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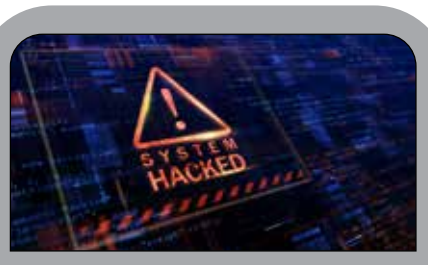

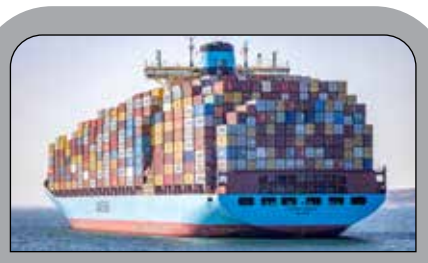

Shanghai lockdown brings roads to a standstill

Airport and ports are open, but forwarders are struggling to get haulage

TRANSPORT, logistics and the global economy face further challenges as China continues to pursue its zero-Covid policy. The lockdown in Shanghai, which has seen 25 million people confined, is playing havoc with supply chains.

Airports and port terminals remain open – but getting goods to and from them is proving more difficult.

"That they are open makes no sense, because the major issue is inland transportation to deliver cargo in and out of Shanghai," said one local forwarder. "There are green channels for lorry drivers, but it is still more than difficult to move cargo in Shanghai."

Another forwarder agreed, telling media that booking truck services was "close to impossible", and that flight activity at Shanghai Pudong (PVG) was just 3 per cent of what it was last month.

"Basically everything else is not moving but is being diverted away from Shanghai to other parts of China. It's affecting every commodity you can think of," he said. "It will have a global effect on almost every trade."

> "It will have a global effect on almost every trade"

Maersk said that trucking services into and out of Shanghai would fall by 30 per cent.

It added: "Shanghai ports (Waigaoqiao and Yangshan) are currently working as per normal though, including vessel operations, yard handling and gate-in-and-out. Up to April 2, Maersk has not omitted any of its Shanghai calls or diverted calls to other ports due to Covid.

"On the other hand, warehouse in the lockdown area is seriously impacted. It is foreseeable that the efficiency of Maersk trucking services from/to Shanghai will be further impacted due to the lockdown and we are providing multimodal services via barge and rail as alternative solutions between Shanghai and nearby cities.

"For airfreight, gateway operations are normal in Shanghai. However with more airlines cancelling flights for the coming days, more volumes will be shifted to other airports in China, including Zhengzhou and Beijing."

Another multinational forwarder warned clients: "Shipping lines are very concerned about the significantly reduced volumes in Shanghai in the upcoming weeks. We strongly recommend alternative loading ports, such as Ningbo and Taicang, for urgent shipments."

And Japanese carrier ONE said that uncollected reefer and dangerous goods shipments were building up in Shanghai's container yards, due to the lack of haulage, adding: "Currently port and terminal operations [in Shanghai] remain operational. However, trucking availability is very limited, and this has impeded clearance of import cargo.

Continued on page 3

Box line emissions data is flawed

FORWARDERS using shipping lines' carbon emissions calculators should be wary of the veracity of the data, a consultant has warned, saying there are "wild discrepancies".

Lars Jensen, CEO of Vespucci Maritime, revealed that customers of the Ocean Alliance could book with Evergreen, CMA CGM, Cosco and OOCL - with cargo going on the same vessel and the same routing – but that the emissions data is different for each carrier.

Claimed per-box emissions on a route between New York and Shanghai at CMA CGM varied between 1370kg and 1779kg of CO2, depending on the route; Evergreen claimed between 809kg and 839kg; OOCL claimed 692kg; and, by far the most outlandish claim, was that by Cosco, of between 437kg and 533kg of CO2 depending on the service.

"Four carriers. Four different methodologies. Four very different results," said Jensen.

> "Four carriers. Four different methodologies. Four very different results"

According to that data, a shipper choosing Cosco instead of CMA CGM, could apparently reduce its shipment's CO2 footprint by 75 per cent – "on exactly the same vessel".

Dr Pierre Garreau, CEO of Searoutes, a company which uses satellite data to measure ship emissions, agreed there were numerous shortcomings in the way carriers calculated their emissions and a standardised "homogenous methodology" was needed.

"[Carriers] are not data companies," he said. "Each follows a different methodology… [and] there is no data-sharing agreement, so the CO2 consumption of a vessel operated by a carrier, and the way the alliance reports it, is wrong. So carriers resort to using averages of averages."

Supply chain visibility company FourKites said it uses distance travelled, total weight of the load and an emission factor [grams of CO2 per mile], instead of relying on box line calculators.

But James Hookham, head of the Global Shippers' Forum, argued that getting accurate data was less important than actually reducing emissions.

"In my view there is too much emphasis generally on the measurement of greenhouse gas emissions.

LARS JENSEN
Vespucci Maritime

Whatever the number produced by these calculators, it will be too big and needs to be reduced, so investing huge amounts of time and management bandwidth in achieving high degrees of precision is pointless. The effort, energy and enlightenment should be directed towards reducing emissions, rather than enumerating them.

"Given the amount of money made in the past two years, the amounts lines have invested in decarbonisation of their fleets is woeful. The working assumption remains that customers will foot this bill in real time rather than through the investment of shareholder funds."

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Shanghai lockdown expected to continue

"The result is that Yangshan and Wai Gao Qiao PH2, in particular, are facing critically high dangerous goods and reefer yard utilisation. There is a possibility that certain DG classes and reefers may not be allowed to discharge if they cannot be accommodated."

It concluded: "In that case, we will arrange either change-of-destination to discharge at other ports or keep the cargo at other transhipment ports to transport to Shanghai once the situation allows."

Most Shanghai flights have been suspended, at the time of going to press, up to April 12, but the local forwarder said he expected the lockdown to continue for at least another one or two weeks.

"So we should not expect more flights back to PVG any time soon."

While forwarders expected to divert cargo to other airports and ports, "it's not that easy", said the local forwarder.

Some 23 Chinese cities are in partial or total lockdown, affecting some 192m people, according to Nomura, who said they accounted for 13.6 per cent of China's gross domestic product.

And prices for inland transportation are on the rise. "The various restrictions on inland transportation, consequently, means trucking costs are becoming more expensive," said the Chinese forwarder, although he added that one 'benefit' is that many factories are also under lockdown, so there is less cargo coming out.

The overall effect – as has been seen before in the past two years – will be upwards pressure on the spot market. Lars Jensen, head of Vespucci Maritime, explained: "There will be a surge of volumes and upwards pressure on spot rates."

The Chinese forwarder added: "The whole situation is still unwinding daily, so any change may happen - we can only keep a close eye on the market."

Some 23 Chinese cities are in partial or total lockdown

Airfreight rates soar on Europe – northeast Asia

WHILE air freight rates globally have been broadly flat in the past month, pressure on volumes exposed to the Europe – northeast Asia market is rising.

The restrictions on over-flying Russia for many carriers have seen airlines factor uncertainty into their strategies, triggering them to rely more heavily on the spot market. The spot market share of capacity has increased to 60 per cent, while rates, also affected by longer flying times, have shot up more than 50 per cent, according to Clive Data Services, part of Xeneta.

NIALL VAN DE WOUW
Xeneta

From Europe to South Korea, rates rose 63 per cent, to €3.66 per kg, while the spot share of the market increased from 31 per cent to 61 per cent in the week up to 3 April.

To Japan, rises were similar, with rates up 50 per cent and spot market share up 20 percentage points, to 60 per cent.

"The data shows uncertainty," said Niall van de Wouw, head of airfreight for Xeneta.

"Airlines want to negotiate rates on a more short-term basis than previously. They had allocated fixed prices, but now want to move to a daily or weekly rate because of the uncertainty and shortage of capacity.

"It says something about the volatility of the market."

Rates from north-east Asia to Europe were less impacted - although they were far higher than eastbound rates anyway.

"There is an increase from Europe – but not so much on the return side," said van de Wouw. "Rates on that lane were already twice as high, so there may have been less room for them to rise much more."

According to Accenture Seabury data, in the week to 18 March, capacity on Europe-NE Asia was down 22 per cent on mid-February, as carriers cut capacity following the invasion of Ukraine. Up to 13 March, capacity to Asia was down 42 per cent versus 2019.

Drones: are they ready for take off?

THE past two years have amply demonstrated the lack of resilience in the air cargo industry in the face of disruption. Restricted capacity has led to extraordinarily high prices, causing most larger forwarders to secure their own capacity.

So the news that there is a new aircraft being developed, which lowers cost by 60 per cent, and increases volumes by the same percentage – while cutting emissions by one half – was always going to create a stir in the market.

This aircraft is in fact an un-crewed, autonomous plane, developed by Natilus. And that headline-grabbing data on its benefits has seen it win advanced purchase commitments worth some US$6 billion for the delivery of more than 440 aircraft (roughly suggesting each plane is worth about $13m).

Natilus has four designs, ranging between the largest, which can carry 143 metric tonnes, and fly 5,112 nautical miles, to the smallest – with a payload of 4.3 metric tonnes, travelling 900 nautical miles.

Flexport has signed a letter of intent for two 100t Natilus aircraft, with an option for a third. Volatus Aerospace and Astral Aviation are among the other potential customers.

"Flexport has always been interested in new technology, and is very excited by the opportunities of Natilus," said vice president of air freight, Neel Jones Shah. "We think it will fit in with fixed wing, and help with the places we can serve. And it will be good for Flexport.org, our humanitarian arm.

"It will complement existing products. We all need to embrace that direction."

But he added, speaking at Tiaca's executive summit in San Francisco: "These are not going to be cheap. But air cargo infrastructure has been under-invested in. These fit into the existing footprint.

"But there is a big lag between when the technology can be implemented, and when the regulations can."

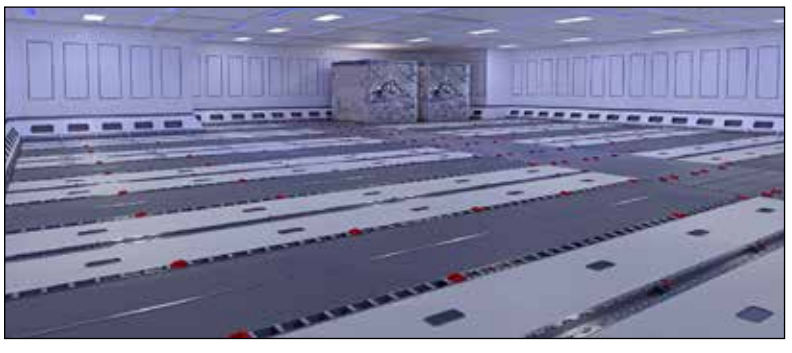
> "We need to educate people, and get them to trust technology"

This, simply, is the biggest barrier to success for drones, or un-crewed aircraft. While the start-ups of San Francisco are essentially ready with the technology, as with much of the tech industry, regulators have a long way to go to catch up.

One source involved in the drone world said the regulatory industry in the US is currently under too much scrutiny to be innovative.

"The FAA's problems with the Boeing Max has made it extremely cautious. It cannot risk enabling automated aircraft to fly – the FAA is under scrutiny, and it simply can't afford to have any accidents. That is delaying the pace of regulation for drones."

Tech providers insist that autonomous aircraft are safer than piloted ones – and the real gap between automation technology and regulation is mindset.



Natilus has four designs, ranging between the largest, which can carry 143 metric tonnes, to the smallest with a payload of 4.3 metric tonnes

"We need to educate people, and get them to trust technology," said Manel Habib, co-founder & CEO, Mighty Fly, an autonomous aircraft maker.

"Autonomous systems are safer than human pilots. The first part of adoption is to explain how it is safer. But we are ready to use autonomous aircraft."

Some companies, in an effort to get around the regulatory minefield, are developing tech that works alongside regulations, but with the ability to scale up once the environment allows. FedEx has partnered with Elroy Air, another San Francisco start-up, with a pre-production version of an autonomous aircraft which can carry 500 lbs (227kgs) over 300 miles. The pair are beginning trials for pilot-free shipments between its sorting centres.

Elroy has been keen to fly within existing regulatory barriers, and is working with Lockheed Martin and the US Air Force on its remotely piloted aircraft. "It's like a small general aviation aircraft," said David Merrill, chief executive. "The pilot can talk to air traffic control, and so will not require new rules to operate."

Elroy is not designing all the parts itself – the engine and motors are designed out-of-house. "We are trying to optimise speed to market," said Merrill.

"The US Air Force is a partner, which helps pull forward this part of the aerospace industry."

UPS has made a similar investment. It is expecting 10 piloted electric Vertical Take Off and Landing (eVTOL) aircraft from Beta Technologies starting in 2024 – with options for 148. The aircraft will take off and land at UPS facilities, with a range of 250 miles and a capacity of 1,400 lbs (635kgs).

Jeff Luckett, head of UAS strategy for UPS Flight Forward, said: "We didn't know at the start whether it was a paper project, or real. Some plans are still on paper, others have come to fruition.

"About three years ago we started getting to a detailed level. To move forward – the tech exists, but we need a pathway to do it. We are a conservative company, so this was a big step for us. We are really good at following the rules, so that's what we'd like to do."

There are already drone operations in service, but they remain hampered by regulations. Air Canada Cargo signed a 10-year deal with Drone Delivery Canada in 2019.

"We are trying to get out in front of this," said Jason Berry, head of cargo for the airline. "We want to unlock access to communities that Air Canada can't serve - there is much more to this than just revenue potential. There is so much opportunity for affordable, reliable service to remote communities. Some last miles are impossible miles – there is no road.

"We are ready – we are doing it today. It's working. But the testing process is rigorous. The challenge is where drones fit into the regulatory space and airspace.

> "The challenge is where drones fit into the regulatory space and airspace"

"Being at the front means you make mistakes. But now we are seeing scaling. Next year we should be able to carry 500lbs over 200 miles.

"We are early adopters but regulators need to decide, globally. We want to share what we've learned and make decisions for the long term."

Canada's Edmonton Airport is also at the forefront. Mammen Tharakan, director e-commerce, cargo & aviation real estate, explained: "The newest airline that we have launched is a drone, flying scheduled, every hour, 16 flights a day."

The drone flies over one of Canada's busiest highways next to the airport, and has its own landing spot – about the size of a car-parking space. The airport sees itself as a hub for innovation.

"Edmonton is a campus – the Airport City Sustainability Campus. We've got a lot of land and we realised we could use the site for testing, trailing, incubation, commercialisation and tech."

It also uses drones as part of its airport operations. It has a drone, made by the Drone Bird Company, styled as a falcon, which it uses to keep birds off the airport. It also uses drones for high resolution scans of the runway, to look out for impediments or cracks.

But it too cites the need for better regulatory progress.

"What we need is more advocates. There is a lot of work to be done on engaging with the public, to create a social license.

"The technology part I am least concerned with, but we do want to continue to push limits, especially with fuel."

Drones are also operating for humanitarian relief in Africa. One source said the FAA was happy for testing to be done in certain parts of Africa, and for the results to be shared, limiting risks in the US. And authorities are more relaxed about rules for humanitarian relief rather than commercial opportunities.

But there is still a lot of work to be done, and big, aircraft-equivalents such as Natilus' design could be a long way off operating in the commercial sphere. The industry needs to adopt a stronger voice to propel regulatory authorities to progress as quickly as the technology, said Jones Shah. "We all need to speak with one voice about how this will help our industry," he concluded.

Spotlight ON

Ken Munro

Staff: the best cyber defence

"IT'S about having better processes than the next party," security consultant at Pen Test Partners, Ken Munro, tells Voice of the Independent (VOTI) as he discusses how forwarders, no matter their size, need to pay greater attention to cyber security.

Cyber-attacks have not only increased in complexity but intensity over the past half-decade. 2017's NotPetya malware ground Maersk's operations to a halt, destroying some 49,000 employee laptops in the process, and more than half of the company's 6,200 servers, resulting in a cost of between US$250 and $300 million for the shipping line. And in March, Hapag-Lloyd fell victim to "spear phishing" that leaked an unknown number of users' data to the scammers.

Munro's imagination leads him into all sorts of suggestions as to how these attacks could be stepped up. But he sees this as a useful tool for tackling threats.

"The truth is stranger than fiction," he says. "What we are seeing now was first imagined by Hollywood 20 years ago, look at for instance Hackers and Speed 2: Cruise Control. The plots of those movies are what we see playing out. Where could it go next? Look at commodity and fuel prices, they are bouncing all over the place. If you could bring a ship carrying LNG (liquified natural gas) to a halt, you could move the stock price, for those looking to short stocks this could be a massive payday."

He does not see this speculation as a flight of fancy. With his colleagues at Pen Test, Munro has tested more than 50 vessels - of which they have managed to take control. He stresses that here he is not just talking about automated ships.

> "What we are seeing now was first imagined by Hollywood 20 years ago"

"We're talking about crewed ships," he continues. "You hear the claim that should a cyber attack happen, crew will just take manual control. Yes, this is possible but it's not something you want to be doing when bridge alarms are going off, it will happen at the worst possible time, and this assumes the crew even notice. It takes time and a lot of control, but we've found it possible to hack a ship and take control of certain processes without people realising. Even the smallest change can send a ship off course, causing a delay in delivery."

Despite these big attacks, Munro emphasises the need for further digitisation within the supply chain sector, noting that remaining paper-based – 98 per cent of bills of lading are produced on paper – runs its own risks, not to mention the associated costs.

"It remains as an industry almost exclusively paper-based," he continues. "This needs to be digitised because while digital processes are prone to hacking, paper is open to fraud. It is very difficult to authenticate someone on paper. How do you certify that the person who sent it is the person you were expecting? With labour. And so, you must look at the costs of processing this paper, it is ginormous. The cost savings you generate by digitising and the associated change in resources is ginormous."

As a result, Munro sees forwarders as among the many parties to gain from digitising. But he warns that it will be the smaller links in the supply chain that hackers will look to exploit.

"Hacking is very much organised like a business," he says. "You will have professional hackers whose sole focus is to seek out vulnerabilities in areas they wish to target. And they follow the money. So, for them, banks – which have been at the forefront of cyber security for decades – are not worth the risk. Maritime though, which as I've said is dated in many areas, is a good source of revenue. Once they have found these vulnerabilities, all it takes is simple hacks that reroute bunkering payments because someone forgot to check after receiving a seemingly legitimately email asking that they pay a different account instead. Or they sell it on to more skilful people who run ransomware attacks."

With the likes of Hapag-Lloyd and Maersk falling victim, one wonders how SMEs with far fewer resources can hope to fend off similar attacks, and VOTI quizzes Munro on whether SMEs should be supported with funding presumably expensive cyber security resources. He challenges this.

"The easiest route in for those wishing to hack supply chains is to compromise forwarders' systems, but conversely from the forwarders' perspective, cyber security is not that hard," Munro says. "It's just about having a thought process and then support at the board level. No one wants to change their passwords but if they are told to, then they have got to. It is a little like medical advice, in that if you act rather than react you can fend off attacks with greater ease. It does not take much to make the systems tougher to crack. Good user controls are key, so not having everyone using the same account; good, and complex, password control."

> "we've found it possible to hack a ship and take control of certain processes without people realising"

security consultant
Pen Test Partners

Munro says while complex password control is vital, the processes for achieving this can be relatively simple, noting that at Pen Test they use and recommend password management systems. But does this simply open up another entry point for hackers? Munro contends that as far as he is aware, password management systems have "rarely, if ever" been hit and he almost favours a "hit" for the experience it offers.

"Look, we know change is hard," he says. "If a system has been working for 50 years you have to ask yourself why change. But digitisation massively improves efficiency, and keeping yourself safe is always about having better processes than the next party. The exploitation comes through password management and then training. Staff can be the weakness and best defence. There are really good online resources and free training. But overall, it is basic things like being suspicious of emails – this is how resource fraud is done. No one checks until the money has gone to the wrong place.

"Forwarders need to up their game and now is the time."

Focus ON

Solar energy brings out the sun for t

AMIDST the gloom of the pandemic, the project logistics sector managed to find rays of sunshine. For instance, while oil & gas work may have dried up, there was something of an uplift for mining and industrial projects. But these bright spots cannot hide that it has been a tough 24 months for the industry.

"Project forwarding is always full of ups and downs, but the past two years have been unprecedented," Global Shipping Services' Paul McAuley tells Voice of the Independent (VOTI). "2020 with the Covid lockdowns and the change to many companies working from home saw a tremendous drop in overall activity. Many customers slowed down, some stopped producing and shipping. So, it was a difficult year."

PAUL MCAULEY
Global Shipping Services

Managing director of isa – independent shipping agencies, Frank Scheffler concurs, describing the pandemic, the subsequent social lockdowns and their wider impact on society as the most unexpected event for the industry.

"It was everything. Carriers were affected, there were closures of ports or even whole regions, which seemed to result in a complete loss of volumes, shortage of equipment and schedule integrity," Scheffler tells VOTI. "And during their work from home period, there was almost near non-availability of carriers and the big forwarders. Not staying at home for a single day, I think for us as a forwarder in the project sector was a big plus and it brought a lot of new customers to us as they had to move away from the carriers and larger forwarders due to non-availability, and have stayed with us because of the personal assistance we continue to offer.

> "Many customers slowed down, some stopped producing and shipping"

"Don´t get me wrong, the pandemic was far away from anything good, but in the respect of gaining new customers and more business, to us it was a booster, plus the fact that carriers ran out of dry boxes and as we focused on OOG and special equipment, there was no limitation."

McAuley notes that not closing was a big boost for operations at Global's Houston office in 2020 – a range of measures were implemented to ensure staff safety, as it was felt staying open would secure the business, which it did.

"We worked as normally as possible and continued to provide excellent service to our customers," McAuley continues. "Towards the end of 2020 we were planning and gearing for 2021 to be similar, but someone somewhere flicked a switch, and the business came roaring back with a vengeance we haven't seen since back in 2007-08.

"Oil & Gas in 2021 has been booming, long before the Ukraine crisis, and we experienced record levels of activity and shipping. GSS Houston also became heavily involved in the SOC business from China to the US. We had to hire new staff, better qualified for the new business model and more experienced staff. Towards the end of 2021 we jumped into the renewals industry, which now makes up 30 per cent of our Houston operations."

> "It was everything. Carriers were affected, there were closures of ports or even whole regions"

This move into renewables has seen the company involved as an import business with control over shipments from numerous destinations including Germany, Norway, Denmark, Turkey, China, Poland, the Czech Republic, Italy, and Spain. Dextrans Group's Daryl Tan says he too has witnessed a "steady increase" in renewable energy projects in his region: Southeast Asia.

"Solar farm projects, in particular, have seen a steady increase because of their short completion time and lower production costs," Tan tells VOTI. "Others like wind farms, geothermal & hydropower stations are also seeing a lot of activities, particularly in countries like Vietnam, Indonesia, and the Philippines. As the production scales are much larger for the latter, project execution will be slower. And, because many countries in Southeast Asia are still behind in terms of energy supply, we expect that we will see this upward trajectory in the near to medium term as result of the rising oil prices."

Solar may be the major vertical producing traction for project logistics, but Oil & Gas still holds promise and McAuley points to Guyana as having been a "big one" over the last few years, and he predicts more will follow soon.

"Guyana has been the scene of the world's biggest offshore discoveries in years, with 10 billion barrels of recoverable oil and gas confirmed since it began production in 2019," he says. "Guyana is strategically very close to the US, very friendly towards the US and easily supplied with equipment from the Gulf of Mexico. Suriname was, and still is expected to be next but nothing major so far, while Turkey also seems to be one of the destinations for major Oil & Gas discoveries, we are already heavily involved in some major projects in Turkey. Offshore Malaysia and Indonesia has been booming for some time and getting stronger and stronger."

FRANK SCHEFFLER
isa – independent shipping agencies

Project manager of AllCargo, Yaron Eyal, also sees sparks of growth in the Middle East and North African countries.

"The possibility of cooperating on large projects like solar power (these are all countries rich with sunshine), in irrigation projects (all these countries have water issues) and even more standard projects of Oil & Gas, is looking very real and we are very optimistic this will bring a large boom in project cargo," he says.

"There is a heightened demand for renewable energy projects, from solar to water energy and energy storage projects. We have several projects at the moment that deal with this, such as a large water-based energy manufacturing plant in the north of Israel. Despite the fact this is a hot area where water is not the most abundant commodity the government decided to invest in this, due to the rise in demand for renewable energy."

In contrast to his WCA colleagues, Scheffler is less certain, and has yet to see a "lot" of new markets emerging for the projects sector recently, but remains optimistic that there is something coming that was "perhaps a little late due to the pandemic.

"Africa is still a kind of blank spot, but this will take some time (or some more time) to get developed," Scheffler says. "If the sanctions were to be lifted against Iran, there is definitely a high potential of a new market there, but again, we have to wait for some more time, maybe a lot more time.

"We have been working for years with NGOs in our region (e.g. Hanseatic Help in Hamburg). Within the WCA Network and [German NGO] doin'good we have shipped three containers, as a donation, to Beirut for the victims of the explosion. In

Project Cargo

the projects sector

the past we shipped a container full of football equipment to Africa for a girls' school, to strengthen their trust in themselves through sport, and the container we used was decorated by an artist. More recently, we also found ourselves donating over 50 sleeping bags for the refugees from Ukraine."

Putin's violent conflict in Ukraine may be drawing out the best in the logistics sector – within the first week of the war, sources had told VOTI of trucks queuing for hours to get through customs at Dover and on out to Ukraine – but war also creates an inevitable boom in certain industries.

"It has always been this way, war makes money, it is sad to say but true," says McAuley. "The Ukraine war has pushed oil prices to record levels on the world markets and gas at the pump has doubled in US. Diesel is at extraordinary levels for the US. This has had a two-fold impact on business. Oil & Gas is seeing another boom due to high oil prices, so new projects have been kicking off all over – Gulf of Mexico, Brazil, West Africa, Turkey, North Sea, Asia.

"Obviously, the price of doing business has risen also. Trucking costs are at record levels and still climbing. Vessel space and airline space is at a premium due to consumer spending coupled with Oil & Gas projects worldwide, while renewable wind and solar projects worldwide as well as general cargo levels are at record highs."

While optimistic over emergent areas of business Tan says the near- to middle-term will likely present uncertainties and volatilities.

"One sector that will see a sustained or increased trend is in mining, which, while already high in terms of activity levels, is only likely to increase further still as a result of the ongoing increases in commodity prices," says Tan. "Nonetheless, if the current record high oil prices persist for longer, this will definitely put a damper on all sectors."

> "Solar farm projects, in particular, have seen a steady increase because of their short completion time"

Focusing on "quality over quantity"

"I turn away probably five applications for every one that I approve," WCA Projects & Dangerous Goods Network's general manager Bruce Cutillo tells VOTI. With the WCA focus on quality over quantity, the project side is no different and Cutillo is left to be incredibly selective on which forwarders he lets in. It does not appear to have dampened SME enthusiasm to join up with the network.

"I have seen an increased demand from forwarders to join project networks over the past five years," says Cutillo. "General cargo margins are really small, and I believe more forwarders are trying to do more specialty or project forwarding to increase their margins.

"In that same period that I have seen increased demand to join our network, I have also witnessed a sizeable increase in new project networks, I guess, because the older project networks' key markets are usually 'full'. Our total membership numbers have not grown so much in the past several years as many of the more active markets are fully subscribed. However, I believe the overall quality of the members continually improves as weaker members leave, giving me the chance to replace them with better members."

Of course, the network is only as strong as its members, but it is up to Cutillo and the team to direct the network. From Cutillo's perspective, the key thing the members want is "confidence" that the others admitted to the club are as "capable, experience, sales-oriented, and financially sound" as they perceive themselves to be.

"They occasionally ask about training programs, but not very often," he says. "They also want to have my candid recommendations of other members to fit their project requirements, so I take great care to recommend those whom I feel are the best members to fit for each request. But members generally do not want to see the WCA take too many members in a market – so limiting membership is the main issue of concern that I hear about, which, of course, is growth-limiting for the network – and all project networks – or all 'specialty' forwarding networks."

Harder for Cutillo to answer is how the WCA can exert influence over the wider industry.

"Networks are primarily meant to foster good quality member partnerships and provide a platform to meet regularly, promote themselves within the group, and assist in disputes when necessary. Networks cannot affect carriers' practices or prices, or local regulations governing road permits," he concludes.

Focus ON

Project Cargo

War brings an end to Volga-Dnepr operations

PUTIN'S war with Ukraine is devastating heavy-lift air freight capacity with AirBridgeCargo witnessing the break-up of its fleet and Volga-Dnepr having effectively exited the market.

Global director of cargo at Air Charter Service, Dan Morgan-Evans said that the absence of Volga-Dnepr's AN-124s as well as the destruction of the world's largest commercial aircraft, Antonov's AN-225, would create a "huge hole" for the industry.

"Shippers will need to think about this before producing large loads," he said. "They knew Antonovs, so worked with those specs. Now they'll have to think about transport first."

Volga-Dnepr initially sought to downplay the impact of the war and the associated sanctions that saw it locked out of European airspace, saying that it was "business as usual" and that it would be continuing cargo flights.

This swiftly changed, and by mid-March the group was considering major staff cuts after grounding all but two aircraft, an AN-124 in Dhaka and another running Russia-China routes.

Even aircraft operated by its German and UK Cargologic subsidiaries under European operating certificates were among those grounded, including three 747-400Fs, four 737Fs and five other aircraft scattered around Europe.

Morgan-Evans said the team at ACS were scrambling to source alternatives, including the presently banned, for environmental reasons, Stage 2 Ilyushins, and the Airbus Beluga.

"The UK said 'no' [to the Ilyushins], but it may be possible for relief movements, while the main issue with the Belugas is floor strength," he added. "The Antonovs can carry very heavy pieces and they are self-handling, which makes a massive difference."

To mitigate bans from Canadian, European and US airspace, ABC had sought to mitigate losses by offering its fleet out to ad-hoc charters.

> "They knew Antonovs, so worked with those specs. Now they'll have to think about transport first"

The efforts appeared to be in vain, with lessors having started to circle around the fleet and retrieve aircraft that Russia's aviation authority had been attempting to hold hostage in Russia in response to the international sanctions' regime.

Among those moving to dismantle the fleet has been BOC Aviation, which has three leases with ABC including one aircraft valued at $148 million and leased for $1.2 million a month.

DAN MORGAN-EVANS
ACS - Air Charter Service

Despite an order by BOC on 5 March to ground its three aircraft in Hong Kong, Shanghai and Zhengzhou, ABC flew one to Moscow, while another was diverted to Dubai – where BOC tried to ground it again – before it went on to Russia.

ABC told BOC by telephone on 8 March it would refuse to return the two aircraft in Russia until BOC allowed the third to leave Hong Kong, BOC claimed in a court document.

In a letter, ABC noted: "Aircraft could not be moved outside Russia until the customs clearance with Russian customs authorities has been completed. A breach of this requirement could expose the aircraft to customs arrest or other customs lien."

The two aircraft remain in Russia.

Maersk tries to rebuild forwarder relations

MAERSK appears to be attempting to rebuild its relationships with freight forwarders – although according to some, it is too late.

The shipping line hit the headlines at the end of last year for its decision to move away from selling long-term capacity to forwarders unless they buy other logistics services, restricting them to Maersk Spot only.

However, last month it sent a bulletin to forwarders, noting that after meeting customers at this year's TPM at Long Beach, "our takeaway was to redouble our efforts to communicate with the forwarder community".

While it clearly has no plans to change its strategy, it did note that it has set up a sales team to focus exclusively on customers using Maersk Spot, and another for global and local forwarders, both for Spot and for "Maersk Partner" products.

"The net result is that it will be easier for forwarder customers to understand their options and connect with the forwarder-only products that support their businesses."

"The entire team is committed to strengthening old relationships and building new ones wherever needed," said Vanessa Whitaker, Maersk's forwarder sales manager. "The closer we can work together the better, as the relationships are complex. Sometimes we are the suppliers, sometimes we are the customers. But at all times, we look to complement each other for the benefit of shippers around the world."

Maersk noted that "freight forwarders have always been a cornerstone customer segment", and added that the company may not be able to directly support its shippers "in all the ways needed".

"We are focused on providing flexible choices that help our forwarder customers achieve cost-effective productivity in everything they do with us," said Krissy van Niekerk, head of digital & forwarder sales. "Whether it's through the expansion of Spot, or testing out new products like Block Space, we strive to be the go-to service provider who can offer certainty and security in a turbulent market."

Its products for forwarders include Maersk Partner Block Space, currently being trialled on some routes.

The product, designed for forwarders, offers fixed volume with flat weekly allocation and a time guarantee, with compensation if it fails to meet its commitments.

But Maersk admitted: "Availability is limited."

It is also offering QEDs, a two-way, enforceable contract via the New York Shipping Exchange.

"Similar to Maersk Spot, there is a penalty amount placed on the shipper for under-performance, and on the carrier for service failure," it explained.

> "freight forwarders have always been a cornerstone customer segment"

Despite Maersk's attempt to rebuild relationships, if not change strategies, forwarders remain unconvinced.

Claiming there was "corruption" in the industry, one forwarder told VOTI that "small forwarders and our customers are the victims here".

While there is no evidence of corruption, regulatory authorities the world over are investigating complaints against the shipping lines.

Maersk has been subpoenaed by the US Department of Justice (DOJ) over an "ongoing investigation into supply chain disruption", although there is little further detail. Maersk said it had not seen evidence of any actual or alleged wrongdoing by it, and would "cooperate with the DoJ".

It is not the only carrier under the spotlight; the Federal Maritime Commission's inbox is filling up fast. Most recently, it received a complaint about Yang Ming from Achim Importing Company, which claimed the line had failed to honour pricing and capacity commitments, and instead "systematically favoured other shippers, including spot market purchasers willing to pay high rates".

"As a result, complainant had to obtain space on the spot market at enormous expense. [Yang Ming's] unjust and unreasonable practices coincided with an unprecedented increase in spot market pricing …and [it] deliberately constrained capacity to manipulate pricing, sought to take advantage of unprecedented high pricing by forcing shippers with service contracts… to resort to spot market purchases to secure freight carriage."

It is not just the US examining the lines' behaviour. Comesa, the 21-strong group of eastern and southern African nations, has launched an investigation into potentially 'coordinated pricing' behaviour from Maersk, CMA CGM and United Africa Feeder Line.

The competition commission arm of the group said that the lines' pricing announcements may have broken regulations, and could be "a form of coordinated behaviour or concerted practice". All interested stakeholders should submit responses by 30 April.

Meanwhile, the Korea Fair Trade Commission (KFTC) is investigating 20 liner operators for colluding to fix freight on services from South Korea to China and Japan – just two months after it imposed an $81m collective fine on operators for fixing South Korea-South-east Asia freight rates.

Carriers last year made an estimated collective profit of some $200bn.

Insights IN

Seafreight – comment by Mike Wackett

MIKE WACKETT
Sea Freight Consultant, FICS

Believe it or not: ocean carriers crave schedule reliability

SINCE 11 March 2020, when the World Health Organisation (WHO) officially assessed Covid-19 to be a pandemic, globally more than 6m deaths have been recorded, directly attributed to the severe acute respiratory syndrome.

However, that tragic number is dwarfed by the 500m cases reported of the contagious disease, a number that will have been massively understated due to the lack of testing in many parts of the world.

With the first case identified in Wuhan, China, in December 2019, the virus now appears to have come full circle with significant new daily outbreaks occurring in China.

From day one, the Chinese government's zero-tolerance policy on Covid succeeded in keeping a lid on early outbreaks of the virus by the imposition of Draconian lockdown laws that forbade residents from leaving their accommodation, other than in an emergency.

Now the return of Covid, in the form of the milder but more contagious Omicron variant, has shuttered vast areas of China, including the largest metropolis of Shanghai with its 26m population, obliging residents to stay indoors.

There have been reports of bankers sleeping on camp beds in their offices in an endeavour to keep the financial heart of China beating and of food supplies not being delivered to confined residents due to a lack of couriers as the lockdown measures intensify.

China is the factory of the world, and Shanghai is the biggest container port in the world with an annual throughput of more than 45m teu, so despite attempts by the government to keep the terminals open, if warehouses are closed and trucking virtually non-existent, then the ultra large container vessels will have nothing to load.

The anti-Covid quarantines in China are the latest spanner in the works to a return to some form of normalcy in the liner industry.

Indeed, it seems that whenever pressures in the supply chain seem to be easing, a new bump in the road appears (or in some cases a pot hole!) that derails the industry's best-laid recovery plans.

Think a year ago when the infamous Ever Given managed to block the Suez Canal for a week due to still fully unexplained reasons, as is often the case when General Average is declared.

The resulting supply chain lock-jam generated a fresh head of steam for freight rates that were hitherto beginning to soften, as they normally do during the period between the Chinese New Year and the start of the peak season.

> 'it seems that whenever pressures in the supply chain seem to be easing, a new bump in the road appears'

And to many embattled shippers, the maritime misadventure was no accident: conspiracy theories flourished that ocean carriers had orchestrated this improbable three-point turn manoeuvre in the waterway as a form of blanking in order to underpin the decline of freight rates.

However, the vast majority of carriers would like their ships to return to network schedules, not least because it is far less challenging to run liner services that need minor operational adjustments than to operate ad-hoc services that require constant loading and discharging changes.

But looking at the actual timings and port rotations of the alliances' networks there is often scant correlation with the published pro-forma schedules of the ships.

Believe it or not, liner people take pride in scheduling and it is part of the discipline of most carriers.

These are liner men and women that signed up to join organisations where the mantra is, or should be: "To run a service that operates on a schedule with a fixed port rotation and published dates at the advertised ports."

It could be argued, however, that shareholders and investors have a vested interest in supply chain disruption continuing, as it drives up freight rates and thus profits and dividends.

For those folk they would probably prefer to see more of the same!

Ever Forward sees shippers stuck too

SHIPPERS with cargo onboard the Ever Forward will have to wait a few more weeks before retrieving their goods. So far, all attempts to move Evergreen's grounded vessel have failed, and the salvage period has been extended.

Evergreen announced that it had declared General Average on the ship as the salvage costs continue to rise.

The carrier said: "Evergreen Line has been making every effort to refloat the stranded ship on behalf of the common interests of cargo owners and the safety of all involved.

"In light of the increasing costs arising from the continued attempts to refloat the vessel, Evergreen declared General Average."

Ever Forward ran aground on the evening of 13 March in Chesapeake Bay as the ship was departing the port of Baltimore. The vessel operates on Evergreen's East Asia-US east coast service.

Salvage teams have been working to remove mud from alongside and below the vessel – but the focus is now on lightening the ship by removing some of the containers.

The 12,100 teu vessel has a draught of 15.5m and is stuck on the muddy bottom of Chesapeake Bay after straying from the access channel into water that is just 7.6m deep, with a shallow tidal range. Divers said that the vessel's hull is undamaged.

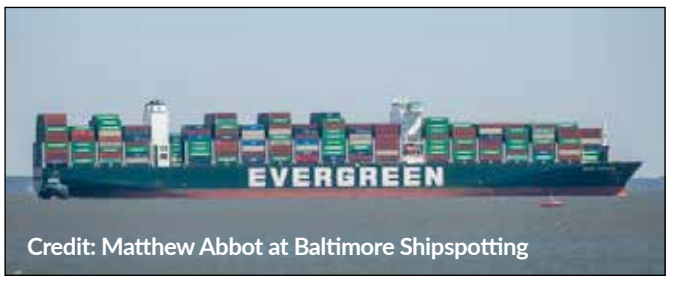
Lars Jensen, chief executive of Vespucci Maritime, said the incident was not as bad for the industry as the Ever Given's adventures in the Suez Canal.

"From a global shipping perspective, this grounding is relatively insignificant as it does not block any shipping routes."

But he warned: "A few elements do bear considering though. It effectively removes a vessel from the global fleet for a while. Under normal circumstances, that is not much of a problem, but we are still at a point where congestion is wreaking havoc with the supply/demand balance. And keep in mind, this is not the only vessel currently out of action. Cosco's Joseph Schulte has been stuck in Odessa since the outbreak of the war in Ukraine.

"Another thing to notice is the very low level of information coming out from Evergreen.

"In terms of public information, Evergreen has only provided one public notice on its website – namely the General Average announcement. [There is] no other information, leaving the press to be a much more informative source of information than the one actor here who ostensibly has the best first-hand information."



Credit: Matthew Abbot at Baltimore Shipspotting

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Standards needed to harness data

THE world has developed a ravenous appetite for data: data to unlock new possibilities of sensing demand; identify areas of potential disruption; locate cargo; find solutions to avoid congestion and so on. As a result, forwarders and their clients are racing to digitise and automate processes so data can flow fast and unimpeded. There is a constant mantra that forwarders who do not embrace technology will be left in the dust.

A growing legion of technology providers are eager to offer their solutions to the market, fuelled by corporate investors looking for lucrative openings.

Andy Moses, senior vice-president sales & solutions at Penske Logistics, noted that money is flowing into logistics because of a perception that the industry is still lumbered with a lot of antiquated processes.

There is no silver bullet in the tech market, and even technology solutions that come close, have to be integrated into the fabric of operations.

"Technology in and of itself is not the solution," remarked Moses. "You need to combine technology with process management discipline to achieve good discipline."

"It is not only about the technology, but also about the processes," agreed Mario Rodriguez, global director logistics transformation of Anheuser-Busch InBev. "You must have the right data strategy, otherwise you end up with silos that are difficult to connect."

Aligning technology with internal processes is one thing, but it also has to be in sync with other supply chain partners. It did not take players long to realise that they could not develop end-to-end solutions in-house but had to work with others and form supply chain ecosystems. Moreover, it is important to capture more data at origin to achieve better quality and productivity along the chain, noted Gene Gander, general manager of Cargowise.

What complicates this alignment is a widespread absence of standards, especially when it comes to API solutions. "Lack of API standards at the moment makes every integration effort a custom endeavour," said Brandon Kuykendall, CIO of Crane Worldwide Logistics. "As an industry we could do a better job in creating standards for data exchange or visibility."

Faced with almost constant disruptions and the hunt for capacity, most operators have been too busy to get together and try to standardise, but there is also a competitive obstacle, he diagnosed. Quite a few players regard integration with customers as a competitive element, which makes them reluctant to lay the foundations for shared standards.

ANDY MOSES
Penske Logistics

In some areas this may make sense, but others would benefit from common processes. "Track and trace and bookings are things where we can solidify on," he said.

> "It is not only about the technology, but also about the processes"

Gander pointed out that the more companies can standardise, the more they can automate processes to save time and cost and free up busy staff for more productive tasks.

One aspect that makes standardisation more challenging is the difference in adoption rates in different parts of the world or different industries. Gander advised that the approach should get going from the large picture.

"Start with a global process, then look at local variations. Try to operate consistently globally as much as possible," he said.

At the end of the day, forwarders have to strike a balance. Besides digitisation, another buzzword has been the need to be customer-centric, a concept that can be at odds with efforts to standardise.

It may be easier to coalesce around official standards. In the US the administration is moving in the direction of laying down some common ground for supply chain data flow. In addition to spending lavishly on logistics infrastructure, the government has been looking at other ways to support supply chains. In February the Department of Transportation released a 140-page supply chain vulnerability report which put forth 62 policy recommendations to cope with the current problems and issues that may arise in future.

One element that has found much approval is the idea for a national freight portal. This should enable stakeholders to share key data and set an "electronic information exchange standard for critical product flow tracking". The Federal Maritime Commission has already started meetings to examine how data are currently shared across the maritime supply chain. The need for consistent, uniform data has been one aspect that was stressed at these sessions.

Some US port authorities see a need for immediate action. Last month the port of Long Beach launched its 'Supply Chain Information Highway', a data platform that shippers can access for free. The first phase focuses on container visibility events, but the platform will later be extended to other data elements, according to Noel Hacegaba, the port's deputy executive director.

The initiative has been welcomed by the port of Oakland and the Northwest Seaports Alliance in Seattle-Tacoma.

"Creating a shared digital platform will provide decision makers timely, comprehensive and quality data," commented Bryan Brandes, maritime director of the port of Oakland. "Having this cargo visibility tool can help speed the supply chain and set a digital foundation for improving goods movement."

Call for better data usage

THE freight industry doesn't take sufficient advantage of the data available, according to Hans Thalbauer, managing director global supply chain, logistics and transportation for Google Cloud.

Noting the huge changes in the world since the onset of Covid, including the worsening climate crisis, the energy crisis and shortage of labour, he told delegates at TIACA's executive summit in San Francisco that data could help the industry.

"It's about data, providing visibility. Supply chain professionals plan supply and demand. But the information we have is often ignored. It needs to be included, and the information correlated. It's about managing data in a comprehensive way, and connecting data to AI.

"All the opportunities excite me. I think we will see supply chain and logistics differently in the future. It will become more efficient.

"Infrastructure needs to be better prepared, and governments should be investing in that. But that itself has an impact on energy – eg steel needs a lot of energy to produce it.

"You need an understanding of the raw material end-to-end, and social responsibility for all the parts. Do you know who your tier 4 supplier is? It's not easy. But by being data driven, you get to a situation where it become easier, and that creates more visibility in the supply chain. You should use that intelligence.

"There is a huge opportunity to innovate and rethink business processes. The technology is there, we just need to adopt it in a more effective way."

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