? It has accelerated management training, and crisis management has been very interesting. You need to move 10 times faster in this environment and turn to crisis mode, and we've been working all hours," says Mercier.

In March, company activity slowed right down, and 80 per cent of the staff went on furlough. As business began to creep back, so did people, and the company is back at 90 to 95 per cent of its full staff contingent.

But one of Mathez's business arms was - and remains – severely impacted. It has events and arts logistics businesses, which involve touring with the Tel Aviv Philharmonic, or organising festivals in Cannes; based in Nice and Monaco, Mathez also deals with the transportation needs of the ultra wealthy, and spare parts for yachts and cruise ships.

"While tourism is down, this business is down too," says Mercier, noting that Mathez's events business is "down 99 per cent".

So the company decided to pivot. And Brexit provided it with that opportunity.

"The UK has given us a lot of work to do, it's unbelievable, and it's profitable. We are a customs broker, and Brexit is all about customs.

"There are 10,000 trucks on the Channel every day. And 40,000 Customs clearances made each day, on both sides of the Channel. We don't have the whole market, but we've worked on some high-ranking contracts and that has generated lots of leads for us. We are now recruiting six extra brokers to our staff, and six or seven Customs service people. We are aiming at €1m in Customs brokers fees this year."

France, the UK and Ireland have been trading together without rules for years, he explains. "But on January 1, no one was used to it, the Customs documents, the export invoices, VAT, EORI … that first two weeks was really hectic. Most documents had to be checked, there was stuff missing. People were unskilled in international trading and we had a hell of a lot of work to do, there were such massive changes in procedures."

He acknowledges there were a few hiccups – the "odd truck getting stuck overnight" - but as with Covid-19, "everyone was showing some good will, everyone was making an effort to make it happen".

Mercier says there will be more challenges to come, noting new rules in April. "It's going to slow everything down from the end of March."

But Brexit and its related freight problems are not the only challenges this year, as forwarders the world over will know.

In that first few months, in common with many businesses, Mathez turned itself into a PPE and medical equipment specialist.

"We had no business, so we set up one for masks, and helped the planet get PPE. We were very adaptable and quick on our feet.

"Although our customers' business is down 20 per cent, we are not crying. Overall, we've not suffered, we've shuffled people into other opportunities, like PPE and Brexit. The current company ownership gave us carte blanche to do whatever we wanted to do."

> "Things have really changed. Brexit is a real part of our business now"

Mathez decided to give free advice on importing masks into France, and checked documentation. "Once we were involved, we could then convert that into booking transportation, and that's where we made money. Money wasn't the aim in the first place, however."

Mercier says that philosophy is in the company's DNA. "We are paid to make the company work, give jobs to people and serve customers. We'd never make it in Wall St.

"But if you do the right thing, the money will follow."

The question for many fast-moving companies is whether they should stop and focus on the new business, or keep looking for even better opportunities. Or will they put a halt to any new products when exhibitions return?

"Things have really changed. Brexit is a real part of our business now, and if we keep doing good work for our customers, there is no reason why they'd leave us.

"But I strongly hope that things will come back as they were before. And I think when life comes back, the economy will follow – although there could be a few adjustments.

"There could be some relocating of production, and I think a greater focus on going green. There will be some changes, which is good.

"There will be a Before and After, but I hope After is not so different."

Covid has accelerated the use of technology, for example, just as Mathez was in the process of digitising anyway. "Digitisation is the transition of the business model, to Forwarding 4.0, or whatever it is now," he laughs.

For now, like every other forwarder (and customer), Mercier is focusing on the short-term market, which is pretty challenging.

"And we don't see a huge improvement in Q3 either. We told our customers that there would be a drop after Chinese new year, but with all the blanked sailings, there has not been a huge return of empty containers. The market is tense, and rates are still high, at $8000 from China to Europe. It's making customers shout! Of course they are used to rates going up and down, but this is by a lot. These price changes can affect shipping decisions."

He says one of his customers has stopped importing from China: "He's lucky, he doesn't have a just-in-time business". Another has put up prices by 15 per cent to cover the new shipping costs.

"There will be some corrective behaviour. In the end, the world doesn't like too many changes, and it will go back to being a more stable market."

Mercier concludes: "Everyone was happy that 2020 was over – but nothing actually changed on January 1."

Insights IN

Seafreight – comment by Mike Wackett

Who's to blame for schedule unreliability

UNTIL the late 1970s, every Friday at 4pm sharp a Union-Castle 'Royal Mail' cargo ship would leave the UK port of Southampton destined for Cape Town, South Africa.

At exactly the same time a Union-Castle ship would leave Cape Town, bound for Southampton.

If you were in Southampton in those days it was said that you could set your watch by the Friday afternoon departure, alerted by the blast of the Union-Castle ship's horn as it left the berth.

The flagship vessels would sail regardless of whether they had finished cargo work or not, such was the importance of timekeeping to the line and its customers.

All stakeholders worked together to meet this strict deadline, keen to be a part of this ultimate in customer service.

Moving on a couple of decades the Far East Freight Conference (FEFC), although not nearly as fastidious on time keeping, was nonetheless very particular about schedule integrity.

Indeed, this writer attended many FEFC meetings when the agenda concentrated on the "possible" change of a berthing window at Southampton, or the "proposed" phasing-in of a new vessel by a member line into the network.

Suffice to say that these decisions were not made overnight and required extensive consultation with the terminal operators at Southampton, the previous and next ports, feeder and block train schedules, and in the case of a newbuild, a vessel's sea-trial and load-factor data.

The European Union's outlawing of liner conferences and the subsequent demise of the FEFC in October 2008 heralded a new era of 'more flexible' scheduling that needed to adapt to exponential growth in cargo volumes and ship sizes.

The introduction of newbuild larger container vessels were often 'nodded through' by the new vessel sharing group partners without the extensive consultation and research undertaken by their predecessors.

That is not to say that schedule changes and vessel upgrades were worked out on the back of a cigarette packet, but the time pressures necessitated a quicker decision process, thus corners were unavoidably cut.

Moreover, slow steaming became the norm and therefore transit times were extended by default with shippers not prepared to be seen to be complaining about the environmental improvements of slowing ships, which for carriers also represented a significant cost saving.

As a consequence, carriers extended the advertised transit times within their networks and reassured concerned shippers that they had the ability to speed up their ships in case of a need to ensure the integrity of their services.

But in reality, the liners' strict cost pressures in an increasingly marginal business ruled: masters were not allowed to "put your foot down please Captain" to meet a terminal's berthing window without authority from HQ, which was often denied.

MIKE WACKETT
Sea Freight Consultant, FICS

Today, liner schedule reliability indexes just keep hitting record lows and it is now very rare to hear of a ship that is actually on-time.

The carriers blame bad weather and port congestion for vessel delays, but usually the latter.

Indeed, it was interesting to note that carriers at this year's virtual TPM conference held from Long Beach, California were out in force criticising the US west coast ports for not upgrading their infrastructure and thereby holding them accountable for the extensive delays to the supply chain.

A bunching of off-schedule ultra-large vessels is a nightmare for container ports who are in a lose-lose position: being screamed out by angry carriers, shippers, and hauliers alike for slow ship work and landside congestion.

I did not hear of much debate at TPM on the impact on US west coast ports of the upscaling of tonnage by carriers over the past few years on the tradelane from 6,000 teu to 13,000 teu, or indeed the recent flood of random-sized extra loaders.

Today, liner schedule reliability indexes just keep hitting record lows and it is now very rare to hear of a ship that is actually on-time

Recovery set to trigger new driver shortage crisis

WHILE the driver shortage crisis has eased over the past year in certain regions, including Europe and China, central Asian countries are struggling, with some 20 per cent of positions unfilled.

New research from the International Road Transport Union (IRU) found that in Europe, unfilled vacancies fell from 24 per cent to 7 per cent, while in China, just 4 per cent of roles are unfilled.

But as economies begin to recover, driver shortages are again expected to increase – European firms believe the number of unfilled roles will leap to 17 per cent over the course of the year, and similar increases are expected elsewhere.

The IRU said: "Transport companies forecast driver shortages to intensify again in 2021 as economies recover and demand for transport services increases. This shortfall is expected to reach 18 per cent in Mexico, 20 per cent in Turkey, 24 per cent in Russia and almost 33 per cent in Uzbekistan."

Secretary general Umberto de Pretto (below) added: "Driver shortage threatens the functioning of road transport, supply chains, trade, the economy, and ultimately employment and citizens' welfare. This is not an issue that can wait, action needs to be taken now."

The research also found that efforts to diversify the trucking workforce by bringing in more female and younger drivers continue to fall flat, with the average driver age globally now nearing 50, while the number of women truck drivers declined last year.

5G – cargo revolution on the horizon?

PARTLY spurred on by the pandemic, a number of airports have moved to embrace 5G technology, and more are poised to take it on board, such as Dallas/Fort Worth International Airport.

"We recognise that the future of cargo operations will require new connectivity solutions to support the variety of use cases driven by the rapid adoption of technology. In collaboration between cargo, innovation and IT divisions we are exploring the value of private 5G networks and their ability to deliver greater business value and growth for our partners. 5G is an integral part of the airport's digital transformation strategy," remarked John Ackerman, executive vice-president of global strategy and development.

He is looking to 5G to turbo-charge the capabilities of DFW's cargo community system that was launched last year. Overall, though, airport developments with the technology have been overwhelmingly aimed at the passenger side, noted Amar More, director of logistics technology provider Kale Logistics.

"For cargo it looks like there is need for more use cases on 5G to be developed. It is currently more on a conceptual level," he observed.

Long-term he is bullish on the technology's potential for cargo. "It will have transformative capabilities in reducing costs, improving air cargo handling and transport and enhancing security," he predicted.

A recent paper on the promise of 5G for logistics, published by Reuters Events, found that it "heralds a potential leap in capability, offering far wider coverage of high-speed internet that could at last allow disparate parts of the supply chain to communicate in near-real time".

The dramatically higher speed and network capacity of 5G promises much improved supply chain visibility, remarked More. "5G with its ability to connect over one million devices per .38 square mile can indeed bring in a revolution in shipment tracking," he commented, adding that this extends beyond location tracking to ambient shipment conditions and other elements. It opens the door to piece-level tracking in real time and automatic alerts when a shipment is about to miss a service level to allow instant corrective action.

At this point 5G has been implemented in large urban centres. According to one study, 25 per cent of the world population will have some degree of access to the technology by the end of this year, rising to about 50 per cent by 2025. Most estimates predict that it will be two years at least before 5G will be reaching meaningful coverage levels in economies like the US.

For forwarders grappling with the new document requirements triggered by Brexit, the benefits associated with 5G seem a long way off.

JOHN ACKERMAN
Dallas/Fort Worth International Airport

"I see no evidence of 5G or Internet of Things impacting our industry, and if you saw the speed customs entries are going through post-Brexit, it seems the UK government has no use for 5G either," commented one UK-based forwarder.

For the near future, the most compelling applications of 5G are going to be primarily in warehouses and yards rather than to cover international flows, according to Reuters Events.

> "We recognise that the future of cargo operations will require new connectivity solutions"

Introducing new technologies usually ushers in new hardware at initially high price levels. However, the cost of warehouse and yard applications may well be comparable with technology investments in a 4G environment. When it comes to replacing an old wi-fi network in a large facility, the cost of installing dozens of routers is likely higher than a single 5G connection, which offers the additional benefits of increased speed and elevated security, the Reuters paper indicates.

The author pointed to storage of temperature-sensitive types of cargo as a particularly appealing use at this point to monitor ambient conditions and communicate this data across the value chain.

Down the road the full potential lies in 'intelligent connectivity' – the combination of 5G networks with the legions of devices connected via IoT and the use of artificial intelligence. "As these three revolutionary technologies combine, they will enable transformational new capabilities in the logistics industry," More predicted.

"With 5G the implementation of cheaper sensors will allow better single item tagging and tracking, and near edge computing on small footprint infrastructure will allow faster inventory checking. 5G will help provide end-to-end visibility, not just at an aggregate level, but into every product, helping avoid revenue leakage via theft and loss," he commented.

He anticipates a fairly smooth transition from 4G to 5G, noting that the path to 4G was relatively straightforward. Without a question, broader application of 5G will entail investment in hardware. This may give firms with deeper pockets a headstart, but in the long run, "technology finally emerges as a tool for creating a level playing field," he reflected.

DCSA urges lines to speed digital transformation

SHIPPING lines are not digitising fast enough, according to the Digital Container Shipping Association (DCSA), which is pushing to get faster adoption of electronic documents.

Thomas Bagge, chief executive, said action was needed if the industry was to avoid the pitfalls that air cargo fell into – during its decade-long, and as yet unfinished, transformation process.

"The acceleration is there, mostly on the regulatory side where Japan, India, Singapore and others are clearing the way for an electronic bill of lading," said Bagge. "Still, technology service providers must adjust their solutions and the carriers and shippers can adopt. So yes, public engagement about both potential and required actions is needed.

"I am very interested in anything that will avoid a repeat of the eAWB process – I don't have the patience for that," he said.

Voice of the Independent
Contacts
Production & Design: Mandy Warren
mwarren@worldlogisticsmedia.com
Editorial Team: Editor
editorial@worldlogisticsmedia.com
UK Office
Talon House, 6 Blackthorne Road,
Colnbrook, Berks, SL3 0AL, UK
Phone: +44 7736 034153