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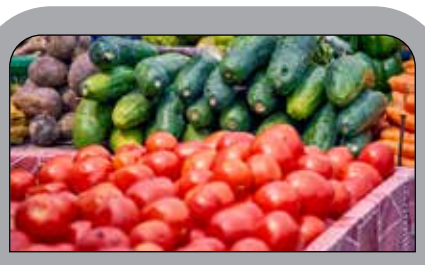

Shippers warned to hold contracts despite spot rate fall

Congestion and blank sailings could see rates rise again

CONTRACT rates may be rising, and spot rates falling, but shippers are being warned not to tear up their contracts just yet.

The contract rate index by Xeneta jumped 10 per cent in June following a 30 per cent hike in May, and is now 170 per cent higher than a year ago, but spot rates are on the wane.

"After last month's colossal rise, we see another hike, pushing cargo owners to the limits, while the carriers fill their pockets," said Xeneta CEO Patrik Berglund.

But, he added: "Again, we have to question, is this sustainable?"

He warned that spot rates "may increasingly tempt shippers away from traditional contracts".

"As we enter another period of turmoil, shippers will transform themselves into risk-averse buyers. Top of mind for them will be which trades they will procure on the spot market and which on the contract market, and their duration. They will aim to strike the best possible balance between both markets, depending on their business needs."

Drewry agreed the slide in rates has "become entrenched … with dips getting bigger by the week".

But as box lines announced more blanked or delayed sailings, while port congestion continues to be a problem, shippers may not be out of the woods yet.

> "After last month's colossal rise, we see another hike, pushing cargo owners to the limits"

Analyst Lars Jensen, head of Vespucci Maritime, said suggestions of a weak peak season could be premature, and even if demand was muted, congestion, particularly in North Europe and on the US east coast, could linger for some time.

"It is too early to assess … [but] even if demand is weak, the risk remains that bottleneck problems will further reduce available capacity.

"Shippers now facing a situation where spot rates are dipping below contract rates would be wise not to break or initiate renegotiations of those contracts just yet," he said. "Additional capacity constraints might still lead to spot increases in the coming months."

Drewry added: "We think the bottlenecks will last sufficiently long enough for carriers to secure decent contract renewals next year, although much will depend on the speed of the spot market downturn and how watertight existing contracts are."

Jensen also noted that it is unlikely spot rates will return to pre-pandemic levels any time soon. "It could take a year to get back to normal, even if rates go into freefall. It will be well into 2023 before you have something looking like normal."

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Shippers embrace box line integration with air cargo

FORWARDERS may disagree, but shippers have welcomed the decision by Maersk and other box lines to offer integrated logistics services, including air freight.

Shippers claimed a one-stop shop would be beneficial for them, while also encouraging the air cargo industry to make improvements in the face of competition.

"Box lines have bought forwarders, terminal operators, planes and airlines," said Denis Choumert, chair of the European Shippers' Council.

"For us it's a good thing, because of the level of complexity. They can find the best route, switch capacity and switch assets internally.

"Hedging the risk on assets is interesting for us because it's an end-to-end service, and you can change modes.

"Until it is an abuse of a dominant position, we will take advantage of that."

Lars Droog, director EMEA operations at Cytek Biosciences, agreed. "It forces businesses to look at different models. Maersk is more like an integrator and, with CMA, it will change the industry.

"I hope the air cargo industry rethinks. These changes will benefit us and benefit supply chains, lead times and cost.

"The challenges we have had are extreme. This will help everybody with predictability. When we can find a model with long-term strategies for all stakeholders in the supply chain, that will be better. It doesn't help anybody to suffer from these type of challenges."

He explained that it would also change the way shippers worked. "As a customer of [these integrated companies], you become smaller, and you have to work within their organisational processes."

But he said: "Airlines have withdrawn a bit, they have outsourced services. This change might stimulate them to think more. Maersk and others will offer end-to-end services, not airport-to-airport. They have options that will create flexibility, which will cope with the challenges and different requirements."

> "Until it is an abuse of a dominant position, we will take advantage of that"

Another shipper called for real-time visibility on air cargo services. Pieter Vlam, manager freight at Bausch Health Netherlands, said: "We are not happy with the quality of reliability and visibility.

"Track and trace is a manual exercise. My own track and trace is as good as that at an airport. But I'd like a reliable service with track and trace – if it's booked, it's flying. These are two elements that should be changed."

Shippers agreed that air cargo had the tools to offer better services, pointing to the express industry as well as passengers. Droog added: "Lots of organisations have their own projects for visibility, such as active loggers, and that should be a USP for the industry.

"If it becomes an option, it will be huge and help the air freight industry as a whole. Air cargo has the tools to be the best, and we should review the business models. Express is easy, and end to end."

Choumert agreed that digitisation and visibility of services was key, adding: "There is transparency in passenger flights – you know if a flight is fully booked.

"But in air cargo, there is no knowledge about the type of capacity or whether I should try a different strategy. Should I do a long-term contract or spot? It happens in ocean, but not in air."

LARS DROOG
Cytek Biosciences

FIATA slams shipping lines for distorting competition

FIATA has severely criticised the major shipping lines, accusing them of abusing their dominant position in the market and distorting competition.

"Access to the global logistics chain is under threat today. Moves by the world's largest shipping lines, which as part of the three global shipping alliances dominate 80 per cent of the global shipping market and 95 per cent of critical East-West trade lanes, have sought to cut or restrict freight forwarders from their services," said the association in a paper.

FIATA called on industry stakeholders and regulators to review the situation and ensure a balanced and fair system, calling for a number of actions.

It advised that box lines should stop spending their newfound wealth on vertical integration, and start spending on decarbonisation. It pointed out that to achieve the IMO's goal of a 50 per cent emissions cut by 2050, the cost would be some $1.5trillion, "a significant challenge".

FIATA argued that instead of creating "unprecedented market concentration", the lines should invest in decarbonisation "to ensure that the financial burden is not left to other parts of today's ailing economy".

Another complaint concerned antitrust exemptions. Noting that they were intended to promote efficiency in the maritime supply chain, FIATA said that as the box lines moved into areas "outside port-to-port activities" they should be reviewed.

"They open the door for shipping lines to also use such exemptions in other activities – such as cargo handling, logistics and ancillary services – thus competing unfairly with the players ... who do not have the benefit of exemptions from antitrust law. This creates an oligopolistic market which undermines the overarching intent of the antitrust exemptions and antitrust law overall."

It added: "A more appropriate regulatory response would be to grant permissions to shipping lines, rather than exemptions, to deviate from antitrust law in certain prescribed situations."

Focus ON

Perishable market sours as shippers f

"I think there are many aspects which are making life either complicated or miserable for perishable shippers," Drewry's reefer analyst Philip Gray tells Voice of the Independent (VOTI). Problems range from the continuing shortage of containers, lack of vessel capacity, disruption at destinations, labour disputes, China's "zero Covid" policy and its associated lockdowns, and, of course, war in Europe. Secretary general of FIATA, Robert Keen, tells VOTI in this month's Spotlight that these issues are generating opportunities for SME forwarders, but those opportunities will not fix the reality of post-pandemic logistics, one with shippers across the globe seeing their perishable exports fall "20 to 25 per cent".

"I think the main issue that perishable supply chains are struggling to get around is schedule instability," continues Gray. "Yes, this is the same for general cargo, and the cause is also the same, but for perishables the knock-on impact of delays can be that an entire shipment is left unusable. Given that the cause is the same, it is very difficult for the perishable sector alone to work around."

If this was not bad enough, at the start of the year demand was so high that pricing for reefer freight rates hit a level that forced some perishable products out of the market. This was only compounded by a shortfall in available reefer equipment, although this has seen carriers try to redress the balance. Seatrade sought to take the opportunity to undercut the big players, with plans to diversify into the reefer container sector when placing a four-vessel newbuilding order from China for four 1,800teu containerships.

In a statement, Seatrade said the new vessels will be operated according to its "fast, direct and dedicated" (FDD) philosophy, adding that this would offer an alternative to "increasing… transit times and associated costs" on services offered by the container giants, and provide capacity for seasonal volume fluctuations. But four ships cannot fix what appears to be a flailing industry. And this, say observers, is down to the state of strain caused by the "seismic shift" towards e-commerce kicked up by two years of Covid.

Gray suggests imagining a 49-day round-voyage calling at 10 ports. With mass congestion and worker absences (for whatever reason), days-long delays are becoming common occurrences. However, they need not be days-long for perishables to go foul. As Gray notes, you can have an average of a 12-hour delay at each port of call and there you have "five days down the drain of your schedule". Again, he stresses, this is not unique to perishables' shippers but given the sensitivity of their cargo the impact of these issues is more acutely felt by them.

PHILIP GRAY
Drewry

"The problem being experienced at present is that because the global container fleet is at full utilisation, it is incredibly difficult to reach a resolution on schedule instability," Gray continues. "For any line to repair a schedule, you add extra vessels. When you have a little bit of excess capacity this is a relatively easy thing to achieve because you can just charter an extra ship and you repair the schedule this way. But right now, there are no ships available so repairing the schedule is just not happening these days. If anything, they are simply letting ships arrive when they arrive. All of this though is heaping incredible amounts of pressure on the

> "I think the main issue that perishable supply chains are struggling to get around is schedule instability"

At the start of the year demand was so high that pricing for reefer freight rates hit a level that forced some perishable products out of the market

Perishables

face tough choices

ports and the truth is that it is more than any of the systems are built to handle."

Port difficulties are being noted by forwarders. Pharma and government relations director for Brazil-based AGL Cargo, Jackson Campos, tells VOTI that the strain of geo-political shocks is having as much of an effect on perishable shipments, notably the ongoing calamity in Ukraine. As one of the biggest suppliers of protein to Russia, Brazil has had to contend with the ramifications of its own trade partnerships.

"We have faced substantial problems at the hub ports we use," Campos continues. "For instance, in Rotterdam we faced an issue in which several containers going to Russia and Ukraine got stuck. Brazil is a huge protein producer and Russia is one of the biggest buyers."

Given the sanctions imposed on Russia by Europe, the US and its allies, these Russia-destined containers have found themselves embroiled, and this is only furthering the misery for perishable shippers, with Campos adding "because they were seized, we are still facing a shortage of reefer containers that have never come back from destinations". But for Brazil, losing more markets is not really viable given its own post-pandemic reality.

"Brazil had many markets prior to Covid through which we had direct connections," adds Campos. "But these direct services stopped after the pandemic and have never come back online, which continues to present a massive challenge for perishable exports, not least because Brazil is a huge country with perishable businesses scattered all across it. Take direct services from Brazil to Europe or Brazil to the US, many of these are still on hold and this only makes the cold chain even more challenging to service. It means we need to use a mix of trucking and flying to get goods moving."

JACKSON CAMPOS
AGL CARGO

This hit came at a difficult time for the Brazilian cold chain sector which, up until 2020, was seen as a major rising force. Indeed, reports were suggesting its US$1.6 billion valuation would double to nearly $3.3 billion by 2026. But even then, a key limitation was the lack, or varied quality of, internal transport infrastructure. Brazil has made efforts to improve its cold chain services, although in the main this has focused on pharma, with Campos pointing to regulatory changes.

> **"What shippers need to be doing at this moment is looking for the most reliable services"**

"New regulations in Brazil for the pharmaceutical market are about to take effect and this will demand lots and lots of active solutions and monitoring features," he says. "Even though the same legislation allows the use of passive packaging as well, depending on the international flights scenario, if the direct flights do not return to operation imminently, customers will need to use the most secure service. But the changing regulatory landscape has coincided with customers starting to look for active packages for air cargo and online 24/7 temperature monitoring. AGL Cargo has become a hub for an active package solution supplied by CSafe Global, and we also partnered up with a datalogger brand which provides online monitoring of temperature, humidity, and others."

As far as capacity goes, Campos says AGL is managing to find space when it looks for it. "Space is workable, but at a 'decent' price, forget about it, this is unachievable at the moment… we have given up on spending time on what is an unsolvable problem for the moment."

In some cases, this has seen exporters change their markets, with perishables exporters in the US considering the domestic market safer and therefore exacerbating supply issues in some overseas markets. Others have started looking again at air as an option, although "given the price" this is not a lightly taken step. From Gray's perspective, the most important thing perishables forwarders can do currently is focus on reliability.

"What shippers need to be doing at this moment is looking for the most reliable services," says Gray. "Most of these are heavily geared towards bananas and niche ports, which are not as heavily invested, as they're not the big east-west trades."

Using these services and niche ports might provide a short-term solution, but not any sort of long-term fix. Some have sought to use the moment to challenge the ports, first on their readiness for such a situation, but also out of a belief that they have just not kept up with the demands of modern supply chains. But Gray pushes back.

"This thing has caught everyone by surprise, 'this thing' being this huge influx of volumes," he says. "So you cannot go around blaming the ports for it at all. They get thrown cargo and have to try and deal with it. You can argue the ports could have had more people and cranes to deal with it. In a way, what's happening now, the shipping sector has had for a year. And to say 'don't forget to hire a dockworker' as though this is an easy thing to do is asinine. A dockworker is a specialist job that requires a lot of training, not to mention the necessary security screening required to work on these sensitive sites. But you can say that they should be looking to now ramp this sort of thing up."

This will take time, however. Gray recognises that the problem is not unique to perishables but he stresses that they uniquely feel the hit of these problems.

"Depending on what you're trading and transporting, all of this disruption can have a seriously detrimental effect, particularly those trading the high-end perishables," he adds. "Some products have a higher end shelf-life, for instance citrus fruits, so if it's a delay of five days in transit it's not much of an issue - but it does become an issue when you lose your windows within the supermarkets. This is why I think the fundamental problem is schedule reliability and why it may make sense to look to what these niche ports and operators can do.

"Obviously, the Russia-Ukraine situation is the same for everyone. Stuff can reach Ukraine by Poland. But it is not a big reefer place so the impact on perishables is maybe less acute. People talk about high freight rates but these are nothing new, they have been something reefers have been experiencing for a while now. That being said, produce in general has a very low value – a container full of meat can be worth a couple of hundred thousand dollars but a container of onions is only worth $5,000. So, for actual produce it can be an issue to reach certain markets and people can choose not to do the business."

And this is forcing shippers to face up to existential questions such as "do we ship at a loss?", or do they rethink their business strategy? For instance, does an apple grower accept defeat and turn that stock into juice, which is far hardier and less likely to spoil, when delays kick in because they cannot generate a profit by sending apples on more reliable services, and they cannot handle the losses resulting from delays of the cheaper services?

"This does not happen immediately, of course," adds Gray. "The traditional exporter will always take the last shot. But sooner or later that optimism comes to an end – whether they juice the apples or choose not to harvest. These are the major sore points in this whole process and ones that everyone along the supply chain is going to have to face up to, because on the other side of the equation is that people need to eat."

Spotlight ON

Robert Keen

SMEs have nothing to fear from box line moves

"THERE'S seldom any proof of what's happening," says Robert Keen, FIATA's secretary general (a post he has held since November) when asked about anti-competitive practices by shipping lines. Keen's comments are by no means unique: concerns over such practices have lingered for some time, but FIATA has been urging authorities to address the worries of shippers and forwarders alike.

"We made great strides with the Federal Maritime Commission," he adds.

The disquiet about shipping line practices has been heightened by the lines' moves into new areas of logistics, such as freight forwarding and air freight. For some forwarders, such moves have been daunting. Keen agrees, but he also believes they present opportunities for some of the smaller operators.

"SMEs have an eye on these issues, they are distrustful of shipping lines – this is an entrenched view, and you can see some justification for that – but there are also opportunities thrown up by carriers over-extending themselves," Keen continues. "There is anecdotal evidence that can be found that show there has been a slight abuse of the position shipping lines have. But there is rarely any proof of this or, if there is, the competition authorities never find it."

> "SMEs have an eye on these issues, they are distrustful of shipping lines"

Rather than worry about the alleged dodgy practices of shipping lines, Keen says forwarders will typically ignore it. "They don't usually want to worry about these things, the SMEs in particular, they just tend to get on with the business they have an expertise in." As it stands, most forwarders are "rushed off their feet". Given the ongoing problems associated with the continuing impact of Covid-19 lockdown mandates, Ukraine, and Brexit in the UK, not to mention wider global supply chain troubles caused in part by changes in buying habits which have not been matched by necessary infrastructural changes – "there's no shortage of work" at the moment.

"When you look at what the likes of Maersk are doing, this is not really a major threat to the SMEs," Keen continues. "The smaller and medium-sized forwarders are spread out over a broad and diffuse market, it's simply too much for large firms to hoover up. That does not stop them trying, history is littered with attempts by big corporations looking to hoover up business.

"And this is not to say that Maersk will be the next big failure, it will definitely have a fair crack at it. Maersk has what is needed to be a good one-stop shop, but therein lies the benefit of the SME. One-stop shops struggle to cater to the needs of the usual SME customer, namely the flexibility that the smaller and medium-sized forwarders have always had."

Of course, that flexibility is dependent upon talent. And forwarding, like many industries, is in the midst of a talent shortage, a reality not lost on Keen. "Every industry is struggling with staff," he says. "Go to any restaurant in London and you'll see that sign up in the window 'we're hiring'".

Certainly, in the UK Keen believes there are more jobs available than there are people to fill them. And this is something the wider sector needs to examine, as the pattern is replicated around the world.

Which brings him to an aspect of modern supply chains that is rarely out of the spotlight: "driver shortages".

"The major problems are always linked to difficulties with transports," Keen continues. "The lack of younger drivers, the lack of female drivers, the lack of driver facilities. Repositioning empties. There are shortages of staff and vehicles, and this has not gone away."

So where does this leave SMEs? Should they invest in their own vehicles and driver training to ensure goods keep moving? He thinks that is unlikely.

"I doubt you'd see SMEs deal with this, as it would be such a massive investment."

Alongside driver shortages are other challenges, such as major congestion across ports, as well as staff shortages in other parts of the supply chain. And there is also Brexit. From October, UK imports will run through Customs Declaration Service (CDS) as HMRC terminates support for the Customs Handling Imports and Exports Freight Platform (CHIEF). In his role as director general of the British International Freight Association (BIFA), Keen sees this as a contentious issue.

"There have been a lot of calls to defer or delay but the message from customs is that no delay will happen," he says. "CDS is clunky, and it takes about four times as long to do a declaration on. But there is also a slight conflict, in that so much depends on who you listen to. Software suppliers will say CDS works from a technical point of view. But for forwarders the practicality is a different matter."

Keen says overall that the move to CDS was "pretty unfortunate", because it was designed for the EU "and we're no longer in it". But he is not calling for a delay, he says that he and FIATA are asking people to keep using it and to report the issues they experience.

"Most of our customs group are behind trying to make it work," he continues. "I remember various incentives over the years that would do away with forwarders. There's probably more chance of making it easier for traders to engage with customs by 2025. But for 30 to 40 years we've had the move to outsourcing, and everything is about using third parties. But it always comes back to who's going to move the freight, and that's the forwarder.

> "One-stop shops struggle to cater to the needs of the usual SME customer"

secretary general
FIATA

"As I said, from their point of view, members are as busy as they've ever been," Keen continues. And that busy-ness is in part a desire by SME forwarders to take on the jobs that the bigger players are not keen to touch. Keen points to the issues surrounding movements of agricultural goods through Europe and on into Asia.

"The SMEs are looking at this work and the lack of attention it is being given by the bigger players," he continues. "Their view is that it is being passed by because it looks difficult - and it is. But this is where the SMEs make their money, so they accept the challenge and they take their crack at it. The forwarder's role is to deal with complexity. They do this by looking for pragmatic approaches and resolutions."

Insights IN

Seafreight – comment by Mike Wackett

Rebirth of a salesman

THE cobwebs are being brushed off ocean carrier representative expense accounts as the shipping lines start to hunt down cargo and learn to be nice to their customers again.

In my day, if you were a half decent rep, you were "out in the field" between Monday and Thursday each week visiting existing customers or potential new clients, and taking lunch or dinner with the top bosses.

Fridays for reps were normally spent in the office, typing out visiting reports, firming up next week's appointments and of course, claiming expenses.

"I'll slide in to see you next week and buy you a sherbet," was a phrase the top salesman at one of my first shipping jobs often used on the telephone when he was talking to his contacts, while filling up his diary with future calls.

We were up to our necks on the operations desk in muck, bullets and late-running out-of-gauge containers (usually booked as a special favour by a sales rep!); in contrast, the life of a salesperson appeared to be rosy, consisting of long lunches and 'fiddled' expense claims!

sales reps are being sent out again to the four corners to capture bookings to fill underutilised sailings

But as that salesman repeatedly told us in the pub after work on a Friday: "Without me you wouldn't have the bookings, and you wouldn't have a job."

We didn't see it that way of course as we considered the 'special favours' to his clients more trouble than they were worth, but he had a point: in a highly competitive market relationships counted then, and still do decades later.

In the past couple of years, the ocean carrier outside salesperson has faced many challenges; starting with the pandemic restricting contact with customers and culminating with a demand surge that overwhelmed capacity.

Indeed, by the time that carrier account managers could once again resume their normal customer visiting schedules, as social distancing and mask-wearing rules were relaxed, the shipping lines were turning cargo away.

Sales staff were told to 'keep their heads down' and remain in the office, and in essence go against their commercial principles and lose cargo.

Small and medium-sized forwarders and NVOCCs were dropped like a stone, despite personal relationships between sales reps and clients that had seen those shippers loyally support carriers with their business during the many lean times.

Moreover, the impending death of a shipping line salesperson was further accelerated by carriers' aspirations to lock in a core of their business on multi-year contracts, which they claim do not require the input of salespeople.

And for shippers that were not fortunate enough to be selected for long-term contracts there was always the digital option, where a frustrated shipper could take their angst out on a friendly chat bot!

But with consumer demand now falling, port congestion unwinding and carrier blanking programmes at full tilt, sales reps are being sent out again to the four corners to capture bookings to fill underutilised sailings.

MIKE WACKETT
Sea Freight Consultant, FICS

Some are having the doors slammed abruptly in their faces by SME shippers that previously couldn't get carriers to pick up the phone or answer an e-mail.

But other more persistent sales reps are managing to get in front of their old clients.

After apologising for the radio silence of the past two years, ocean carrier reps are persuading the neglected customers to join them on the pleasant lunch-meeting restaurant circuits.

These days company compliance rules may mean that alcohol is often substituted with still or sparkling water, nevertheless the informal lunch meeting remains the best opportunity to seal a deal.

The next stage of the transition back to a healthy normalisation of business is for carriers to reopen their customer service departments.

But don't hold your breath on that one!

Shippers eye China-EU rail again to avoid ocean

CHINA-Europe rail freight growth has slowed dramatically in the first half, but blanked sailings on the ocean could see shippers begin to re-route cargo there again.

Russia's invasion of Ukraine and subsequent sanctions saw the rail network's usual double-digit annual growth stop, with first half volumes up just 2.3 per cent.

Igor Tambaca, MD of Rail Bridge Cargo, said shippers were increasingly prepared to "let go of ethics" and go back to using the Russian route, given the worsening port congestion in Northern Europe and long sea freight delays.

He explained: "Shipping lines are increasing the number of blank sailings to keep sea rates high, which directly impacts supply chains and sales for large European customers. So it's their choice to use Russian rail transit and forget about ethics, rather than wait 65-88 days for their goods.

"Average rail transit times from central China to central Europe, via Russia, is only 17-20 days, which is very low compared with sea freight."

Not all shippers had abandoned the route, but many switched to middle and southern routes, and as a result there has been some congestion.

In early July, the China-Kazakhstan border crossings of Alashankou and Khorgos were temporarily closed to help clear a 25,000 teu backlog, according to New Silk Road Intermodal (NSRI).

CEO Jacky Yan said such a suspension was "not unusual" and would not impact fixed-slot train departures. But it would "reduce the space available and cause delays at origin terminals", he added.

Tambaca said volumes had declined through Kaliningrad, though, as customers had become "nervous about the constant changes of sanctions, so they are relying more on the Belarus-Poland route".

He added: "The southern/middle corridor is getting more popular, which means an increase in congestion. In particular, there are delays from Baku, when transiting through Georgia and Turkey, and also Georgia, through the Black Sea into Constanta."

In Europe, NSRI said railway repairs were likely to impact transport between Germany and Poland. And the political situation in the Russian enclave of Kaliningrad – where Lithuania has banned the transit of certain Russian goods – has so far not had a material impact on operations.

Why digital standards matter in global trade

HEADLINES reporting supply chain disruption have been all too frequent in recent times. Port congestion, fleets out of position and goods held up in the system are an all too familiar refrain, writes Henk Jan Gerzee, chief product officer of DCSA.

Supply chain stakeholders mitigate disruption through planning and operational measures. However, effective information exchange sits at the heart of smooth-running container shipping, and this is still hampered by manual, paper-based processes, and unstandardised data.

Tackling supply chain disruption

Stakeholder action, designed to protect businesses from the fallout of trade disruption, includes investing in detection and prediction technologies. Indeed, KPMG predicted that in 2022 businesses will enhance supply chain planning capabilities through enablers, such as AI-driven predictive analytics, track and trace and blockchain technologies.

It is true that technology is critical in today's supply chain management, however layering technology solutions onto a foundation of unstandardised data can only take the future of global trade so far.

Without standards, transferring digitised trade documents is restricted to platforms that can communicate with each other. Supply chain participants, such as shippers and carriers, must therefore implement multiple platforms to exchange data with all the parties they do business with, at considerable time and cost.

As a result, paper documentation endures, choking supply chains and holding back progress.

Container shipping's reliance on paper

The numbers are quite staggering. International shipping is so document-dependent that it is not uncommon for a shipping document package to contain 50 sheets of paper exchanged, in some cases, between 30 different stakeholders.

Documents range from bills of lading (B/Ls), carrier and authority certificates, import/export licences and vessel-sharing agreements. The inefficient exchange of paper-based documents can result in cargo being held up in ports because original B/Ls or title documents are stuck elsewhere. In 2020, DCSA estimated that 16 million original B/Ls were issued by ocean carriers and that paper B/Ls cost the industry around $11bn a year.

Despite this, at the end of 2021, only 1.2 per cent of B/Ls were electronic. Clearly, this is a missed time/cost opportunity – and what's more, paper-based, manual processes are error-prone and can be insecure, with the potential for fraud.

HENK JAN GERZEE
DCSA

The direction of travel is digital

In contrast, digitising documentation can simplify and speed up container shipping processes.

The Commonwealth set out to quantify the difference this could make. Its recent analysis explores the potential impact of adopting paperless trade documentation, and it makes for compelling reading. The report finds that widespread acceptance of digital trade documents could generate an additional $1.2trn in trade by Commonwealth countries by 2026.

Governments are acting. In the US, the Freight Logistics Optimization Works (FLOW) initiative will develop a proof-of-concept information exchange to improve accuracy for a more resilient supply chain. Meanwhile, in the UK the legislative agenda set out in the Queen's Speech included the Electronic Trade Documents Bill, designed to enable greater digitisation of trade-related paperwork.

Standards are the cornerstone of digital trade

These are significant moves that should accelerate progress towards seamless information exchange. It will be important that these, and other initiatives, further the cause for a common data language and process framework for container shipping, established through open-source standards.

Open-source standards need to underpin the digital infrastructure and processes through which shipping data is exchanged. This will create an end-to-end interoperable system so that transacting parties, such as shippers and carriers, can participate in, for example, an eB/L transaction, regardless of which technology platform they use and which partners they work with.

This takes collaboration on a global scale. With nine of the top 10 ocean carriers, representing over 70 per cent of containerised trade, DCSA champions technology standards for the container shipping industry. Digital standards will transform container shipping through a consistent vocabulary, common process flows and API-based interfaces to improve data exchange and supply chain visibility.

Digital standards are critical to the future of global trade, as they will ensure technology is interoperable at every link in the shipping supply chain.

Turkish Cargo offers three new services

TURKISH Cargo has launched three new products, following an investment in infrastructure and technology.

TS Smart, for general cargo, offers customers cost-effective benefits for shipments without weight or size limitations.

TK Premium is for critical shipments; those requiring short transit times; those needing late acceptance; or those shipments needing fast delivery and minimum connections. TK Premium shipments are moved as FAB (flown as booked), and receive a capacity guarantee and high priority status for shipments up to 300kgs.

TK Urgent offers the fastest solution, with capacity guarantee, minimum connections and shortest journey time, with a 100 per cent money-back guarantee, and a support team available 24/7.

Daniel Lloyd Johnson, head of cargo product said: "As an air cargo carrier at the centre of the rapidly developing logistics ecosystem, Turkish Cargo has been designing its operations based on the requirements of the industry. Within this scope, we are proud to launch three new services in various categories of speed, for an improved level of experience."

Voice of the Independent
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