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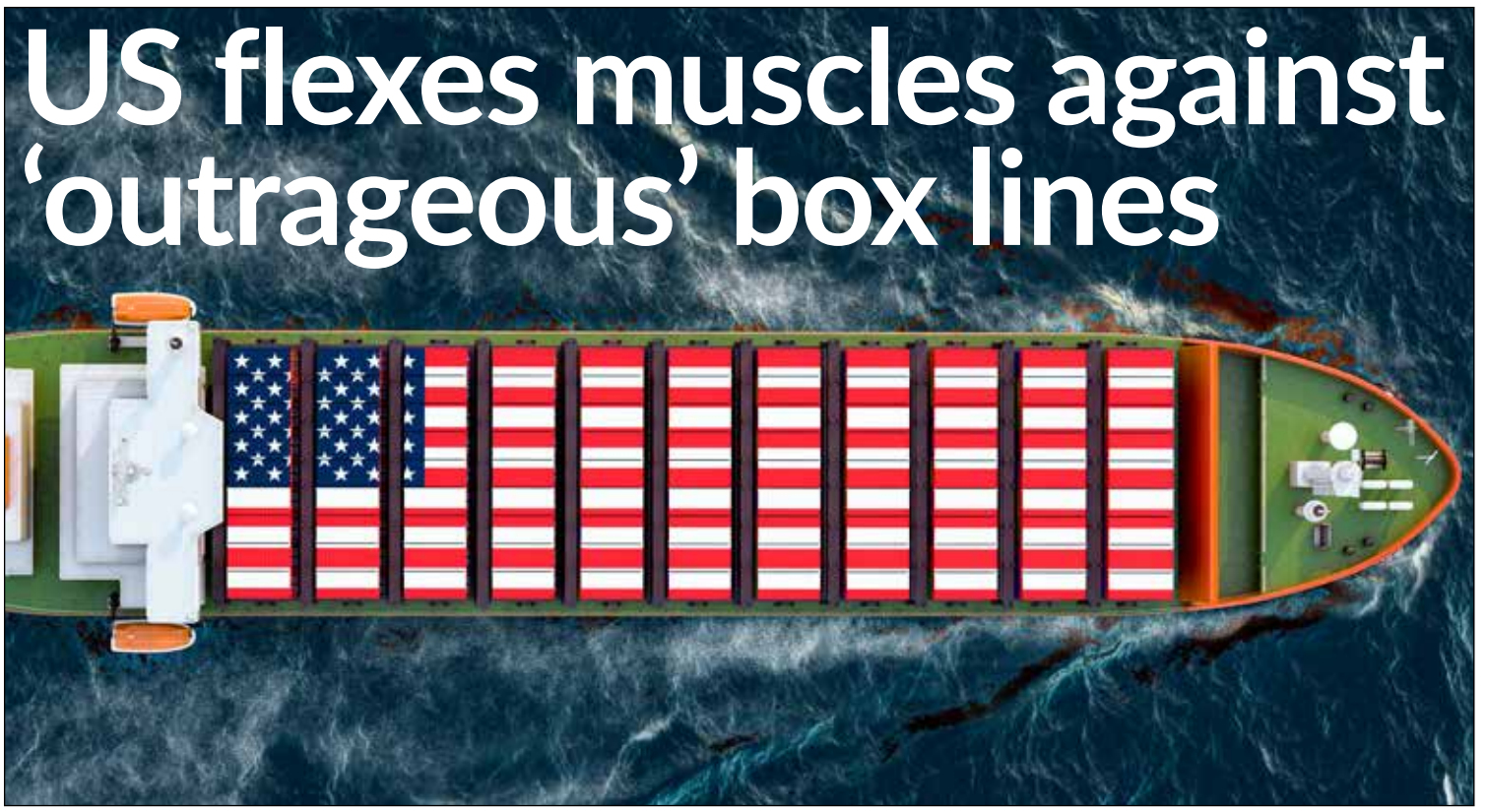
US flexes muscles against 'outrageous' box lines



Federal Maritime Commission given new powers to protect shippers

US lawmakers have strengthened the Federal Maritime Commission's powers in the face of concerns from shippers over record freight rates, low reliability and congestion.

The White House has moved to curb the power of the shipping lines, which President Biden called "outrageous" after noting 1000 per cent price rises. Senator Amy Klobuchar also spoke out. "The ocean shipping companies need to be aware that their day is coming, that their ability to manipulate the market – to purposefully, for their own economic benefit, for their profitability, to really screw American exporters – is over, and that I'm not backing away from this issue."

Lawmakers passed the Ocean Shipping Reform Act (OSRA), which gives the FMC authority to investigate the business practices of shipping lines; require them to report details of import and export tonnage to the regulator each quarter; and make it illegal for carriers to unreasonably refuse to take US exports.

FMC chairman Daniel Maffei said the bill would be beneficial for shippers, who welcomed the news.

Lori Fellmer, of BassTech International and chair of NITL's Ocean Transportation Committee, said: "Our members continue to suffer under a system plagued by deteriorating service levels and unreasonable fees and charges. Reforming the Shipping Act and further empowering the FMC addresses these concerns and will greatly benefit US exporters and importers."

> "The ocean shipping companies need to be aware that their day is coming"

The National Retail Federation's SVP for government relations, David French, said shippers were facing "significant challenges, including unfair business practices by ocean carriers" and added: "Making OSRA federal law helps address long-standing systemic supply chain and port disruption issues that existed well before the pandemic by providing the FMC the additional authority it needs."

The news came as more fines were imposed on shipping lines. Hapag-Lloyd has agreed to pay $2m - or 0.04 per cent of its first quarter profits – in penalties for violating rules on detention and demurrage charges.

The FMC's Maffei said: "We must ensure powerful ocean carriers obey the Shipping Act when dealing with American importers and exporters. The case that was concluded … is just part of an ongoing effort to investigate any conduct alleged to violate FMC rules – and in particular, the interpretive rule on detention and demurrage charges."

Beware changes in the air cargo industry, as box lines make moves

FORWARDERS should be wary of likely changes in the air cargo industry, which could see those shipping lines which have launched airfreight services appeal directly to shippers.

The move could affect both large and small forwarders, said Stan Wraight, president and chief executive of consultancy SASI.

> "Forwarders, and other airlines better change their game and fast"

While Maersk, which has acquired air freight forwarding specialist Senator, is already known to be integrating its services to appeal directly to BCOs rather than freight forwarders, Wraight pointed out that the same is likely true of CMA CGM, which has now invested in Air France-KLM, with chairman Rodolphe Saadé also on the carrier's board.

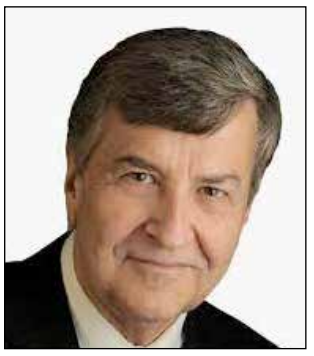
It does, of course, own Ceva Logistics too. While some observers have suggested it will need other forwarders to fill capacity, Wraight argued that it is more likely to sell directly to shippers.

"All forwarders, integrators and airlines should be worried. I hope this is the kick these people need, to invest and provide solutions, rather than live off the difference between buy and sell."

And he noted that the shipping lines' intrusion into air cargo doesn't end there. Klaus-Michael Kuehne, controlling shareholder in Kuehne + Nagel with 53 per cent, also owns 30 per cent of Hapag-Lloyd, and in April upped his stake in Lufthansa to 10 per cent - the second largest shareholder after the German government.

"All those [shipping lines] and Kuehne, with their strong cargo background, have a voice in the C-suite, and bring a strong and powerful cargo voice. This can be a game changer. Between them they have hundreds of thousands of direct BCO contacts, which will shake up these airlines, and we will see a new business model emerging.

"Forwarders and other scheduled airlines better rethink their strategy and business plans as things evolve. You are never going to be competitive, no matter



STAN WRAIGHT SASI

how big you are as a forwarder or scheduled airline, if one of the [shipping line airlines] targets your customers."

Forwarders' recent moves into getting their own controlled networks via charters has to some extent limited that, but the current high freight rates and supply chain disruption have focused shippers more closely on examining their air freight movements as part of an integrated logistics strategy.

US retailers reporting first quarter financial results noted they had had to significantly increase their airfreight spend to boost inventory levels.

Sportswear company Lululemon saw its inventory costs in the first quarter up 75 per cent, largely due to airfreight and growth, alongside delays in the supply chain.

Chief executive Calvin McDonald told investors: "Our team is carefully balancing our business momentum with time line uncertainties to help ensure we meet guest demand. This comes with a commensurate investment in air freight. Our time lines allow us to pivot when we see trends change from air to ocean ... We will continue to carefully assess and manage."

Much inventory has been stuck at sea, necessitating the use of airfreight, while retailers have also been wary of supply chain disruption.

Luxury brand maker PVH said its current inventory levels were 4 per cent down year-on-year, and it is trying to refill its warehouses for the second half.

"The downside with that is it is costing us airfreight in the first half of the year," CFO Zachary Coughlin told investors. He noted a $12m airfreight impact last quarter is likely this quarter too.

"We expect to abate that in the second half," he added. "We'll be getting both higher inventory levels and less airfreight."

The fluid switch between ocean and air, made necessary by various supply chain snafus such as China's lockdowns and congestion, has played into the hands of those offering air freight as an integrated logistics service directly to shippers, rather than as a niche or standalone product.

Meanwhile, the emphasis in the first half on boosting inventory levels means the second half peak could be less emphatic than in some years, according to analysts.

"While still too early for airfreight peak season, we think it is likely that orders get pulled forward this year as retailers try to avoid disruption leading into the back-to-school season and the holidays," explained Bruce Chan, analyst at Stifel.

"So while the next few months could see a flurry of activity, it is also possible that stakeholders will see a more muted peak, all else being equal."

But he added: "While there have been some signs of debottlenecking, supply chains remain in poor shape, with delays abundant and costs elevated."

Transpac contracts shield box lines from second half gloom

TRANSPACIFIC carriers who have tied customers into long-term contracts are expected to enjoy high earnings, yet again, in the second half of the year.

Shippers on the Transpacific have locked into new annual contracts which "are not far below spot rates", according to consultancy Alphaliner.

There is potential gloom on the horizon for spot rates – as far as shipping lines are concerned. CMA CGM said the second half could be characterised by weakening demand.

"The sharp rise in energy prices, combined with price inflation of many raw materials, is weighing on retail consumption and could have a negative impact on the economic situation and the outlook for global trade," cautioned the carrier.

But carriers with BCOs contracted to large annual minimum quantity commitments can expect high earnings to remain into the first quarter of 2023.

Container lines again hit record net profits in the first quarter, of nearly $60bn cumulatively – and are expected to match that in Q2, according to Blue Alpha Capital.

The lines have been singled out by economists for contributing to global inflation, which they now claim could hurt their earnings.

A UN report from December noted that high freight rates were threatening the global economy, indicating that they could increase import prices by 11 per cent, and consumer prices by some 1.5 per cent through to the end of the year. The report also revealed that a 10 per cent rise in container freight rates would lead to a cut in US and European industrial production of more than 1 per cent.

ILWU and PMA pledge no strike plans as talks continue

US west coast dockers' union the ILWU, and employer group Pacific Maritime Alliance, have moved to reassure shippers that the protracted negotiations will not lead to strikes or slowdowns.

As the pair negotiate new contracts, to replace the contracts that expire on 1 July, shippers are increasingly wary of further supply chain disruption as a result of a breakdown in talks.

But the ILWU and PMA temporarily broke a media blackout on the talks to say that both sides are committed to finding an agreement.

The two sides issued a joint statement saying: "Cargo operations continue beyond the expiration of the contract. Neither party is preparing for a strike or a lockout, contrary to speculation in news reports. The parties remain focused on and committed to reaching an agreement."

US shippers had appealed to the White House to get involved in the talks, which will cover the contracts of more than 22,000 dockworkers at US west coast ports. The US government listened, and met with both groups on board the USS Iowa in San Pedro Bay. They reportedly discussed a range of issues, including congestion, and noted their "shared commitment to reach a collective bargaining agreement that is fair to both parties".

However, both sides acknowledged that an agreement is not likely to be made before the contract expiration date.

Focus ON

Flexible forwarders fight off co

SHIPPERS are "leaning" on forwarders at this time of heightened trade disruption, with the latter getting ever more creative as they contend with congestion across US west coast ports, substantive delays out of China, labour shortages, and a redrawing of European supply chains in the wake of Russia's invasion of Ukraine.

While Covid-related staff shortages have not helped, many point the finger of blame for the major congestion experienced at US west coast ports over the past two years at a rush in e-commerce demand. Such was the scale of the problem that, at its peak earlier in the year, ships were left waiting for as many as 100 days for a berth, with the San Pedro ports particularly hard hit. And although the scale of delay has subsided, at least on the west, shippers are still waiting for goods. Not only that, but as it became apparent that the problem was not going anywhere, cargo shifted ports to try and avoid delays, simply leading to congestion thinning but spreading to other hubs. Amidst all this, labour negotiations could further impact the free flow of goods.

Quick Cargo Service's (QCS) chief executive officer Stephan Haltmayer tells Voice of the Independent (VOTI) that "no one can say they are not affected by the delays" but he also believes this is where SME forwarders make their bread and butter.

"I think SME forwarders are simply more flexible than the multinationals," says Haltmayer. "I can speak for Quick Cargo Service, we block space in advance even in to the blue. On some lanes, we still have blocked space agreements with the carriers, such as South America and China that we can use. As everywhere, it depends on the good relationships to the carriers. It takes a whole lot more work force and experience to find space and rates nowadays, but it is not impossible as otherwise our industry would not be doing that well."

STEPHAN HALTMAYER
QCS - Quick Cargo Service

Haltmayer's opposite number at Global Logistics Connections (GLC), Derek Scarbrough, concurs, noting that alongside being creative with routing decisions, relationships with suppliers have been a big plus for dealing with the major infrastructural problems that have arisen over the past 24 months.

> "I think SME forwarders are simply more flexible than the multi-nationals"

"With the current congestion level, it has never been more critical to work with our truckers to secure monthly volume commitments through prepayment and advanced pre-alerts for inbound containers," says Scarbrough. "Truckers with their own chassis are in even more demand as relying on steamship line equipment, or lack thereof, has exacerbated delays and resulted in additional trucking fees in the form of demurrage. These are a few of the strategies we are deploying; however, good old-fashioned communication is still the most important thing to manage expectations, not overpromise and under-deliver and collaborate with customers to explore options."

Nonetheless, Scarbrough notes that there continues to be significant disruption within most US hubs (air, rail, road and sea), but there are signs that mitigation efforts have resulted in some improvement over the final quarters of 2021 into the start of this year. He also notes that there has been a decrease in volumes - "a critical component in relieving the congestion at key hubs". Green Worldwide Shipping's executive vice president of commercial and product development, Greg Bollefer, says the industry is not out of the woods yet.

"Most modes that deal with containerised cargo are still experiencing significant delays," he tells VOTI. "For intermodal and domestic cargo, long-dwelling containers continue to sit in pandemic-laden alternative storage yards because some shippers may not be able to pay the extreme demurrage and detention on the goods, let alone any additional tariffs leveraged during trade reforms with China. "Airfreight has become more available, however it is not a similarly affordable mode of transport, with daily changes to capacity based on market conditions."

Scarbrough considers the third and fourth quarters of this year as providing the greatest indication for where the market is going with the ongoing war in Ukraine and the economic uncertainty that has led to speculation of a substantial recession on the horizon, "the corresponding impact they have on-demand will be a key element to watch".

Legislatively, there is some hope that some of the troubles seen in recent months may be offset by President Biden's decision to back a deal that will see

Logistics infrastructure

ngestion problems

US$17 billion pumped into improving ports and waterways – although some have questioned just how substantive this is – with a new initiative to improve supply chain dataflows. Bollefer says he appreciates the attention that has been brought to bear on the country's logistics and supply chain but, like Haltmayer, he has yet to see it translate into anything material … yet.

"We appreciate the attention on logistics and supply chain, however, there is mostly information sharing going on at the moment before significant changes can be made," Bollefer tells VOTI. "The alternative yards and backing ships behind the 25-mile zone only puts the problem out of sight; we have not seen significant issues like empty container returns, massive demurrage and detention from deliveries, or sailing schedule reliability improve quite yet. Because the problems are being caused at both origin and destination, there isn't a quick fix. These are global issues that need to be solved internationally."

For this reason, he says he is seeing "a lot of direct contract customers leaning on their freight forwarders, especially now".

"There is disruption all over the world, not just between Asia and the United States, and shippers are very aware that they are not and will not receive the same level of response, service, or guarantee from ocean carriers like there was in the past," Bollefer continues. "Freight forwarders leverage relationships to bridge the gap and create alternatives to mitigate these disruptions.

"For example, a shipper with time-sensitive cargo that keeps having its booking rolled through one steamship line, can be provided with other ocean carrier space to choose from, or, for example, place the product into a prioritised consolidation container. Ocean carriers also change the volume, frequency, and port calls they choose to service quite often based on demand, congestion, and a variety of other reasons; a great advantage of using a freight forwarder is the management of this space and leveraging it for the customer."

Disruption, however, has not been limited to the big ports, with all multimodal transportation modes affected by the congestion. Pick-up and deliveries have been hit by issues linked to the truck and rail services within the US, with truck drivers no longer prepared to take the long waiting hours for unloading the trucks.

"We are often using smaller airports with a truck forwarding to get to the destination," says Haltmayer. "You must be innovative to get the freight to the customer even if the transit seems unorthodox. In the end the customers want us to find solutions. We have even moved freight from the US to Frankfurt to fly it to Brazil, because there was no way to get it to Brazil direct from the US. Similarly, we moved freight from China to Frankfurt to fly it to the US. We even sent trucks to China to bring freight to Frankfurt. And then the railway services from China to Europe are affected by the Russian/Ukrainian war."

> "You must be innovative to get the freight to the customer"

Since the February invasion of Ukraine by the Russian military, access to Russian carriers has been suspended with most of the transportation industry having pulled services to and from Russia as well as from other aggressor states, the silk-road railway line is interrupted, and fuel and petrol prices have sharply increased. All of which has compounded what has been a difficult start to the year for global trade. As Haltmayer continues "all of this makes transportation more difficult".

"Yet QCS opened a new office at the Ukrainian boarders with Slovakia, Romania, Poland and Hungary," he adds. "We believe there is a big demand on transportation from and to the Ukraine, and we expect a boost in these countries because of the Asian crises and also for the rebuild of Ukraine, once the war is over.

"We have problems finding truck drivers in Europe, because the Ukrainian drivers have been called up to serve, while many drivers from Ukrainian border countries have been called in by their countries to protect the borders. This gives new challenges in Europe to find truck drivers for pick up and deliveries."

Bollefer notes that on top of all this a lot of Russian cargo is being held at other European ports due to customs clearance issues. Additionally, as the European Union weans itself from Russian oil supplies, the increasing price of fuel will continue to impact supply chain costs internationally.

Labour shortages a major headache

LABOUR shortages across Europe – sparked by the pandemic, Brexit, and war among other things – and China, very explicitly tied to the pandemic lockdown imposed on Shanghai, have proven a major headache for shippers globally. But for Quick Cargo Service's (QCS) chief executive officer Stephan Haltmayer, the bigger concern is that labour shortages have "been a problem in forwarding for a while".

"Logistics is not sexy, and it does not attract young people," Haltmayer tells VOTI. "Many companies are understaffed, if then they get hit by a corona wave it can become very critical. The crisis taught us to be more flexible. Through permitting working from home, we found many of the problems could be eased."

Of course, there are still labour shortages to contend with, and as a result the company developed its OMT, or Operations-Mission-Team. This, says Haltmayer, can be deployed to any part of the business suffering from temporary staff problems.

"The team consists of four operation staff that work from our Frankfurt office on stand-by for any office that is in need of operational manpower," he continues. "They work on the same system and can log on to the QCS station in need to guarantee a stable operation at any time.

"In addition, we have about 15 per cent of our staff who are apprentices. These are young people we get from university and who go through a training period of three years to study the profession of a forwarding agent. After the logistics exams we offer these young people a career in our company. It takes long-term thinking to invest in this programme, but it helps to get new good staff for our continued growth."

Global Logistics Connections' Derek Scarbrough (below) concurs with Haltmayer that finding staff for all areas of the supply chain continues to present a challenge. And, with GLC operating seven warehouses across the US, in addition to owning and operating a trucking fleet, it has been at the coalface of these issues.

"There has been a significant reduction in the availability of talent for warehousing positions and truck drivers," Scarbrough tells VOTI. "On the international forwarding side, shifts in the industry have created new and higher pay structures promoting a competitive landscape and thus higher levels of turnover. Qualified international forwarding professionals are still in very high demand."

To mitigate the issues faced, GLC has sought to emphasise that it runs on a culture of communication, recognition and visibility with a focus on training staff to not only boost what they can do for the team but to also bolster staff confidence.

"These things matter," adds Scarbrough. "How we treat our team and communicate with them are all top priorities. And with a renewed focus on near-shoring, we have had tremendous success utilising this training/culture focus to bring in talent from Colombia, where we now employ 45+ people involved in all aspects of our organisation."

Spotlight ON

Rob Harrison

'We want to work with SME forwarders'

IF you needed any indication of how seriously companies are taking ongoing supply chain disruption, just look at the elevation of logistics experts to board-level roles. DP World's vice president inland & logistics for northern Europe, Rob Harrison, considers the increased importance of the chief supply chain officer as a change that is here to stay.

"These changes aren't going anywhere," Harrison tells Voice of the Independent (VOTI). "And there's no doubt it will filter down to the small and medium (SME) sized shippers. It seems obvious that this is a role the SME forwarder should be looking to fill, but to do that the forwarder needs to be repositioning how they understand themselves and their role."

Harrison is not looking to condemn SME forwarders but is reaching out in search of new partnerships.

"Their mind-set, and our mind-set is to solve problems," he continues. "And we can see where the problems are in the supply chain. Right now, based on relationships we have with some shippers, we note that today they see this as a significant production risk, as they continue to produce but struggle to get their goods to destination.

> "Their mind-set, and our mind-set is to solve problems"

"I'm sure forwarders are getting the same questions. As an SME shipper your focus will be on the production and the sales side but as I said, we're beginning to see how important logistics is becoming for bigger shippers and we expect this to filter down. It's important to remember that SME shippers tend to specialise, their focus being their brand – for supermarkets if they cannot get one type of canned tomatoes, they'll have an alternative, but brands only have their brand. And SME forwarders generally service brands."

How then do the concerns of SME shippers and forwarders tie into Harrison's, and by proxy DP World's ambitions, when it comes to resolving well-reported congestion along northern Europe's intermodal routes? Synchromodality.

In essence, synchromodality sees terminal operators acting as the spider in the web. Based on information provided by stakeholders they offer a synchromodal product which brings the box from seagoing vessel stowage position to destination. As Harrison says, it is reliant on being "agnostic" about transport mode, with the intermodal operator determining how the cargo moves. This can be a combination of road, rail, and/or inland shipping.

"Synchromodality offers two key benefits as we see it," says Harrison. "Firstly, there is the environmental influence. Airfreight is considered, well, it's not environmental yet and there trucking also has the perception, rightly so, that if you're looking to burnish your green credentials it's not the mode. Rail and barge on the other hand are greener options.

"But also, and for the SME forwarder this is pivotal, as brand-operators, the SME shippers are likely facing a larger hit to their business by congestion. Forwarders need to be asking themselves how they can resolve this issue. They have much better relationships with their shipper customers than larger players but that won't remain if goods don't hit the shelves."

> "They have much better relationships with their shipper customers than larger players but that won't remain if goods don't hit the shelves"

These delays are particularly pronounced along the inland trades of northern Europe. Over the past six years, delays of two to three days have become the expected norm on some services into the deepsea ports. And, with the influence of Covid, disruption emanating from China, the war in Ukraine, inclement weather and a cost-of-living crisis increasing labour disputes, those wait times for barge services have extended to more than a week on multiple occasions.

"What we're trying to offer to combat this is synchromodality, where we don't focus on the means but the end objective: getting it to the customer," says Harrison.

"To achieve this, we are expanding both our barge and rail services, which provides us the flexibility to be able to reassign shipments between modes. This means that if we spot a delay on rail services we can send via barge and vice versa."

Owning assets, Harrison believes, gives DP World the capacity to effectively deploy this resolution as the terminal operator is endowed with far greater visibility than other parts of the supply chain. And, in turn, this visibility can help forwarders ensure their clients are properly serviced. For this reason, Harrison sees it as a win-win and is keen to engage the SME forwarder and help sell the idea of synchromodality. He also thinks it may put a dent in the ambitions of some of the larger shipping lines who appear eager to "take out" the SME forwarder completely.

vice president inland & logistics for northern Europe DP World

"We see the dynamics and, don't get us wrong, we wish to evolve further into the market," says Harrison. "But not through a process of taking out the SME forwarder. We want to work with them as they have a massive, massive market. Yes, their volumes are smaller, but there are so many of them. Rather than engaging the fight with the larger players for larger pots, we'd rather engage a lot of small players, this mass market of SME forwarders with a service to sell, and that service is synchromodality."

Synchromodality is not unique to DP World. Others have been doing it and many more tout its benefits. But Harrison is keen to build it to scale, which means he will be continuing efforts seen over the last two to three years that has increased its presence in the intermodal space to 12 locations across Belgium, France, Germany, the Netherlands, and Switzerland.

"We have four of our own barges, but these are smaller niche vessels best suited to fit through locks on the Upper Rhine," Harrison continues.

"We also charter in vessels and have good standing relationships with barge owners, and, we run at quite high utilisation rates of 75-80 per cent, which is above our peer groups who appear to be around 60 per cent.

"I like the idea of engaging the SME forwarder to sell this service."

Insights IN

Seafreight – comment by Mike Wackett

Strikes and congestion nightmare for shippers

MIKE WACKETT
Sea Freight Consultant, FICS

SHIPPERS don't just need the best data available to be able to navigate their way through the current crazy freight market – they need a crystal ball!

Even if demand is falling – and the jury is still out on that one – a vicious circle of port congestion begets network delays, which begets more port congestion, which then takes out large chunks of capacity, ensuring that rates remain high for the foreseeable future.

Industrial action at German ports is the latest encumbrance to prevent ocean carriers from restoring their Asia – North Europe loops to resemble anything like the sailings being advertised.

Moreover, the inflation-busting wage increases being demanded by the normally moderate port workers at Hamburg, Bremerhaven, Wilhelmshaven and Emden do not bode well for upcoming pay negotiations at other North European ports.

> **whenever there appears to be an opportunity for liner shipping to return to a pre-pandemic normal, another curve ball is thrown into the mix**

Indeed, whenever there appears to be an opportunity for liner shipping to return to a pre-pandemic normal, another curve ball is thrown into the mix: think the Ever Given blocking the Suez Canal for six days in March last year, and the on/off uncertainty of the Chinese city lockdowns this year.

A recent survey by Alphaliner found that alliance vessels deployed on the Asia – North Europe tradelane were arriving back in China after a roundtrip voyage on average 20 days late, with most of the time lost incurred waiting to berth at the main container hub ports of Rotterdam, Antwerp and Hamburg.

Container terminals at the Benelux and German ports have become overwhelmed by a combination of extended dwell times for local imports, transhipment boxes awaiting relay and custom-blocked Russian imports.

Ocean carrier advisories report yard density levels across the Le Havre – Hamburg port range at between 80 per cent and 90 per cent - significantly higher than the level at which container terminal efficiency is impaired.

Notwithstanding the highly elevated freight rates, the cost to shippers from the delayed arrival of product is incalculable – or that was what we thought before the analysts at Sea-Intelligence decided to find some mathematical answers.

By using calculations worthy of Pythagoras, the Sea-Intelligence research team arrived at a loss incurred by shippers since January 2020, as a direct result of delays, of a staggering US$5 billion to $10 billion across global trades.

Of course a number of assumptions were made to arrive at that figure, for example the average value per teu was set at a level of $40,000, which is ballpark figure used by many insurers.

However, the number of days lost from idled ships, which can be verified, reached a high of an eye-watering 70 million teu days in January this year.

This all adds to the pressure on procurement officers who not only have to 'duck and dive' to get space on board ships, but also have to pilot their way around the dysfunctional networks and a myriad of misinformation on vessel arrivals.

In today's crazy freight market, shipper procurement managers often find themselves in a 'no-win' situation when it comes to negotiating their contract volumes with carriers.

Many have been fired for not giving in to ocean carrier demands for huge contract rate increases, and therefore not being able to secure regular space on services - potentially losing the market for the product.

Conversely, there will be many procurement managers that will be waking up at night sweating with the worry that they have accepted too large a freight increase - which could in time become more expensive than spot – and the fear that they may also have gone too long with agreeing to a multi-year deal.

Allseas Global launches shipping line

ANOTHER freight forwarder, the UK-headquartered Allseas Global, has launched a shipping line in an effort to provide customers with a bespoke service.

Allseas Shipping Company (ASC), is a joint-venture between Allseas Global and First Containers.

"When we launched this, it came under the banner of the China Express, which was more of a route than a shipping line," explained Allseas Global MD Darren Wright. "We needed to give it a name because we're not just doing China anymore, we're doing Bangladesh, we're doing the transpacific into the west coast from China and Vietnam."

The forwarder, which has invested $150m in the line, operates six chartered vessels on the Asia to Europe trade, calling at Ningbo, Chittagong and Liverpool, which the company hopes to turn into a weekly service with the charter of two more vessels.

Another two ships operate a bi-monthly service on the Pacific, which ASL also hopes to improve with a slot charter agreement with Swire Shipping.

Wright said: "With charter rates as they are, we could have bought those [chartered] ships five times over."

Any ships the carrier buys will be in the 2,500 teu range, feeder size, with the ethos of the line to maintain schedules and call at niche ports that are less congested. Wright added that, to a large extent, the network is directed by Allseas Global's customers.

"We are looking to offer a niche product," he said. "If we have a customer that wants to call at Valencia, we will take a look at it and see if we can make the cargo and freight rates work. We are a nimble company, that can be flexible."

The company is looking at services to and from ports in China, Vietnam, Cambodia, the Philippines and Thailand, as well as connecting smaller hubs in Europe and the US.

"We started this service because we are a freight forwarder; we had customers that couldn't get cargo onto vessels and they were paying through the nose with a pretty poor service to go with it," he claimed.

Forwarders juggle options from China

AFTER its lengthy lockdown, Shanghai is back in action. Forwarders have greeted the news of the end of the paralysis in the Chinese metropolis with a mixture of relief and trepidation, faced with the backlog of traffic that has piled up.

Walter Hoffelner, managing director of Cargomind, described the situation at the port and airport as catastrophic.

"Everywhere there are containers that have waited for weeks to be unloaded," he remarked. "There is no capacity and it will take some time before the situation is halfway back to normal."

Many logistics executives have predicted a tidal wave of cargo to surge out of Shanghai after the re-opening; others see a less dramatic spike in traffic. For one thing, production and shipping are not bouncing back to pre-lockdown levels at the flip of a switch. This takes some time to ramp up.

It's hard to gauge the extent of the backlogs. Bob Imbriani, executive vice-president international of Team Worldwide, noted that exports have left China from other gateways during the Shanghai lockdown, albeit at a decreased rate. He predicted a spike, followed by uneven progress with sporadic bumps.

> "It's hard to say if carriers are holding back capacity for spot pricing. There is not a lot of guaranteed space"

"It's not going to be straight out six months of problems. It may be challenging for a week, then get better, then there will be issues again," he said.

In the weeks before the re-opening, capacity on shipping lines and rates improved, but forwarders expected the backlog in Shanghai to change this, leading to a shift of some traffic from ocean to air cargo.

This is going to squeeze airfreight capacity that forwarders have been able to secure.

"We have allotments with airlines, but rather fewer for this summer," said Stephan Haltmayer, CEO of Quick Cargo Service (QCS). "I think the airlines have given allotments in order not to antagonise forwarders, but they're holding back capacity for ad hoc business. We've got allotments for our regular customers, but there will be a lot of overflow."


BOB IMBRIANI
Team Worldwide

He added that belly capacity is still lacking, as passenger travel to China has been restricted.

"It's hard to say if carriers are holding back capacity for spot pricing. There is not a lot of guaranteed space," agreed Imbriani.

He stressed the need to be flexible and explore all likely routing options for shipping by air and ocean.

QCS has seen indirect routings increase in various sectors. The company has had many enquiries about shipping freight from Asia to Latin America via Europe. One such routing involves flying the freight to Frankfurt and trucking it to Lisbon for flights to Brazil.

"It's a deferred service, of course. It takes two days to truck to Lisbon, but it makes sense if there is no direct space from Frankfurt until next week," Haltmayer said.

In response to the lockdown Nippon Express launched an intermodal service between China and Europe that combines rail and maritime transport. Cargo is moved by rail from points in China to the port of Aktau in Kazakhstan, where it is transferred to ship, crossing the Caspian Sea to Baku. There it is loaded on rail again to Istanbul. From the Turkish city freight moves to Europe either by rail or truck.

The transit time for the entire journey is 50-55 days.

According to the logistics firm, this offering supplements the direct rail service from China to Europe and intermodal services out of the ports of Qingdao, Lianyungang, Ningbo and Wenzhou.

The route across the Caspian Sea has significantly less capacity than the northern rail routes across Russia, which many forwarders and shippers have avoided since the outbreak of the war in Ukraine.

Hoffelner described the Caspian routing as the only viable multimodal option that is currently available. "Everything else is not viable on account of many problems and time issues," he commented.

He added that very little has been on offer for sea-air routings.

"We don't see much sea-air," confirmed Haltmayer.

"Over the years there have always been programmes like that. They have a tendency to come and go. Once congestion eases up, there is less interest," said Imbriani.

Team has been using some sea-air as well as air-sea routings, such as flying cargo to Miami for ocean transport to destinations in Central America.

Apart from being flexible and creative with routing options, Imbriani stressed the importance of closer collaboration with customers.

"We work more and more with customers on forecasting – not just projections for next week, but for next month," he said.

Haltmayer noted that airfreight always is an option, depending on how much the customer is willing to pay and when the cargo has to move.

"Customers now accept prices you couldn't dream of in the past, when they were haggling over ten or 20 cents," he said.

Maersk rolls out container damage coverage to limit disputes

MAERSK has now rolled out its container damage coverage across 27 countries in Asia and Europe. It aims to end long-running disputes between partners over who caused the damage.

"Container damage can happen at any point in transit," noted the shipping line. "When this happens, you can get caught in the cycle of determining the cause, bringing about irreversible delays to your cargo's journey.

"When this happens (regardless of the root cause), the most ideal solution is to make sure that all container damage disputes are resolved by someone else, quietly in the background."

The charges vary per country, and are only optional in some destinations, but in Bangladesh, for example, by paying $10 for the 'Container Protect Essential' product, an importer can enjoy up to $100 in damage repair cost coverage.

If the importer pays $50, there is unlimited coverage to repair damages.

"Maersk has introduced the product in consultation with this association to simplify the damage charge dispute resolution," said Kazi Mahmud Imam Bilu, general secretary, Chittagong Customs Agents Association in a letter to association members.

"It covers all commodities and can be added to your shipment at any time before the release of the delivery order."

Maersk said that the importer would not need to wait for damage recovery invoices if the accrued cost is within the coverage.

"Every day we have fights with C&F agents about repair charges. So, Maersk stepped ahead and fixed it to avoid any disputes," said a Maersk representative in Dhaka.

"Generally there is very positive feedback from customers. They are appreciating [it] and buying more of this product," said Maersk's spokesperson.

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