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No happy new year in sight for carriers and terminals

Plummeting rates and "skyrocketing costs" spell a troubled end of 2022 and start for the new year

PLUMMETING rates for carriers and "skyrocketing" costs for container terminals tied to fuel and wage demands spell a troubled end of 2022 and difficult start for the new year.

Drewry's WCI Asia-North Europe component recorded a 10 per cent drop in the first week of December, pulling costs down to US$1,965 per 40ft, a halving in its value in a four-week period and a loss-rate that, if continued, would pull spot rates below $750 per teu by Christmas.

Maritime chief executive Lars Jensen said the market was officially experiencing a "hard landing… the present course is spot rates to reach the bottom after Chinese New Year".

For container terminals, the market troubles will only compound problems stemming from rising fuel prices and increasing worker dissatisfaction, as people contend with a worsening cost of living crisis around the world.

The senior analyst for ports & terminals at Drewry, Eleanor Hadland, said: "Since the end of the lockdown phase of the pandemic, terminal operators have seen the cost of fuel and electricity spiral upwards, and now we are starting to see really strong pressure from workers for inflation-linked wage increases."

> "terminal operators have seen the cost of fuel and electricity spiral upwards"

It would be the latter, she added, that would potentially have a more material impact on operating margins than fuel or electricity prices.

In response to the gloomy outlook, Drewry downgraded its growth forecast for 2023 from 2.9 per cent to 1.9 per cent, noting that terminal operator margins would find themselves coming "under great pressure" next year.

Using the UK port of Felixstowe as an example, Hadland said labour costs amounted to 41 per cent compared with 23 per cent at Southampton and 17 per cent at London Gateway.

However, she said that, with carrier terminal contracts usually inflation-linked, the current round of annual stevedoring renewals should see terminal operators achieve significant compensation by way of increased handling rates.

Pointing to carriers' 2022 "mega profits", Hadland thought for carriers it would "be very difficult to justify that you can't afford an inflation-linked increase… carriers don't have a leg to stand on".

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US consumers may have air freight's future in their hands

LONG-term fortunes may be looking up for air freight, but for the immediate future, the sector looks set to concern itself with US consumer demand, considered decisive for short-term success.

A report from Technavio has suggested that the air freight market size will climb by US$58.4 billion between 2021 and 2026, citing rapid growth in global aviation infrastructure as one of the main drivers of this surge.

Chief executive officer of QCS Cargo Stephan Haltmayer told Voice of the Independent (VOTI) he agreed with Technavio's assessment, pointing to increasing capacities.

"A lot of airlines have ordered freighter aircraft and many airplanes have been converted from passenger service to freighters because the demand was very strong during Covid. Also, belly capacities will climb soon, once passenger flights start flying to and from China again.

"With these additional capacities and the lower rates, more cargo will be flooding the market to drive growth forward."

Linking with Haltmayer's suggestion that growth would be propelled by a resurgent China, Technavio pointed to a compound annual global growth rate of 4.16 per cent, suggesting that more than 40 per cent of the growth will originate from the Asia-Pacific region.

> "we saw Covid minimise the American public's spending"

Haltmayer's faith in long-term projections for the sector were tempered somewhat by recent reports that the industry could be in for an uncertain few quarters.

Ti's Q4 Air Freight Rate Tracker claimed it was likely that the market will be quiet well into 2023 and, possibly, beyond, noting that the US consumer would be the driver, as Americans will have a "disproportionately high impact on air freight demand, especially Q3-Q4 2023".

US air freight performance is particularly driven by the B2C e-commerce, which began a decline in the second quarter of this year that has not been offset by a rise in B2B traffic.

Both B2B traffic and consumer-facing industries have also been impacted by high inventory levels, with Ti explaining that "inventory dynamics are more important to air freight than other modes".

Adding that "the reason for this is the manner in which shippers use air freight to respond rapidly to demand".

"I could imagine US consumer demand will determine the fate of the air freight industry, because of the fact that over past three years, we saw Covid minimise the American public's spending," Haltmayer noted.

"Not to mention that, because the China market is now opening up again and production flows are returning to normal, we can expect to see many of the products flown."

US consumers may hold the immediate success of the air freight sector in their hands, but Ti said demand drivers differed from continent to continent, with European demand determined by production.

This, the report says, is affected by energy costs, inflation and "structural

changes in industrial sectors" within a consumer market where demand is weak.

"Overall, the picture in Europe is not bright," said Ti. "Demand is subdued and likely get worse ... [while the] supply of belly freight is likely to strengthen into 2023. The implications for air freight rates seem fairly inevitable – prices are likely to remain soft, possibly very soft."

Turning to the largest air freight market, Asia Pacific, where production is the main driver and production is weak, the short-term outlook is uninspiring.

Medium-term, the report suggests, Asia Pacific may have some hope, but "over the next two quarters, demand is very likely to be flat", even if sources do see this as one of the drivers of that looming multi-billion dollar-growth phase.

With heavy belly capacity returning to the Middle East, its immediate fortunes will largely depend on the supply side.

Ti questioned where the "wave of freighters" created over the course of the pandemic would go, adding that "prices look to be soft in both the short and long-term, due to the strong supply side".

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Analysis not welcome news for carriers

Such analysis will not be welcome news for carriers that have been warned that their fate now rested in the hands of political responses to the global recession which, if deeper and more prolonged, could see demand subdued right up until Chinese New Year 2024.

"The present course for the market is for spot rates to reach the bottom after the Chinese New Year," said Jensen.

If the recession turns out to be mild, with inventory correction as the main driver of demand collapse, Jensen said that there could be a cargo surge next summer, leading to a new spot rate spike.

"In either case, the collapse will cause operational turmoil in the next few months, as carriers will continue to blank a large number of sailings to halt the slide in spot rates," he warned.

As on the air side, though, US consumer demand could serve as an offset, after a record $9.12 billion was spent on Black Friday, meaning retail inventories will need replenishing, offering a boost to transpacific bookings and a halt to falling spot rates.

Focus ON

Techn

Red tape: the final challenge for a dig

"SOMEONE said to me the other day that 'everyone is a stakeholder in the logistics industry' and, however we look at it, every business, every person needs movement of goods," co-founded and CEO at Dronamics Svilen Rangelov tells Voice of the Independent (VOTI).

Rangelov has built a name for himself and his company as a tech firm ready to take on the behemoths – the Amazons – of the logistics world.

SVILEN RANGELOV
Dronamics

"Cargo drones like ours – heavy-payload, long-range – offer efficiency," says Rangelov. "They are more affordable, quicker and emit less by way of CO2. It will take a few years for these to reach economies of scale, nevertheless, the potential of drones to re-shape supply chains is significant.

"Our mission is to democratise air freight by improving accessibility and affordability, which is becoming increasingly attractive for small and mid-size companies."

Rangelov's focus on democratisation and providing SME forwarders the tools to compete with the larger operators is one shared by the tech community. Founder and CEO of 7PSolutions Jeff Clark tells VOTI that, while GPS technologies have been around for several years, it is only in the last two they have experienced widespread acceptance in global supply chains. 7PSolutions' system is best described as a single, comprehensive monitoring solution for transport and transit storage of high-value, climate-controlled goods.

"These technologies bring great value to all stakeholders within the global supply chain and, when used properly by SME forwarders, they can provide a competitive advantage, improve productivity and allow for faster, more accurate customer communications and decision making," Clark says. "From an operational point of view the easiest return on investment to understand is the reduction on the need for track and trace and managing by exception, coupled with improved visibility for both internal and external customers."

Like 7P, Frisbee Global is an operation looking at reducing the costs of moving climate-controlled goods. Its latest innovation, the Frisbee Shield, is described by CEO Oded Tirrer as a phase-change material spray that forms a non-licking gel.

"The forwarding sector always has problems with the logistics of temperature-sensitive goods," Tirrer tells VOTI. "For example, there are many divinations when a product is taken off the controlled temperature warehouse to the airplane when it is hot or cold outside. The Frisbee Shield will keep the temperature in the range during the cold chain gaps and it does this by storing and releasing energy as and when needed. Using the Frisbee Shield can allow you to transport temperature-sensitive products cost-effectively instead of using expensive solutions."

Advancements in online ordering of retail goods have also created a market demand for faster service, usually only provided by air cargo. However, as executive director of the Airforwarders' Association Brandon Fried says, technological innovation has also improved trucking, allowing more efficient freight sorting, driver routing and quicker delivery, once only reserved for airfreight.

> "Cargo drones like ours – heavy-payload, long-range – offer efficiency"

As far as drones are concerned, Clark says, there are "many opportunities" especially linked to last-mile deliveries and highly sensitive shipments. 7P has been involved with drone shipments for the past two years and has deployed its real-time GPS devices to monitor location, time, date and sensor data of shipments being moved by drones.

Clark says this service has become particularly useful in the shipment of live human organs for transplant surgery, now in use on a daily basis.

Rangelov certainly considers time-critical the real sweet spot for Dronamics' offering, noting that the research commissioned by the company has highlighted the "meaningful difference" drone technology can make for time-critical and perishable shipments.

"Food, pharma, mail, newspapers, as well as e-commerce," he continues. "Spare parts are another key area where timely, affordable, and greener deliveries can be a game-changer. We strongly believe in the potential for humanitarian aid distribution too. And for the SME forwarder there really are three reasons to looking to drone technology: 50 per cent lower cost, 80 per cent less time, 60 per cent less CO2 emissions (and on the path to net-zero) compared with traditional freight. What we are proposing also shifts cargo flows to direct routes between destinations, bypassing multiple sorting centres, warehouses, and hubs. This sort of efficiency can make a huge difference to smaller businesses."

Advancements in drone technology have made significant progress over the last two to three years, with higher capacity, autonomous air vehicles expected soon. But for Fried, government regulation, he fears, will likely not keep pace with the speed of this innovation. This, he tells VOTI: "may result in slower adoption as regulators wrestle with a balance of keeping the public safe while increasing commercial efficiency and the faster movement of goods without a pilot at the controls".

Commercial services for Dronamics' European operations are now expected to start in the second quarter of 2023 across the Mediterranean. Having recently garnered a €2.5m grant from the EC's European Innovation Council (EIC) Accelerator programme, there is faith that the firm can take this as a wider EU endorsement of its business plan, with regulators in Malta having already greenlit an EU light unmanned aerial service operator certificate that permits operations throughout the union.

Pronouncements on Dronamics efforts to reduce emissions, while also providing long-range, heavy payload services, have seen it face heavy scepticism. But Rangelov has said the money from the EIC will be pumped into research and development, and this includes plans to test synthetic gasoline, made from electrolysed hydrogen and captured CO2, that will fuel Dronamics' carbon-neutral services.

Working in partnership with Zero Petroleum, Rangelov notes that "we're working to make sure we have the fuel quantities we need as Zero ramps up its production" of the synthetic gasoline.

Clark also raises the issue of technology and regulation. But for Clark, tech developments in the GPS space offer SME forwarders an "important tool" to become compliant with global regulations, such as Good Distribution Practices (GDP), Transported Asset Protection Association (TAPA) compliance and Food Safety among other global initiatives. He says the amount of data "when properly utilised" can be a wealth of knowledge into individual trade lanes, modes of transport and a source for determining trouble spots and bottlenecks.

"With this rapid growth, many types of devices are introduced into the marketplace, and the biggest negative we see is the use of lower-quality devices and technology decisions made strictly on cost," Clark continues. "When considering the return on investment, the cost for even the most sophisticated devices can be negligible. Low-cost devices typically provide less accuracy, which creates false alarms, or no alarms at all; they require more human intervention, which does not increase productivity and become nothing more than a data logger that has the ability to communicate."

nology & Digitisation

gital logistics world

JEFF CLARK
7PSolutions

When looking at new technologies, Clark believes the first consideration for a company is to determine its goals, then test devices in real-time proof-of-concept scenarios, and he sees education as the most important factor to understand the true capabilities of all stakeholders in the supply chain. Fried considers some of the most important recent developments in the tech sphere include several automation advances that have brought, what he describes as, "unsurpassed efficiencies" to the forwarding business.

"Of course, much of this technology makes the customer experience easier and more transparent, thus creating a more efficient and satisfying user experience," Fried tells VOTI. "However, one of the most impressive is the continued expansion of Application Programming Interface (API) technology. A forwarder's technology system can talk to another application outside the company using the API automation-enabling tool. APIs can be used for tracking and tracing, airline shipment booking, rating and many other functions that once required several people to perform."

Any discussion on technology is not complete without considering moves towards digitisation by SME forwarders. Perhaps unsurprisingly, Clark feels independent operators have the ability to digitise their business through the use of real-time GPS devices and the platforms they report to. GPS platforms designed with global transport in mind provide what he calls "powerful, easy to use API feeds," offering a host of capabilities that can be used in all aspects of a freight forwarder's business, he says.

"These real-time feeds can provide automated solutions, including track and trace, that eliminate any need to manually follow up with airlines, hauliers, handlers or shipping lines on the status of a shipment," Clark notes.

Additional benefits include their ability to automate communications to internal and external customers, provide departure, delay, and arrival alerts and notify users on situations like cargo theft and temperature deviations. Furthermore, they have the capability to supply feedback on carrier performance and KPI management. And they can automate demurrage and waiting time invoices, while Clark also pulls up their management capabilities – dispatch management, vehicle management and driver behaviour monitoring… "and more," he adds.

"The key though is that when utilising IoT devices, education is key, understanding what the technologies should do, not necessarily what is being sold in the market," Clark says. "The better and more accurate the device, the more benefits gained in real-time visibility, automation and the ability to manage by exception. All of these factors improve and increase the return on investment, thereby increasing productivity and reduce human intervention. Before implementing any technology, a detailed proof of concept and in real-use case scenarios is imperative.

"The technologies being combined with tags or BLE sensors is adding additional capabilities with more affordability to the pallet level within shipments, warehouses, tarmacs and throughout the supply chain. Lower-band networks are also helping drive down cost of devices; however, these low-band networks (for example, LORA and SigFox) do not yet have the coverage to make them an affective technology, especially when shipments are leaving urban areas."

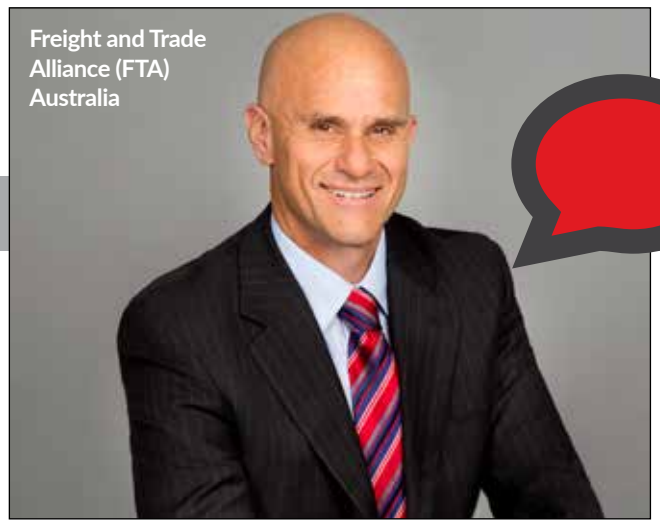
Fried notes that the push towards digitisation has seen many SME forwarders either purchase widely available transport management system software or, in some cases, design their own platforms to suit their internal and customer requirements. For Fried, the most crucial step in the digitisation process remains the reduction in reliance on paper. This, he says, must be done in a manner that nonetheless provides readily accessible ways for customers to order pick-ups, complete required shipping documentation, trace shipments and obtain relevant consignment information through automation.

"Airlines can also be effective partners by providing several available connection methods between the carrier and forwarder," he continues. "These include direct connectivity and, of course, website access. Paper waybills are still throughout the industry, but they are quickly becoming obsolete, as airlines and forwarders adopt web-based technologies capable of communicating shipment data between one another. However, in some cases, connectivity between the airline and forwarder continues to be challenging, thus hampering progress in this area.

"But the most significant hurdle is that governments still require hard copy documentation for security and customs functions. We will never achieve a paperless shipping environment until we resolve this challenge."

Spotlight ON

Paul Zalai


Freight and Trade Alliance (FTA) Australia

'The pendululum has swung' – now it's the forwarders' turn

"THINGS are definitely improving." Director of Australia's Freight and Trade Alliance (FTA) Paul Zalai tells Voice of the Independent (VOTI) at the end of a year in which he has been busy facing off against ocean freight liners.

Zalai's frustrations circled around what he, and other forwarders, considered to be questionable tactics adopted by the shipping lines.

"During the peak of the pandemic, with strong demand for goods and global port congestion, capacity on key tradelanes was very difficult to obtain," says Zalai. "Many shipping lines were taking advantage of the situation, focusing directly on either the importer or exporter and bypassing the forwarder. The pendulum has swung, with shipping line representatives again knocking on the doors of forwarders desperate for volumes and offering incredibly low freight rates that have plummeted from the record highs."

Zalai considers the experience of recent years valuable in how forwarders should best engage the carriers, considering them to have "shown their hands" and now looking towards an "end game" designed to "cut out forwarders". To evidence his contention, Zalai points to the ways the largest shipping lines have deployed their "multi-billion-dollar profits".

> "They are looking to achieve further vertical integration across the supply chain"

"They are looking to achieve further vertical integration across the supply chain by acquiring major forwarders and transport operators and venturing into aviation with their own cargo aircraft," he continues. "While there is nothing illegal about this approach, we will be reliant on competition regulators around the world."

There are some positive signs on this front, with the Canadian Competition Bureau, US Department of Justice, Australian Competition and Consumer Commission (ACCC), New Zealand Commerce Commission and UK Competition and Markets Authority having formed a working group this year focused on sharing information to identify and prevent potentially anticompetitive conduct in the global supply and distribution of goods.

"The collaboration between governments as a part of the 'five eyes' initiative is a tremendous starting point, as one nation alone cannot oversee the conduct of foreign-owned shipping lines and examine the full conduct of powerful alliance activities," says Zalai. "At an Australian level, we continue to work closely with the ACCC to provide evidence of prejudicial shipping line practices, and will be keeping a close eye on what inevitably will be a spate of surcharges in the years ahead relating to sustainability measures."

Potential monopolisation dominates a large swathe of the interview with Zalai. As with last month's interviewee, Brandon Fried, executive director of the Airforwarders' Association, Zalai has concerns over the state, and future, of logistics infrastructure and the continuing discussion over the value of port privatisation – "is it a good idea or not," he asks.

"Some have argued that by privatising ports we run the risk of creating monopoly assets that can be used to force excessive pricing on tenants and the trade sector to maximise returns for shareholders," Zalai says. "Others see merit in having the private sector in control of these assets (with fixed legislative parameters) by providing a long-term vision for ports for the duration of the lease, in contrast to control by a turnstile of state governments and ministers. A continued focus for both the ports and state governments is the reality that we will see an increased use of larger vessels creating significant volume peaks with the landside sector. We are already witnessing our industry at times struggling to cope with volume."

He notes that "significant progress" is being made in Port Botany to address the changing nature of container shipping. This has seen provision of an effective rail interface between the port and metropolitan intermodal terminals. But Zalai warns that while it appears on the up at Botany, the port of Melbourne, traditionally the destination for the large majority of the country's containerised trade, has been left to fall behind. And he seems particularly concerned over an apparent lack of energy or effort in addressing the problem.

"A surcharge of AUS$10 per TEU has been in place for some time now to fund the rail development," he says. "Yet we have still not seen any clear plans or progress. From what we have seen, the rail interface will service the Swanson dock stevedores leaving access to Webb Dock stranded; the latter being the only Melbourne based terminal capable of handling larger mega-vessels.

> "We are already witnessing our industry at times struggling to cope with volume"

"On a broader supply chain perspective, extreme weather events in Australia have exposed weaknesses in our landside infrastructure with derailments, landslides onto tracks and incredible floods isolating parts of our nation for extended periods of time. These 'one in a hundred' rain events have hit some regions several times over in a period of months. We can no longer keep our heads in the sand, as well addressing the causes of climate change, we need to respond to the consequences that are here and now."

And on the topic of risks, Zalai notes the serious biosecurity hazards Australia faces. Notable risks include Varroa mite, Japanese encephalitis, African Swine Fever, Foot and Mouth, Lumpy Skin Disease, Khapra Beetle and the Brown Marmorated Stink Bug. As if to emphasise how real these problems are, he points to the recent rise in Khapra Beetle activity – number two on Australia's National Priority Plant Pests list.

"Should these cross our borders and spread, it could have potentially devastating impacts on our agricultural industries, environment, health and economy," he continues.

"Changing trade patterns resulting from the pandemic and an inability to risk assess based on container history due to a lack of data are likely strong contributors to the spike in khapra beetle incursions in recent times. The adequacy of Australia's biosecurity measures and response preparedness is currently being considered by a federal government inquiry. We look forward to outcomes of this review."

WCA helps forwarder members go greener

WCAworld has launched a certification to help its members identify supply chain partners offering full carbon emission-measuring capabilities.

The 'ECO' programme is available to members that have demonstrated that they have acquired and used an emissions measurement and offsetting tool recognised by the Global Logistics Emissions Council.

A WCAworld spokesperson said: "We hope members can lead the industry on these changes and provide the service and tools that will win increasing numbers of contracts from global shippers.

"As regulatory bodies and governments around the world impose additional regulations and targets on exporters, producers and the supply chain as a whole, it will become increasingly important that you can provide verified and accurate data to your customers."

WCAworld added that members could offset their emissions, and support customers wishing to do the same, through a range of measures, including exploration of ready-to-go diversified portfolios of carbon offsets.

Insights IN

Seafreight – comment by Mike Wackett

When is a contract not a contract?

THE terms of hundreds of container freight contracts, agreed between ocean carriers and beneficial cargo owners (BCOs) this year, are being, or have already been, renegotiated after spot market rates fell back to pre-pandemic levels across the major tradelanes.

Shipping lines are sitting down with customers to agree substantial reductions in pricing and minimum quantity commitments (MQCs), rather than risk losing the business to rival operators – often in the same vessel-sharing alliance.

"We had to be pragmatic… the volume was just not there," a carrier told analysts and investors last month.

It's hard to imagine that, just eight months earlier at the annual TPM Conference in Long Beach, California, the overriding theme of discussions and the chatter at networking receptions and bars was how to secure space on inbound sailings from Asia – at any cost.

Speaker after speaker at TPM preached to attendees about the need to "take control of your supply chain", and the big US retailers recounted their case histories with a "whatever it takes' mantra.

The mega household name retailers attending the conference in force with their c-suite executives in tow recounted tales of how they had fearlessly chartered breakbulk vessels for several roundtrips from China to the US just to secure carriage on deck for their containers and, thus, plug the gaps in their supply chain.

The huge cost of such unprecedented investments by BCOs was considered justified, considering carrier rates on the route had spiralled to $20,000 per 40ft, and even at that price there was no absolute guarantee of equipment or space onboard ships.

The executives signing off these massive procurement costs told whomever would listen in the halls of the exhibition that it was: "money that needed to be spent to protect our business".

"If we didn't charter that ship, one of our competitors would have taken it," was an oft-heard remark at the receptions and dinners at the end of each day.

And striking while the iron was hot, or in this case while the supply chain was fraught with congestion, carriers encouraged a select groups of high-volume BCOs to sign multi-year contracts.

> "We had to be pragmatic… the volume was just not there"

The carrier strategy was to leave behind for ever the volatility of the supply and demand-influenced spot markets and instead lock-in as high a per centage of long-haul cargo on fixed rate contracts as possible.

Thus, against a background of high demand and chronic supply chain congestion, carriers were able to change the makeup of spot and contract cargo from 50:50 to in some cases 70:30 of cargo being transported on a contract basis.

Having secured cargo for their ships on a much more sustainable basis, carriers hoped they would no longer need boots on the ground to hunt for cargo, and therefore could plot new investments to broaden their reach into the beating heart of logistics.

However, similar to the outcome at the start of the Covid lockdowns – which carriers feared could quickly send the liner industry hurtling towards bankruptcy, but instead proved to be the most profitable silver lining in the history of containerisation – nobody could predict the timing or the extent of the next downturn in global demand.

Not least the ambitious new entrants to global tradelanes that refreshingly spoke of a new era of service reliability and good, old fashioned customer service that saw them quickly gain traction and win plaudits from shippers for their 'it's still a people business' style of communications.

But as many in the industry are aware, but some operators are apparently only just finding out, unlike freight contracts, charterers cannot simply rock up at a shipowner's door and ask to cancel the two-, three- or even five-year time charter jointly signed at highly elevated daily hire rates in the boom times.

Bankruptcies will follow, and shippers with cargo stranded on arrested ships will suffer, but as always, the lawyers will make hay from this mountain of charter party breach litigation.

MIKE WACKETT FICS
Sea Freight Consultant

Chassis problems ease at ports, but inland hubs are boxed in

JUST as Washington gave its blessing to a chassis pool at ports in the south-eastern US, the problem that has frustrated beneficial cargo owners and truckers, ports and terminal operators for the past couple of years appears to have abated – but not at rail facilities. Efforts to remedy the situation there have run into obstacles.

At the end of November, the Federal Maritime Commission (FMC) gave the green light to a container chassis pool for ports in seven states in the south-east, including Florida and Georgia. The plan is for the creation of a public-private partnership, owning and managing chassis, which is expected to commence operations in the autumn of next year.

A chronic shortage of chassis has been a significant factor in the congestion at US ports, but the problem has actually diminished a great deal in recent weeks. Paul Brashier, vice-president drayage and intermodal of ITS Logistics, reported that, as of early December, sufficient chassis had been available at US ports.

However, chassis shortage continues to be a problem at rail terminals in the interior.

"That's where the struggle lies," he said, adding that 53ft chassis for domestic intermodal boxes were readily available, but those for ocean containers remained scarce. On this side, there has been no improvement in recent months, he said.

"It seems we've done a good job addressing the marine side, but we've not taken the same sense of urgency to the rail side, especially in the Midwest," he commented.

"This is still a problem," confirmed Neely Mallory, president of logistics firm Mallory Alexander. As the situation has eased at the ports, and volumes are down, chassis owners have acted as through the problem was resolved, but this is not the case, he added.

Union Pacific has struggled lately with box pile-ups at its terminals in Chicago and Dallas, which management has attributed to extended chassis dwells and to an imbalance in rail cars. It expressed optimism that the congestion should be cleared soon.

Brashier is concerned that the problems may get much worse in the weeks ahead as more imports arrive from the ports.

"This is definitely something that could be the next pain point," he warned.

Carriers and chassis owners have blamed beneficial cargo owners for the shortage, accusing them of holding onto chassis longer than usual to use the containers as supplemental storage, as their warehouses are full. This has happened, confirmed Brashier and Mallory, but importers incur costs for doing this, Mallory pointed out.

"They don't do it as a matter of convenience but as a last resort," he said.

To his frustration, chassis are actually often available but out of reach. Carriers and the companies that own chassis fleets have clear designations of which units can be used for containers of each carrier, so if a trucker shows up to collect a box of a carrier for which a designated chassis is not available,

PAUL BRASHIER
ITS Logistics

his trip is in vain, although chassis for another carrier are at hand.

In Memphis, those designations are indicated by the colour of the chassis – either red or blue.

"It's crazy if there's a red chassis sitting there and you can't use it," Mallory said.

A chassis pool like the one to be created at ports in the south-eastern US would be helpful for the railheads as well, said Brashier, but there are no signs that this could happen any time soon.

Mallory and others proposed last year that neutral chassis pools should be set up in Dallas and Memphis, two of the major rail hubs that have been bogged down by congestion. However, the chassis providers have shown little interest in the scheme, he reported.

"This is not about money. We want the chassis owners to make a profit," he stressed, adding that the current problem not only extends wait times and wastes truck journeys, but also has financial repercussions for the cargo owners.

"This is just adding cost to the movement of goods. It makes US agriculture less competitive, because exporters are facing higher costs from this."

Brashier said any initiative that got the various players in the supply chain to collaborate and come up with joint solutions would be welcome.

"Any time we can break down barriers and overcome administrative headwinds, and provide solutions as a group for all, the better off we're going to be," he said.

But so far, he has not seen a concerted effort by any party to push for a collaborative effort.

His company is willing to help. ITS management is planning to take empty containers off chassis and ground them at its facilities to free-up the chassis to move loaded containers and reduce congestion at the rail terminals.

Beyond that, the company is working closely with its clients and giving them visibility – "that's key for this," he said.

But Mallory is not holding his breath for any imminent improvement.

"When imports and exports continue to grow and, until a lot more chassis enter the US system, this is going to be an ongoing problem," he predicted.

> "This is definitely something that could be the next pain point"

Complaints of unfair D&D fees flood in

US shippers have inundated the US Federal Maritime Commission (FMC) with complaints against carriers, following legislation aimed at combatting unfair D&D charges.

The FMC has recorded 175 complaints against shippers since the enactment of the Ocean Shipping Reform Act in June. Carriers are required to justify charges where there have been complaints and repay where they are deemed to have contravened the law.

The regulator said: "US shippers have responded positively to the new opportunity to challenge carrier charges by filing charge complaints. The process being shared today clarifies the interim steps the commission will take under this new authority."

Voice of the Independent
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