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Forwarders demand urgent CBER review

Letter to EC VP questions willingness to tackle worsening services amidst record profits

FORWARDERS have urged the European Commission to bring forward a review of the Consortia Block Exemption Regulation (CBER) and tackle the "flagrant profiteering" of carriers.

The move came in a letter addressed to the EC's vice-president, Margretge Vestager, in which they challenged the commission's apparent belief that competition in the market not only conforms with CBER guidelines, but remains strong.

They wrote: "The regulation does not seem to be able to accommodate major changes in this market over the past few years.

"[These include] developments in information standardisation and exchange and shipping lines' acquisition of other supply chain functions, and how the shipping lines have been able to leverage these to accrue supernormal profits at the expense of the rest of the supply chain."

Among the 10 signatories of the letter were CLECAT, FIATA and the Global Shippers Forum, with the latter's director, James Hookham, questioning the CBER's flexibility.

Hookham said that, while the EC claimed there had been no illegal activity from the shipping lines, which have sought to muscle forwarders out of supply chains, "there was sufficient flexibility in the current wording to allow all the collusion necessary".

> "There was sufficient flexibility in the current wording to allow all the collusion necessary"

Pointing to the latest International Transport Forum (ITF) report, the letter notes it showed "how the behaviour of the global lines and their consortia have created an up to seven-fold increase in rates and a reduction in the availability of capacity for customers in Europe".

Furthermore, it pointed to the $186 billion in profits garnered by the lines, with margins rising to 50 percent alongside reductions in capacity, schedule reliability and service quality.

The letter stresses it believes these "excesses" could be directly attributed to the CBER and the "favourable terms" under which carriers are allowed to operate within European tradelanes.

After which, they pointed to the speed with which competition authorities in other regions sought to address the seeming dissolution of competition.

"There is a striking contrast between the approach of the commission and the vigour with which the Federal Maritime Commission in the US, and a number of other competition authorities globally, have pursued action against the lines, and the revelations of anticompetitive behaviour which emerged from their investigations," the letter adds.

Particularly striking was the assertion the CBER disproportionately disadvantages small and medium-sized enterprises.

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Growing fast – Turkish Cargo sets an ambitious course

TURKISH Airlines has had a busy month, including its cargo division rising to become the fourth-largest carrier and partnering with China's YTO Cargo.

The latest World Air Cargo Data, from June, noted that Turkish Cargo had increased its global market share to 4.8 percent against a cargo market retraction of 6.9 percent, as well as landing top spot for service in Eastern Europe.

Chairman Ahmet Bolat said: "This success demonstrates our commitment to make Turkey the heart of the global air cargo industry.

"Turkish Cargo's geopolitical position and infrastructure capabilities will also help us realise our goal of ensuring Turkish Cargo's place as one of the top three air cargo brands in 2025, in accordance with our plans."

TURHAN ÖZEN
Turkish Cargo

These latest figures display the rapid growth the carrier has experienced since entering the market in 2010, then ranked the 33rd-largest carrier in the world. It jumped to 10th in 2017 after capturing a 3.2 percent market share.

> "Considering today's global trade network, China ranks among the most critical players"

Against 2017, its cargo tonnage has increased 59.43 percent – more than 1.8 million tonnes – as it seeks to continue upping the number of locations it services from the current 100.

Facilitating this endeavour has been the partnerships it has struck, with the past two months having witnessed the signing of a strategic cooperation agreement with China-based YTO Cargo Airlines, which specialises in express services.

Turkish's chief cargo officer, Turhan Özen, said; "Considering today's global trade network, China ranks among the most critical players, with its production capacity and economy. Accordingly, the cooperation we have entered into with YTO Cargo Airlines is of strategic importance, in terms of strengthening the transnational connection and sustainability of the supply chain.

"Thanks to this new cooperation, Turkish Cargo continues to generate cargo solutions from and to China for its customers across the globe."

JIAN SUN
YTO International

Under the agreement, four weekly flights will be operated between Xi'an and Tashkent by YTO Cargo Airlinesconnecting with Turkish Airlines' Tashkent-Istanbul flights.

From Turkish Cargo's mega-hub at İstanbul Airport, cargo will be transported to consignees through what Turkish describes as its "large worldwide flight network" all within the same day.

YTO International's CEO, Jian Sun, said; "The YTO Express family is pleased to have built good relations and a robust co-operation with Turkish Cargo.

"By means of this collaborative venture, we are providing our customers in China and the rest of the world with expeditious, uninterrupted and practical solutions. Hopefully, our cooperation will continue by expanding during the upcoming period."

Alongside this agreement, Turkish also found time to sign a memorandum of understanding with Vietnam Airlines at the UK's Farnborough International Airshow.

Co-operation between the two flag-carriers is expected to not only open new opportunities to enhance the competitiveness and develop business in Turkey Vietnam, Europe and Middle East, with cargo explicitly considered a central component of this effort.

For air cargo, the plan is for a codeshare partnership, expected to take effect next year.

QCS expands in Europe

QUICK Cargo Service (QCS) has added five new offices to its Eastern European operation as it looks to target airfreight business.

Bratislava, Bucharest, Budapest, Cluj-Napoca, and Warsaw have all commenced operations, with 20 employees spread across the new offices.

Chief executive Stephan Haltmayer said: "The tremendous speed of the construction was thanks to Lubos Lukac.

"He is a very experienced and well-connected forwarder with the relevant experience in setting up businesses in Eastern Europe, and he was recruited for exactly this purpose."

Lukac will serve as regional managing director for Central Eastern Europe and will work alongside the individual managers of the Eastern European offices to promote development.

Altogether the forwarding firm is now represented in the market with 24 of its own offices across Europe, with the five new locations equalling the split between east and west.

"We hope these new locations will generate a high increase in revenue for the long term," added Haltmayer.

"We are expecting strong industry growth in Eastern Europe, from which we as a logistics service provider wish to profit. There has already been a remarkable development at Budapest Airport."

Recently Budapest registered a volume of freight with greater tonnage than Vienna Airport for the first time.

Focus ON

Strong links are vital in the drive to b

SUPPLY chain disruptions are the 'new normal'; high prices, low reliability, lockdowns and political tensions in Europe have created very low expectations when it comes to global economic growth. So companies are constantly responding to situations in 'crisis mode', while also trying to make plans for the future.

"And in among all this, is the ongoing demand to act on climate change," Southern Cross Cargo's Vanessa Richards tells Voice of the Independent (VOTI).

VANESSA RICHARDS
Southern Cross Cargo

Fortuitously, this issue went to press after news from the US that the Senate had passed – and therefore cleared the only likely obstruction to President Biden signing into law – the Inflation Reduction Act, a $430 billion bill intended to tackle inflation, lower drug prices, and pump some $369 billion into climate and clean energy programmes.

Such will be the impact of the bill, it is thought that the US will likely be on track to reduce emissions by 31-44 percent, compared with 2005, by 2030 – without the bill, reports suggest that percentage would be 24-35. It may also rejuvenate efforts by the logistics sector, which Richards notes as having "taken somewhat of a back seat as companies navigate each crisis and face price pressures from their clients".

> "The best leaders will be those who find new ways to do business"

But, she says, the requirement to build more sustainable supply chains is not going away, with increased pressure coming from both consumers as well as governments.

"It [sustainability] is a core aspect of business and will require a coordinated approach," Richards continues. "While some may espouse that sustainable logistics is mandatory for ethical business practices, I am still adamant that these policies will lead to long-term financial success, with operational gains or shifting consumer interest. We have to change our way of thinking to react to chaotic supply chains; the best leaders will be those who find new ways to do business in an ever-changing world."

However, there are still problems that need to be resolved, even if the most powerful country on the planet appears to have, at least for this term, accepted that more must be done. Among these issues is defining what "green logistics" means to all parties.

"This is a critical first step, because 'sustainability', 'green' and 'ESG', while often used interchangeably, have very different levels of engagement and meaning, creating confusion for companies trying meet sustainability targets," executive VP for commercial and product development at Green Worldwide Shipping Greg Bollefer tells VOTI.

The language may pose a dilemma, but there are other concerns, not least of which is the changing shape of the contemporary logistics landscape. For the better part of two decades there has been a creep towards e-commerce, as shoppers favoured the ease of ordering online over bricks and mortar shopping. But the creep became a full-blown gallop during the pandemic-induced lockdowns, resulting in a fundamental shift for shoppers and the logistics companies behind the goods.

Secretary general of the European Shippers Council Godfried Smit believes the impact of last-mile deliveries on urban traffic is something that requires immediate attention.

GODFRIED SMIT
European Shippers Council

"There's a huge dependence on fossil fuels, especially in transport, and that has only increased with the impact of last-mile deliveries on urban traffic," Smit tells VOTI. "In particular, e-commerce deliveries have greatly increased the number of delivery vehicles in large cities, and many operate without carrying full loads when faced with mixed orders. Also, it has led to irregular traffic activities and delivery vehicles stuck in traffic, producing large amounts of polluting gases. None of this is helped by the lack of infrastructure and facilities to manage these changes."

Smit believes businesses need to invest, but he is also aware that the tight rates and margins in the sector do not always allow companies to think about investing in infrastructure, process automation or more efficient handling equipment. Furthermore, there a feeling that even if businesses reduce bottlenecks at their facilities, it won't help if there is not a concerted effort by governments to address the infrastructure for which they are responsible.

Specifically, Smit and others have urged government to introduce ad hoc policies, detailed action plans with clear accountability, an overall approach aimed at improving fuel efficiency and pushing for the development of sustainable fuel options that are also commercially viable for the industry. Governments are also being urged to introduce stricter regulations, for instance, when it comes to recycling and waste disposal, alongside implementing EU policieslike providing adequate electric vehicle charging stations and facilities. Other demands are for the provision of clear and timely instructions to avoid red tape, while making city logistics more environmentally sustainable and boosting innovation through increased funding.

"Many governments have targets — some enshrined in law — to achieve net-zero carbon emissions by specified dates, including green taxes on harmful environmental activities; tighter regulations and new environmental standards and certification for energy performance, emissions and pollutants; offering subsidies, loans and grants for green investments in sustainable agriculture, renewable or low-carbon energy sources, energy-efficient buildings, public walkways and cycleways and electric vehicle infrastructure," Smit continues.

"But we need a unified global approach as regards, for instance, carbon leakage. It is also necessary to improve international co-operation and overcome international economic pressures and industry lobbying, with many governments under pressure to preserve established carbon-intensive or 'brown' industries, such as airlines and manufacturing, which are strategically important and account for a significant share of jobs and GDP."

And perhaps where the biggest effort is required is in rectifying, or even introducing to the consumer, the impact and importance of logistics. There is a belief that the lack of perception of the industry by society at large is easing the way for carbon-intensive sectors to spin the yarn that they are too important to be pushed out. Whether Smit agrees with this assessment is unknown, but he has ramped up calls for the promotion of a whole-of-society, people-centred approach.

"The invisibility of logistics to consumers results in difficulty in applying green logistics policies, when a customer demands, for example, 24-hour deliveries that prevent consolidating your loads or making the most of transport flows," he continues. "And from this, we also have the difficulty of finding sustainable fuel options that are also commercially viable for the industry. Other issues include high taxes, lack of governmental support, economic instability and vehicle producer unawareness of the severe ecological impact."

But Smit and others do see areas where the sector is seeking to overcome these

Sustainability

uild more sustainable supply chains

GREG BOLLEFER
Green Worldwide

problems. Firstly, there has been a marked increase in businesses starting to consider the ecological factor while optimising delivery speed, costs and greenhouse gas emissions in their supply chains. The pending US legislation will likely only increase this as companies look to ensure they are not left behind in the race to 'go green'. Even if President Biden takes dramatic losses in the mid-terms and even beaten in the next presidential election, commentators feel the effort made in these two years will be "irreversible".

"Governments, industry bodies and regulators are increasingly requiring companies to report their CO2 emissions as part of their annual reporting," says Smit. "This is being supported by businesses resorting to sustainable packaging and recycling and, in the European Union, we are seeing to sector adapt to more policies focused on environmental improvement."

Bollefer adds: "It is important for our industry to really listen and focus on the increasing sustainability goals to provide clear, actionable 'green logistics' that mitigate greenhouse gas emissions and forced labour across the supply chain.

"Environmental and human rights abuses often go hand in hand. By mapping supplier emissions and tracing the source of raw materials, shippers can begin to gain real visibility over risks in their supply chain. This can be difficult in countries where there are known environmental and human rights violations. But the bottom line is, companies don't need permission to do the right thing, and governments often set the floor, the bare minimum. It's up to people and business to do more, to innovate and lead."

Bollefer also acknowledges that international regulations for environmental and social sustainability have become more defined over the past 12 months. This, he says, has allowed service providers to make greater investments in actionable solutions. And, as businesses begin mapping their supply chain to identify trade opportunities to reduce greenhouse gas (GHG) emissions and access cleaner raw materials, demands for sustainable fuels, fleet electrification and risk-free labour will also increase.

> "It's up to people and business to do more, to innovate and lead"

Demands for tracking and visibility along the supply chain will also be coming from outside the sector, with governments expected to up the pressure on companies to track their own resources and be held accountable for updating the location of physical assets. This will be via solutions like the use of electronic and autonomous vehicles, says Smit, as well as automated operations and carbon capture.

Key will be the wide application of artificial intelligence (AI) in the supply chain. AI will improve and drastically advance operational efficacy and resource effectiveness in the transport industry. It will also participate in making warehouses more efficient

"AI algorithms help to create anticipatory logistics — providing real-time data to optimise shipping volumes, capacity utilisation and vehicle routing," says Smit. "This will reduce empty runs and inefficient practices, all of which can decrease the output of CO2. In addition, with IoT sensors on physical assets, AI can determine more efficient tactics on the ground floor and help to optimise operations — reducing overall resource wastefulness."

Lighting a fire underneath those operating in Europe, will be the European Commission's adoption on July 14 of the Fit for 55 package, which leads to significant changes in the sector through its requirement that, by 2050, the transport sector will need to have to cut emissions by 90 percent and companies will be required to pay for their emissions by purchasing carbon credits.

And effort appears to be being made. Bollefer says: "Some ocean, air and ground transport companies, for example, have already announced plans for reducing carbon emissions via new equipment, efficiency planning and alternative energy sourcing."

Also, partnerships being seen in the sector are viewed as a promising sign that it will not, at least ideologically, hold up the shift to greener logistics. For Richards, collaboration with other businesses is critical in making the changes needed to become a more sustainable industry, and this is also where she sees the benefit of being part of an association.

"Collaboration, this is where WCA can come into play, especially supporting small forwarders in meeting their sustainability goals to compete against the multinationals," she says. This is prescient amid the efforts by carriers to remove the forwarder from the industry.

"Being able to coordinate shipments with other companies within the global network which follow same 'green' practices will enable an agent to sell a sustainable, but tailored and personalised, supply chain to a growing number of demanding customers.

"What else is needed? A consistent set of metrics across our industry could help those who wish to be part of it."

Spotlight ON

Nicolette van der Jagt

Preparing the ground for an even playing field

RECENT years have seen global supply chains come under stress, whether war, Brexit or the pandemic, there have been multiple disruptions that have led to a state some are referring to as a "perma-crisis".

For Nicolette van der Jagt, director general of CLECAT – which represents some 19,000 companies employing more than one million people across Europe – the events of the early 2020s exemplified the industry's, or rather, global supply chains' lack of resilience to shocks, whether localised or global.

> "Today, the war is creating further restrictions, but there are issues beyond this conflict that compound the difficulties"

But it has also exposed problematic anti-competitive behaviours that have gone unaddressed in Europe, even as other parts of the world tackle the alleged profiteering of shipping lines and their efforts to drive out forwarders.

"Covid-19 lockdowns and border closures have disrupted value chains and demonstrated the lack of resilience in global logistics supply chains," van der Jagt tells Voice of the Independent (VOTI).

"Today, the war is creating further restrictions, but there are issues beyond this conflict that compound the difficulties. On maritime, no surprise, freight forwarders continue to face disruptions in the maritime supply chain, with poor reliability of services and shipping rates beyond the reach of many SMEs.

"CLECAT has continually called on the European Commission to cease special regimes for carriers that create market distortions in the forwarding sector. The reality is that with carriers buying more and more logistics companies, the forwarders can no longer compete on a level playing field with carriers."

Van der Jagt is not alone in her accusations of profiteering by ocean carriers, resulting from their capacity management strategy, which she says allowed them to acquire market power and a financial war-chest they are now using to vertically integrate, increase rates and drive out independent freight forwarders.

"Forwarders are the key organiser of service delivery across all modes of transport in door-to-door operations; driving them out will ultimately disadvantage shippers and end-consumers because of restricted choice in services at higher rates," she continues.

"The vertical integration is particularly unfair, and discriminatory, as carriers enjoying an exemption from normal competition rules are using windfall profits to compete against other sectors that have no such immunity.

"We have advised the EC to re-balance its supervision account and address the damage done to many stakeholders over the past two years, during which the stability and reliability of shipping services have never been worse."

Van der Jagt is not alone in pointing out the striking contrast between the approach of the EC and the vigour with which the US and several other competition authorities globally have pursued action against the lines, alongside the revelations of anticompetitive behaviour which emerged from their investigations.

"We indeed believe many of the excesses of behaviour exhibited by shipping lines arise from the open-ended and highly favourable terms in which the current Consortia Block Exemption Regulation (EC 906/2009) has been drafted," she adds. "We have called on the commission to start the review soon, as it needs sufficient time for a serious review.

"Forwarders are also challenged on demurrage and detention; a recent ITF report on maritime performance and [new US Shipping Act] OSRA 2022 are interesting, and CLECAT continues to call for more fair practices in Europe."

Shipping lines may bear the brunt of CLECAT's wrath, but the organisation has issues with other modes, not least road freight, which continues to face challenges from "an ever-deepening" shortage of professional drivers, compounded by increasing fuel prices.

The reasons for shortages are largely universally shared – long hours, time away from home, low remuneration, treatment on the road and general lack of services (toilets and restaurants, etc). Issues in trucking, like shipping, are part of a broader lack of attention paid to the logistics sector by many governments. Given its European remit, CLECAT had been in contact with the EC and its consultants in its preparations for a renewed and improved Combined Transport Directive, promised for early next year.

> "We have called on the commission to start the review soon, as it needs sufficient time for a serious review"

"Work on digitalisation is important as it will allow the exchange of transport information between business and governments in an electronic format," van der Jagt notes. "The Digital Transport and Logistics Forum, which is the formal commission expert group on the electronic freight transport information (eFTI) regulation, continues its work implementation and certification aspects. Recently, the first public and private sector use cases for the eFTI implementation were presented and discussed. CLECAT is also involved in the preparation of use-cases for the freight forwarding industry and is looking forward to continuing the work in this area."

director general CLECAT

It is not only the Europeans that CLECAT has sought to engage, the association has had positive exchanges and dialogue with UK tax department HMRC and the UK Mission to the EU, where it provided useful support to the UK government on preparing for the phased roll-out of the Border Operating Model. Furthermore, it also supported HMRC in reaching out to EU businesses and disseminating relevant information towards strengthening cooperation and addressing issues on the phytosanitary side, in view of the importance of the new requirements for agri-food trade.

"We aim to continue to participate in the EU-UK Intermediaries Task Force (ITF), where more practical aspects of border crossing and trade facilitation are addressed," van der Jagt says.

Van der Jagt concludes: "The war in Ukraine, driver shortages and the need to decarbonise all demonstrate the need to seriously invest in multimodality, in robust physical and digital connectivity and in interoperability all over the EU to be prepared and have more agile transport."

Insights IN

Seafreight – comment by Mike Wackett

A hollow crown for ULCVs

EVERGREEN held onto the crown for operating the world's largest containership when its aptly-named 24,004 teu the Ever Alot hit the oceans in June.

The ultra-large container vessel (ULCV) became the first boxship to exceed the watershed 24,000 teu nominal capacity level, having cruelly snatched the accolade from the Taiwanese carrier's 23,992 teu Ever Ace.

You can imagine the efforts the Chinese yard went to in squeezing another 12 teu of slots onto the identically designed ULCV, encouraged by a bonus from the PR that follows the launch of a new containership king.

The maiden call of a new ULCV sea king is heralded by ports and most, if not all, the shipping lines and, bizarrely, attracts sightseers and the mainstream media to view the approach of a vessel that is ostensibly no different to the previous record holder.

The bad news for Evergreen and its PR machine is that the newly top-ranked carrier, MSC, is about to usurp its rival with the launch of the 24,116 teu MSC Tessa.

The ultra-large container vessel (ULCV) became the first boxship to exceed the watershed 24,000 teu nominal capacity level

And if that was not enough, the Geneva-headquartered carrier has two even bigger ships (by capacity) under construction – the 24,232 teu MSC Irina and MSC Michel Cappellini – as the Chinese shipyard pushes the capacity envelope to the max.

Since 2013, when these ULCVs reached the maximum length for transiting the Suez Canal of 400 metres, with a capacity of between 18,000 teu and 21,000 teu, the only option to increase intake was to make the leviathans wider.

And, as the number of bays across the weather deck was extended to 24, the beam of the ships' design grew to 61 metres – hence, carriers have adopted the unflattering misogynistic term for the ships of "the fat ladies".

Indeed, there is not much to admire in the design of the modern ULCV – they all look the same apart from their shipping line branding.

And there is nothing at all romantic about going on board of one of these behemoths; you are simply reminded of being in the midst of a giant floating container yard as you look out from the bridge.

The phenomenal growth of containership sizes, from the post-panamax era of 6,000 teu to 8,500 teu vessels at the turn of the century to the 24,000 teu-plus ships coming into service now, was driven by one thing: rates.

Carriers that chose not to join the capacity arms race were hobbled by higher unit costs, could not match the lower rates of their ULCV-operating competitors and were eventually swallowed up in the rampant liner consolidation of the past two decades.

But post-pandemic and freight rates are unlikely to fall back to the sub-economic levels experienced before the global virus struck, thus voyage results will remain positive on much smaller ships.

MIKE WACKETT, FICS
Sea Freight Consultant

And, with hindsight, it now seems that the wheels of the global supply chain would turn faster if the ships were smaller and more manageable at ports.

The huge exchanges of containers discharged and loaded from ULCVs at hub ports put intense pressure on container terminals, adding pinch points to landside operations and creating a vicious circle of increased yard density.

Container terminals complain that ULCVs seldom stick to their allocated windows, carriers blame slow working at previous ports, and so it goes on, with schedules now not worth the paper the alliances' latest enhanced network plans are printed on.

Ironically, at the time of writing this article, the Ever Alot was still off Cherbourg, having dropped anchor on 6 August to await a berth window at ECT Rotterdam for its maiden call.

Hopefully, somebody will keep the "largest containership in the world" groupies updated of its ETA!

Space: the final frontier for logistics, says CMA CGM chief

HAVING already muscled in on airfreight and forwarding, CMA CGM has reportedly even 'higher' ambitions, having acquired a stake in French satellite operator Eutelsat.

France's Les Echos reported that the carrier had taken around three percent of the satellite operator, which is set to take over UK communications company OneWeb, whose business plan focuses on building broadband satellite internet services.

"CMA CGM will be a player in the global landscape and is interested in supporting the creation of a group with international influence in the face of Starlink – a subsidiary of Elon Musk's SpaceX company, which is developing a low latency, broadband internet system to meet the needs of consumers across the globe," said a source.

Another source claimed that CMA CGM chief executive Rodolphe Saadé (below) "has a very long-term vision, of 10 or 15 years, for the group's transformation" and is "convinced that space is the ultimate frontier of logistics".

In June last year, CMA CGM's research teams signed a five-year partnership agreement with French space agency CNES to "identify, design and develop innovative solutions for logistics and space activities".

The ambition is to "develop solutions in intelligent maritime routing to enhance navigation safety, the energy transition of maritime transport and the optimisation of logistics activities" that will provide a global and reliable service for tracking goods.

"We are building the future of transport on land and in space together," said CNES chairman Philippe Baptiste at the announcement of the partnership, which was followed by another tie-up, with French aerospace specialist Thales.

The aims of the latter agreement have not been made public, but are thought to be focused on development of an orbital logistics vehicle.

CMA's efforts to go into space follow its buckling to government pressure to introduce substantial domestic discounts on its ocean freight rates, part of wider national efforts to tackle sharp rises in inflation that have hit the purchasing power of French households.

An initial rebate of €500 announced at the end of June was increased to a €750 reduction per 40ft container for all imports into mainland and French overseas territories from Asia.

"Initially intended for 14 major retailers in mainland France, the reduction has been extended to all its customers in France, including large groups, SMEs and very small businesses" said the company.

"In addition, a €100 reduction per 40ft container for all French exports will be implemented. This reduction will support the competitiveness of companies in exporting, especially very small and medium-sized companies that promote French expertise throughout the world."

CMA CGM said the measures represented reductions of up to 25 percent in its freight rate.

Rail problems see congestion-easing at US ports hit the buffers

THE much anticipated surge of imports from China after Shanghai reopened did not materialise, demand has weakened and importers have shifted traffic to US gateways on the east and Gulf coasts.

Meanwhile, the port complex of Los Angeles and Long Beach, which accounts for the lion's share of Asian import flows, continues to struggle with congestion.

"The west coast should be getting better, but it doesn't because of lack of rail cars," commented one forwarder. "It's a real mess, and it's going to continue."

Port officials and forwarders are blaming the Class I railways for the ongoing obstruction.

Their rail heads and terminals in the interior – especially around the major rail hubs in Chicago, Dallas and Memphis – are choked with boxes. This has forced the carriers to halt the flow of containers from LA/Long Beach to several areas inland.

To ease the pressure on their inland hubs, Union Pacific and BNSF started metering traffic out of LA and Long Beach in late July, but these measures have raised concerns about full-blown stoppages, as happened last year.

In addition to causing longer delays, the metering has also forced forwarders to change routings, and they lost some business.

"We have also had to stop accepting bookings with some steamship lines to IPI points of Chicago, St Louis and Kansas City because of the metering," reported Carmen Gerace, chief transportation officer of BDP International.

For their part, the railways blame cargo owners, accusing them of holding on to containers and chassis because of tight warehouse space, and not picking up cargo early. On 21 July, Union Pacific announced it was charging customers for late pick-ups.

"We're using accessorial charges to encourage the right behaviour of our customers," said CEO Lance Fritz.

Forwarders agreed a shortage of chassis had contributed to the rail carriers' problems, but they pointed to the operators themselves as the architects of their own dilemma.

Service has been affected by an acute shortage of labour. In part, this is the result of lay-offs in the early days of the pandemic, but the carriers had already been slashing staff numbers aggressively before that in their pursuit of' precision railroading'. Martin Oberman, CEO of the US Surface Transportation Board, accused them of operating with "bare bones" workforces after shedding 45,000 staff over six years.

To make matters worse, rail companies have been deadlocked in contract negotiations with labour unions. Intervention from the White House has averted industrial action for the time being, but railway employees have declined to work overtime, one forwarder noted.

"Combine this with precision railroading and you've got the mess we are in now," he added.

Containers are sitting longer on the docks in California. According to the Pacific Merchant Shipping Association, box dwell times averaged 13.3 days in June, up from 11.3 days the previous month.

"IPI movements from LA/LB have increased in dwell time excessively over the past six months, with timelines averaging over 13 days. Our experience is that this dwell time is the minimum and can be as long as 20-30 days," said Gerace. "We have had some recently with 50- to 60-day delays."

Another forwarder had a container stuck on the dock for 42 days.

"The normal dwell time in LA/LB for rail cuts, I think, is now 9-10 days, but if you happen to get buried in a pile, you are screwed," he said.

Bob Imbriani, executive VP international of Team Worldwide, said delays were not the only problem. Incidents of pilferage have increased as containers sit longer at terminals, he reported.

CARMEN GERACE
BDP International

While most of the attention has been on clogged up import facilities, exporters are also facing challenges moving their cargo through California.

"This has been most pronounced out of the Midwest region," explained Gerace.

BDP and Team have taken steps to diminish their exposure to inland rail moves from the west coast, said Imbriani.

"We terminate shipments at the port, transload them and move them by truck. We can't rely on rail."

This increases costs, which needs explaining to importers who watched ocean rates plummet and expected a corresponding drop in their bill – but it makes sure the freight gets to its destination, he added.

"Many of the solutions we have developed are able to alleviate delays, but there are additional costs associated with moving from an IPI delivery to alternate methods such as direct truck or transload," said Gerace.

Diverting flows to ports on the east or Gulf coasts offers little benefit at this point. In expectation of a large wave of imports from Asia, and also out of concern that the contract negotiations between terminals and longshoremen might spark industrial action, shippers have shifted parts of their imports to the east, which has resulted in congested docks and vessels waiting for berth space.

While container dwell times have not risen significantly, wait times for ships to get to a berth in the eastern and southern US have increased, and congestion is causing delays in container pick-ups, Gerace observed. Most affected have been the ports of New York, Savannah and Houston, he added.

Meanwhile, California ports are scrambling to bring down the congestion on their patch. Gene Seroka, executive director of the port of Los Angeles, said the port would continue to focus on this issue. But nobody expects to see success soon.

"It takes a long time to flush out a terminal, especially if there aren't enough railcars," one forwarder commented.

Voice of the Independent
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