

# Voice

## of the Independent



JANUARY 2023

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No.133



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## Container sector uncertainty

### Carriers have 'lost control of capacity' as they chase volumes

FORWARDERS are predicting container sector uncertainty will drag on for years, even though signs suggest rates have bottomed out and are finally beginning to stabilise.

Daily hire rate values for containership charters plummeted some 80 percent last year, with AGL Cargo's director of institutional relations, Jackson Campos, telling Voice of the Independent the market was now "well and truly" back to pre-pandemic levels.

The forwarder noted: "As it stands, we appear to be facing no problem in terms of getting shipments onto vessels, and I believe we are back to the pre-pandemic scenario."

Nonetheless, Campos

caveated this by noting that SME forwarders simply had to "adapt" to whatever the market throws. And, long-term, there is growing concern that, while the bottom may have been reached on rates, there could be problems looming on the capacity front.

Drewry's latest Container Insight report claims carriers have "lost control of the container market" by failing to manage capacity.

It adds that it appears carriers would "act on capacity only

when they are forced to do so by heavy losses", but warns that expectations that carriers will

take "the necessary steps" to reduce capacity before the market gets out of control were starting to appear ill-judged.

Contract quotes are now at "a fraction" of what they were just a year ago, with revenues on key tradelanes running at close to round-voyage slot costs.

"Vastly downgraded" freight rate and profitability forecasts on Asia to North Europe and Asia to the US west coast also led

Drewry to suggest that the scenario was "akin to a doomsday clock, counting down the time before carriers incur losses".

Another forwarder described the present situation to VOTI as the "start of the coming economic crisis", noting that problems were being experienced across modes.

Drewry added: "While cargo demand contracted at a faster pace than many anticipated, and some action has been taken to address overcapacity, it has been largely too little, too late. Instead, carriers lost control of capacity, reverting to price competition to retain volumes."

"akin to a doomsday clock, counting down the time"

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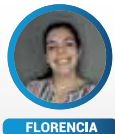





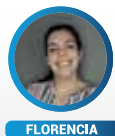



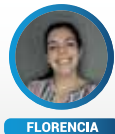




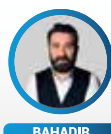



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# Wisetech denies greed – ‘price hikes reflect investment’

FORWARDERS continue to praise WiseTech's online platform, CargoWise, but have condemned surging price increases – and some are claiming they have been “locked-in” to the software.

Sources told Voice of the Independent (VOTI) that since June there had been a notable spike in the fee they were paying for the service, with some having experienced a 40-per cent price rise, while others put the hike at closer to 60 percent.

One said: “It’s a great product, but once you’re in, you are in, and, while you can cancel your subscription within 30 days, it takes more than a few months to divest yourself of it.

“It took over a year for us to migrate to CargoWise. Using the full package and running a company with a large staff, even once you’re halfway in, you are

committed to using the product, there’s no way back.”

Increasingly negative complaints of the pricing strategy are not a reflection on the quality of the product but on its increasing unaffordability for SME forwarders.

CargoWise continues to win business from forwarders,

with a spokesperson for the company noting that some are in the top 25, while major airlines including Air Canada Cargo and IAG Cargo have added the booking platform.

And CargoWise has been quick to deny claims they have exploited demand for the product by ramping up costs.

A spokesperson said its pricing structure “reflected the investments, costs, and value” it delivered to users, including IT savings, “significantly lower” operating costs and minimising compliance risks.

“We’ve also significantly increased investment in cybersecurity as attacks have escalated, and we do everything possible to protect against such threats,” said the spokesperson.

Over the past five years, the company has poured some A\$695m (US\$465.6m) into research and development, and reinvested 29 percent of its revenue into new developments and growing its R&D team by 31 percent.

One forwarder, however, sensed another reason for the increased cost of the system: “I very much got the

**"even once you're halfway in, you are committed to using the product, there's no way back"**

## Shipping line airlines eye Incheon for sea-air services

SPECULATION is rife that box carriers are lining up sea-air operations out of South Korea, with two of the three new shipping line airlines now flying into Incheon.

At the start of the year, MSC began twice weekly services on its Atlas Air-operated 777F while Maersk commenced operations on an Amerijet-operated 767 between Incheon and Greenville Spartanburg, the first of three to start flying for the shipping line.

Both new routes have been supported by an Incheon Airport that appears eager to see growth in multimodal solutions.

President & CEO Kyung Wook Kim (below) said: “We plan to strategically collaborate



with cargo airlines launched by global shipping companies to lay the groundwork for creating new cargo volume, such as vitalising multimodal cargo transport by sea and air.”

“We will continue to strengthen Incheon’s competitiveness in air logistics by developing new cargo terminals and attracting investment, while maintaining its second-place ranking in international cargo traffic volume through expansion of logistics infrastructure and networks.”

However, the carriers’ success will be dependent on their ability to buffer the looming storm brewing on the shipping line sector’s horizon.

Having made billions during the pandemic, they are now facing plummeting demand, with reports of rates having fallen by as much as 80 percent, alongside surging costs, and significant rises in capacity after they filled their orderbooks.

Integrating not only their airlines but the other businesses they brought with the vast profits that they attained by, as one forwarder told Voice of the Independent, “screwing” their customers will likely be a difficult task.

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## Carriers "waiting for more visibility" after Chinese New Year

Looking ahead, some sources said that the reason capacity had not been amended already was because carriers were “waiting for more visibility” after the Chinese New Year holiday on 22 January before suspending further network loops, seen as the “more radical” option.

Supporting this approach was research from HSBC claiming that the end of China’s zero-Covid policy could generate a recovery of sorts.

An investor note from the bank said that post-Chinese New Year it expected the “capacity discipline” shown by carriers to have kept “contract and spot rates above breakeven” and the end of zero-Covid could lead a “potential restocking demand”.

On the flipside, though, it presented risks from inflation on consumer spending that could dampen demand and “likely trigger another round of price competition”.

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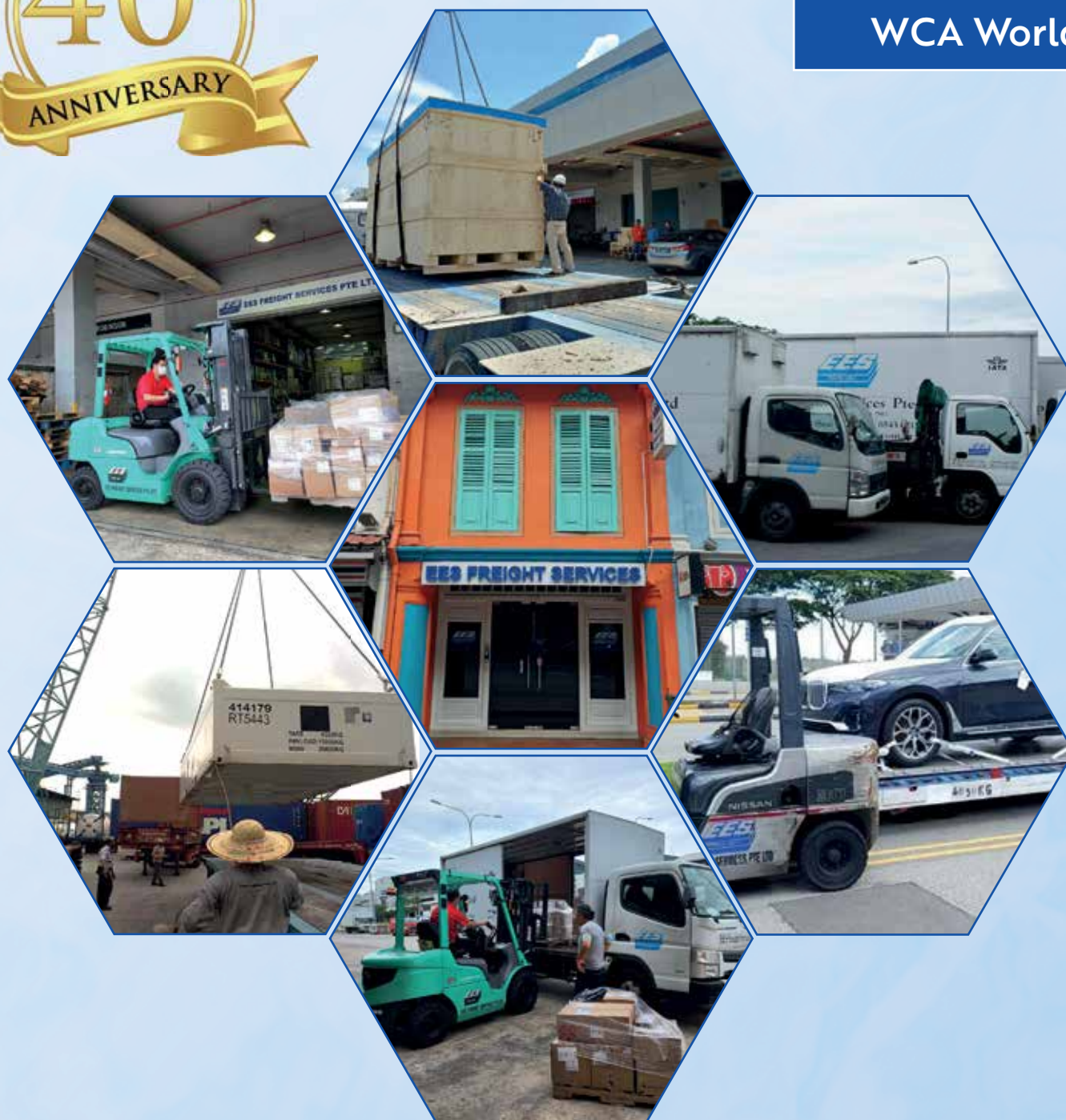
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# Spotlight ON

Adam Compain

## All change, as software brings better visibility of supply chains

"VISIBILITY" remains one of the key asks across all links within global supply chains. Much of the demand stems from what is described as increasing volatility in the logistics sphere, with the fallout of the pandemic only adding to a spike in delayed, lost, or spoilt shipments.

Adam Compain, senior vice president and global head product management at freight management software firm Project 44, tells Voice of the Independent (VOTI) his team are among those to have witnessed a steady increase in supply chain problems, "and we don't see them slowing down".

For Compain, the impact of these issues is most pronounced on the smaller operators, but he, perhaps unsurprisingly, believes technology is best positioned to assist in this.

"Larger companies face these same challenges, and SMEs are more than aware of this, but I think there is a sense within the SME community that they experience the impact more severely and lack sufficient resources to help contend with the problems," he says. "Where we come in, and perhaps what makes us unique, is that we have developed to equip, literally,

the largest operators in the world, but we also have some incredibly small SMEs using our platforms, those that wouldn't normally have the budget to afford the sort of costs required to supply the level of visibility we offer."

It may seem Compain's position and sales pitch reflects the present zeitgeist when it comes to pricing structures. But he disagrees, noting that that which Project 44 offers does not compare with the company's contemporaries, but it is the connections the company has that presents the greatest opportunity for, if not removing, then certainly

mitigating the impact of high-level supply chain disruption.

"We provide global visibility at the order level all the way down to SKU, and we do so across all transport and modes," he continues. "We've been able to get to this point by growing the largest carrier network, with well over 200,000

carriers represented on our platform. And we work with them as partners to ensure that shippers and logistics players of all sizes can get the visibility they need. Through the provision of these workflow cycles, our customers are able to not

only see the products, but to act on the information we are supplying them."

The company's latest product, Ocean Visibility Flex, was built with SMEs specifically in mind. Essentially, it serves to provide real-time container data that allows shippers to ensure deliveries are made on time. The pricing structure, again, comes to the fore in discussion with Compain, who notes that customers are able to sign up with a free trial of up to 50 tracked containers. Thereafter, charging is based upon a simple credit payment of US\$8 per container.

"Ocean Visibility Flex is aimed at more acutely providing SMEs with a quality of visibility that Fortune 500 companies have come to rely upon," Compain says. "We offer the products in a lightweight, self-service, pay as you go model. We like to say, if you are shipping 500,000 containers a year the product is good for you, but our intended customer is a mid-sized shipper or 3PL that typically ships less than 2,500 boxes a year and is on a more constrained budget. That is why we have the no-commitment, flexible payment plan. It is a very simple to use offering, the customer logs on with an identifier for the container and from there can track the shipments."

The structure of the agreement between Project 44 and its customers may be simple, but Compain stresses that the company is not looking for the simple win.

"We have customers with complex needs, and they can of course utilise our products," he adds. "Our product may have been officially launched in December, but we had it operating before that with customers using the system so we could ensure it provided the offering we claimed. And the feedback we had from those users was incredibly strong."

Of course, while having visibility over the collapse of a supply chain allows

shippers to know something has gone wrong, it does not assist in averting that collapse. What makes Project 44 stand out is its analytics products, says Compain. These not only show congestion is worsening within container terminals, but they also show trends that can allow for the alleviation of congestion. And, if that does not look to be happening, allows shippers to avoid it by choosing different shipping lanes. Compain believes the development of this technology has had a profound impact on global supply chains.

"We see this level of visibility changing broader supply chain behaviours," he says. "And Project 44 helps provide a full global view, leading shippers to change how to move their cargo. The first category we see is using real-time insights to change behaviour; the second is people using exception management to make them more proactive and working in advance; the third is collaboration, with information being supplied around carriers and SMEs."

This perspective has given Compain a strong oversight over changes in the sector, and one of the major ones he's noticed has been constant modal shift over recent years.

"With rates going way

senior vice president and global head product management Project 44

back down there's the move back to ocean," he explains. "What we see more so are shifts in lanes and tradelanes. The two biggest are the move from the US west to east coasts, with NYC seeing record high volumes, in some places eclipsing west coast volumes.

"We're also seeing fewer imports from China and a far greater amount coming from Europe. These really big shifts are due to political tensions and, from a macro perspective, that the China to Europe change is the big one."




**"We provide global visibility at the order level all the way down to SKU, and we do so across all transport and modes"**



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# Focus ON

## Dependable e-commerce market for worried shippers

2022's end-of-year peak failed to materialise, leaving many concerned over the state of the market as the "cost-of-living" crisis across the developed economies continues to drive anxieties over recession.

But amid all the economic gloom, shippers found a

reprieve in what has remained a buoyant e-commerce market.

For some, this may be somewhat surprising, given the talk of an e-commerce demise as, post-pandemic, consumers returned to

bricks-and-mortar stores. Indeed, concerns that the market would collapse appear to have been overhyped, with data suggesting while the growth curve was not as pronounced as that

experienced in the one-and-a-half-year lockdown era, it finds itself still ahead of what had been projected before Covid.

Data from the US Census Bureau notes that between the third quarter of 2021 and the third quarter of 2022, domestic e-commerce sales exceeded the US\$1 trillion mark for the first time, with sales up close to 90 percent over the same nine-month period in 2019. Forwarders will also

tell you that e-commerce remains a growing market.

"For GLC distribution, in the absence of an end-of-year peak, e-commerce certainly helped to prop up the market," chief operating officer of GLC Distribution John Rodriguez tells Voice of the Independent (VOTI). "We have a very diversified base so our normal end-of-year peak was impacted, but not as much as distribution centres focused on a dedicated vertical. Our e-commerce operations are enjoying growth as much of that activity was added here recently in 2022."

The new data likely helped ease the anxieties that had been percolating last year as shippers and forwarders experienced what they described as a "levelling-off" in the volume surge from online sales that lockdowns had precipitated. As sources

said over the course of last year, there was a sense even then that the concerns were unjustified, with "levelling-off" not synonymous with declining performances.

Indeed, many commented that the drops correlated with the lifting of regional lockdown restrictions that should be read not as a restoration of the high street, but rather a temporary response from consumers who had spent

anywhere up to three months shut away.

Managing director of CCS-Express Maxi Ebert tells VOTI: "As the e-commerce business is one area for us that is constantly growing, it always serves as good compensation for slowdowns in other areas of the business – as seen with the absence of the end-of-year peak.

And when we look at the numbers, we could not see a significant decrease of business in 2022, compared with the pandemic peaks of 2020 and 2021. I think the trend of ordering things online is not only still in place but has become a going concern."

Despite a seemingly optimistic outlook on the state of the market, one of the more troubling issues remains the problem of space. The tail-end of 2021 saw some reprieve for shippers and forwarders seeking warehouse space –



**MAXI EBERT**  
CCS-Express

largely due to big drops in demand as lockdowns lifted and growth levelled off. This was not globally uniform though, with Europe basking in the delight of finding space, the US was struggling.

Southern California in particular witnessed warehouse operators charging a premium for their space. At the time, GLC's chief executive, Derek Scarbrough, described it as a "continuing challenge... without question", as the costs of available space hit prices never before seen. "Bidding wars" became common, leaving Scarbrough and the team reliant on the strong interpersonal relationships they had built with Prologis to secure the space GLC's customers required.

But the problems appear to have intensified in the intervening period. Looking at the situation today, it



**DEREK SCARBROUGH**  
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# e-commerce t brings some relief



JOHN RODRIGUEZ  
GLC Distribution

seems warehouse space – at least in North America – remains the “big e-commerce challenge” of the moment. For Rodriguez, expectations are of continuing headaches. “Warehouse capacity and securing space will be a significant challenge for e-commerce operations,” he says. “For example, storage capacity in Southern California is capped out. New facilities and lease

renewals are three times the price of leases five years ago. This increase requires 3PLs to sell storage rates significantly higher than before. If a brand’s price point is low, it may mean that it will now be unprofitable to operate in a market like Southern California.” Responding to the pandemic surge in freight volumes, warehouse development experienced its own surge with new builds going up at a reportedly “frantic pace” in recent years. But the combined impact of rapid cost rises – rents expected to climb 10 percent for 2023, building materials proving hard to source, not to mention inflationary pressures – has seen Prologis predict a seven-year low in US development, with a 60 percent drop compared with 2022’s development starts.

Ebert concurs, noting that warehousing will “definitely” remain a “big challenge” for CCS. “As we handle a lot of marketplace business, we totally feel the shortage of warehouse space at Amazon and the like,” he adds. “Therefore, a lot of customers ask us for interim storage in order to fulfil their Amazon stock regularly. As warehouse space is also very limited for us, and getting more and more expensive, we see hard negotiations from our customers, as everything for them is calculated down to the cent, so there is not much room left for price

“Warehouse capacity and securing space will be a significant challenge for e-commerce operations”

increases, which obviously results in a very low margin and profit for us.” Just as this issue went to press, Amazon itself announced further warehouse closures – it has postponed or shuttered a number of its warehousing projects, having nearly doubled its footprint over 18 months between 2020 and 2021. Furthermore, it made the announcement that it would

sub-let space in the facilities it had online, offering third-party warehousing under its new Warehousing & Distribution brand. The e-commerce behemoth had nearly doubled its warehouse footprint between early 2020 and the end of 2021. Even here, however, there remain bright spots with expectations of warehousing activity growing in Texas and Mexico, which has become a key location for the much-speculated intension of US companies moving away from China and towards a near-shoring model. Mexico has been a major target for companies seeking to

near-shore their sourcing, a move that is being primarily driven by tech multinationals keen to get out of the Asian powerhouse and move many of their operations to nearby countries like Vietnam and Indonesia – although Apple recently announced that the majority of its fresh investment would be in India. Despite these long-term trends, in the immediate future, Chinese e-commerce is, however, looking strong, experiencing something of a resurgence following the end of the zero-Covid policy that many blamed for causing much of the global market turmoil.

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# Focus ON

e-commerce



## End of zero-Covid not smooth sailing

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"We could see a huge improvement in importing from China, we do not hear any complaints from our customers, including that they have not been receiving their products," says Ebert.

"Added to this, we are seeing that freight rates out of China are, mostly, pretty much back to normal."

Decreasing rates look particularly beneficial to China's homegrown e-commerce brands, with Alibaba and retailer Shein hoping to take advantage of the increasing passenger flights that are expected to come out of China following the end of pandemic-era policy. With increased passenger services comes increased cargo capacity that will only help to depress rates further.

Reports suggest that Gap is one US brand to have benefited from the drop in freight rates, expressing a belief that these would fall further still as the year wore on. Efforts have also been

taken by Alibaba to improve its European footprint, linking up with Cosco on an end-to-end intercontinental fulfilment service. If the present trial period proves successful, the initiative will develop Belgium's Zeebrugge as its European base. This would add to Alibaba's existing e-commerce hub near Liege Airport.

**"We are just too dependent on Asia, and that has been the case for a long time already"**

Nonetheless, the end of zero-Covid has not been smooth sailing, with choppy seas ahead. Unlike its western counterparts, China struggled getting vaccines into arms, resulting in a lower-than-average national immunity to the virus. Thus,

lifting restrictions in such an immediate manner has reportedly put the country in a difficult position.

Immediately after it ended its zero-Covid policy conflicting reports began popping up around infections, with some suggesting 250 million people had been infected in the first week alone. For forwarders, the immediate

implications of this were unknown, but what has happened as a result is that many shippers have been keen to get ahead of any fallout, particularly with Chinese New Year and its associated mass migration just weeks away. As far as GLC is concerned, appropriate action has been taken to mitigate any associated problems, says Rodriguez adding: "There are no concerns here as the existing inventories are sufficient in most verticals to sustain the demand over this period."

Ebert, however, questions if there is much that can be done, given the potential scale of any mass infection that may occur alongside the Chinese festivities.

"I'm not sure on any measures to take in order to avoid this for us," Ebert says. "I think a lot of people started thinking about local manufacturing after this whole situation, but the problem is there are not really many resources here [Ebert was speaking from Germany] for a lot of the types of products that we would be needing to manufacture if we near-shored. We are just too dependent on Asia, and that has been the case for a long time already."

On the topic of global instability and e-commerce,

the impact of the conflict in Ukraine appears to have largely been mitigated. Rodriguez and Ebert have contrasting opinions on how the war has affected the sector. For Rodriguez, the answer is simple: "At this time, we are seeing no impact from the war." And Ebert, to some extent agrees, noting that "trade wise, the war did not have much impact on us".

Nonetheless, he notes that what he did witness was some of a "dramatic increase in basically everything" since the war started, exacerbating already existing problems. So, what are the forecasts for the year ahead? Well, growth largely. Expectations are that the social fabric of retail has been fundamentally altered, with e-commerce set to continue climbing – perhaps not at the surging rates of the pandemic-era, but nonetheless at a level that will buoy those who felt somewhat disaffected by the levelling-off in growth of 2021 and 2022. This, however, is expected to bring its own headaches for the logistics sector, especially with growing interest in customised packaging – generated by both retailer as well as customer expectation – inevitably adding further complexity to supply chains.



In addition, the footprint of national logistics is ever-changing. One substantive trend to have developed over the past six years or so is the power of smaller, regional airports, with the likes of Amazon helping to drive the positivity for these gateways. This issue has been particularly acute in the US with the emergence of Chicago Rockford as a key e-commerce hub.

"These smaller, regional airports developing themselves to cater for the express and e-commerce market will likely be aided by the closure of warehousing and logistics facilities," says Rodriguez. "This may help regional airport infrastructure growth, as the need to get to locations without a nearby distribution centre continues to increase."

Other changes include increasing oversight, sought by e-commerce customers. "Oversight" is the key term here, with many e-commerce retailers realising that swift delivery is not the priority, as once believed to be the case, of online shoppers. Instead, what is important to consumers is that they know where their order is, when it is likely to be delivered and any hiccups that may occur along the way. Adam Compain, senior vice president and global head product management at freight management software firm Project 44, has experienced the influence of this in the development of his own technology.

"We have been advising now on improving visibility

in the last mile," Compain tells VOTI. "If you're a regular person tracking an online order, we've the ability to dynamically insert the projected delivery date before you become involved. For e-commerce firms and their customers, this helps bolster consumer confidence in supply chains. I think that's the real indicator of what's possible: helping manage first, middle and last mile."

But for the forwarder, the key short-term challenge will be marrying the demands of the shipper with the problem of space. As more

**"I think that's the real indicator of what's possible: helping manage first, middle and last mile"**

consumption occurs online, the primary need of the shipper is for its forwarder to ensure the provision of an ever-greater warehouse footprint. And given that there are significant global economic concerns – cost-of-living, inflation, the potential for

heightened conflict between east and west, not to mention no clarity on what is happening in Ukraine – the willingness to spend on such developments appears limited.

As Rodriguez says "the primary difference" experienced by forwarders between 2020 and 2021 was not the slowdown in growth of online shopping but "the ever-growing inventory that our clients are holding at this time. Their anticipated challenges with acquiring product from overseas combined with slowing the US market consumption rate has adversely impacted their inventory positions," he concludes.



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# Insights **IN**

Seafreight – comment by Mike Wackett

## Lessons container shipping has not learned

MARITIME analysts were unanimous: the container shipping industry had undergone structural changes, and that meant ocean carriers would no longer do battle in 'race to the bottom' market share grab, freight rate discounting, wars.

But how wrong they were!

And here we are in January 2023, watching in astonishment as, on a daily basis, local office ocean carrier reps again compete to undercut their alliance partners' rates from Asia.

On occasions, the relentless email assault on

hitherto persona non grata small-volume shippers by liner sales staff has even undermined the FAK rate deals agreed by their colleagues based at other offices.

Just six months earlier, smug liner chiefs were refusing to allow carrier account managers to talk to their loyal customer base of smaller shippers, electing to fill their ships from a specially selected core base of blue-chip customers.

However, in just a few months, the market has turned full circle and shippers have taken the

upper hand again, encouraged by heavy carrier discounting.

As a UK-based forwarding executive said to me the other day: "Mike, you couldn't make this up!"

Indeed, if you had been living under a rock for the past three years and decided to return to the liner industry, you would be forgiven for thinking container shipping had lost its marbles.

"So, you are trying to tell me freight rates from China to North Europe went from \$1,500 per 40ft in early 2020 to \$16,000 by early 2022, but back down again to \$1,500 by December 2022?", would be an obvious question posed by the liner hermit.

Those same carriers that were so judicious in their capacity management and pricing at the start of the pandemic have been equally injudicious at the first sign of

demand normalising.

Admittedly, cargo demand has contracted faster than anticipated – as the vaccinated world got the

better of Covid –

but succumbed to a regular bout of consumer appetite-dampening inflation.

However, much of the problem with cancelled orders from Asia to Europe and the US is being attributed to

bloated retailer inventories, prompted by earlier supply chain issues, causing retailers to bring orders forward.

So why did container shipping lines return to their

old bad habits?

Before the pandemic, several were on the brink, their balance sheets not strong enough to withstand a prolonged freight war.

As the Covid lockdowns started in March 2020, there was fear in the eyes of liner CEOs as they contemplated bankruptcy from a 25 per cent demand contraction.

But after nearly two years of unexpectedly making hay in the mid-Covid demand boom, their aspirations of climbing the capacity rankings went into overdrive, backed by huge war chests.

With money still burning holes in their pockets, and despite ordering a record 7m teu of new ships, carriers were encouraged to invest their windfall profits into other sustainable businesses,



MIKE WACKETT FICS  
Sea Freight Consultant

be it logistics, ports or even new airlines.

It remains to be seen how shrewd these investments will turn out; history tells us that the more diverse investments are, away from core shipping business, the less likely they are to succeed.

And as far as their shareholders are concerned, the huge profits of the past two years are history: carriers will be judged on their current results and outlook.

**So why did container shipping lines return to their old bad habits?**



## Shortsea and feeder fleets under pressure from 'green' rules

SHORTSEA services are set to come under further pressure from new IMO CO2 reduction measures, with sources claiming it will force volumes onto more-polluting road transport.

The introduction of emissions trading systems and the Carbon Intensity Indicator is set to expose chronic underinvestment in smaller tonnage in a shipping industry that has grown obsessed with scale.

A source within the industry said not only had this desperation for ever-larger vessels left trades limited in number, but also in carbon efficiency.

The source added: "We are very concerned about the aging fleet and future lack of available smaller tonnage. Over the years, there has been a misconception in the feeder/shortsea market that bigger is better – not necessarily true."

Containerships of 999 teu or less average 17.4 years old, and the new IMO rules look set to force a further reduction in the fleet size because the new rules punish faster vessels that spend a proportionately longer time at berth.

Among those to anticipate a triggering of more scrapping of ships in the smaller-size

ranges is Xeneta chief analyst Peter Sand.

Not only would this incentivise a switch to more-polluting road transport, he said, but Sand also suggested it could result in a situation in which carriers move feeder ships onto longer trades a few times a year to improve their score, adjusting their offerings

and, potentially, stopping a certain number of port calls, especially in ports where carriers know waiting times are consistently long.

Sand added that this "would lead to certain ports becoming less connected and, potentially, moving some shippers into inland transport from hubs, rather than feeders, which is much less efficient than container shipping".

While well-intentioned, the new regulations were compounding underinvestment and skewing the market against feeders, seen as essential in moving away from high-polluting modes, he said.

Nonetheless, the industry source said their company had responded by ordering 16 new feeders, due for delivery from the end of the year. The vessels, were, the source added, "future-proofed; the engines are dual-fuel, ready to burn green methanol and super-efficient".

**"We are very concerned about the aging fleet"**

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# Airlines pin hopes on post-CNY rates increase

ASIAN air freight rates are plunging in the build-up to carrier plans to set out their block space agreement tariffs, with concerns that the long-term outlook will mirror that of container shipping.

Forwarders have said that, while the TAC Index places the current price for China to the US at US\$7 per kg, significantly lower rates are being found on the same route, with sources telling Voice of the Independent the opening of China is only serving to depress rates further.

One Hong Kong-based forwarder said: "It seems around \$3 per kg is the norm from South China to Los Angeles. I think it's because of very poor demand."

However, others have pointed to carriers not having adapted cargo activities in the aftermath of the pandemic, with excess full-freighter capacity now paired with the return of bellyhold space, as more and more passenger services come back online.

This was only heightened by the Chinese government's decision to end its zero-Covid policy and reopening China, and Chinese citizens, to the world.

Mathez Freight's Frederic Mercier told VOTI: "Air freight switched to freighters, but

now passenger aircraft are flying again out of China, so you have freighter capacity and bellyhold capacity contending with already full warehouses.

"Consumer demand is also full, so it's obvious offered capacity and demanded capacity do not match, leading to a drop in the market."

Cathay Pacific and Lufthansa Cargo have already set their block space tariffs at about \$6.50 to the US west coast, with an additional \$0.50 per kg for the Midwest – although forwarders said Cathay swiftly revised its rate downwards to around \$5.60.

Like containership carriers, it seems many carriers operating on the Chinese mainland are waiting until after Chinese New Year (CNY) to adequately assess the market.

Even so, forwarders have said that demand across Asia remained weak, with one Singapore-based forwarder having said "subdued" demand will remain the case through January and into February.

While acknowledging that a "slight increase" in demand could follow CNY, the

forwarder said this would be dependent on the European and North American markets.

Some suggested demand from Korea and Japan to the US was on the rise again, noting that the "normal trend" would be for the EU to follow, albeit expressing some concern that this may not happen within the present economic environment.

"Capacity is wide open for almost all Asia origins, as airlines are seeing a return of passenger traffic, which helps to maintain their

frequency of flights," continued the forwarder.

"For export countries, particularly China, Vietnam, India, we've seen rates to Europe drop even below pre-Covid levels. As rates are demand-driven, particularly from major manufacturing countries, what happens after CNY will be interesting."

Mercier noted that the rate situation to Europe was also affected by the continent's "full warehouses."

He explained: "Warehouses are full because of the total



**FREDERIC MERCIER**  
Mathez Freight

unreliability of the supply chain over the past few years, the drop in consumption, inflation, end of Covid and the relocation of production out of China.

"But I believe we'll be in a low market for three years, and then financial management will return, with things like stock optimisation and just-in-time supply chains."

**"As rates are demand-driven, particularly from major manufacturing countries, what happens after CNY will be interesting"**

## Robert Keen steps down as BIFA DG

ROBERT Keen has called time on his long-running leadership of the British International Freight Association (BIFA) and plans to retire from full employment.

Having taken over as BIFA's director general in 2014, Keen has been at the helm over a fraught period for the forwarding sector as it contended with ever-changing trading conditions brought about firstly by the UK's decision to leave the EU and then the pandemic.

National chair of BIFA, Rachel Morley, said: "Robert leaves behind a tremendous legacy of achievement in all of BIFA's key objective areas – lobbying, advice, promotion and training."

"We're also pleased that Robert will not be leaving just yet, having agreed to manage BIFA's working relationships with other organisations and associations as its international relations manager; and will be available to ensure the transition of director generals is seamless."

Morley added that Keen was leaving the organisation in "excellent shape with significant momentum and a clear strategy", ensuring its ability to continue supporting the sector.

His replacement, Stephen Parker, built a name for himself at one of the larger multinational forwarding operators, serving as BIFA's chair from 2011 to 2013, with stints on the UK trade association's board of directors and chairing its Customs Policy Group.



"We are delighted that Stephen has accepted our invitation to become director general," said Morley.

"Having served as a non-executive director for many years and having been heavily involved in some of our policy groups, he is well versed in the work BIFA undertakes and has hit the ground running from day one."

Parker said he was "really pleased to be offered the opportunity" and he and the team would "drive forward BIFA's representative role to deliver results the members sought".

Morley concluded: "As the head of the established representative body for the UK freight and logistics industry, Stephen is tasked with providing the leadership of BIFA that will continue to help us to support our members."

"And to support their efforts to secure their development in the global economy against a background of ever-changing challenges, customer demands and new legislation."

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## New Orleans has gateway ambitions

PLANS for a new box terminal will bring an extra 2m teu of capacity to the port of New Orleans, as Louisiana targets becoming the next hot container gateway to the US market.

Together with MSC, Ports America, the largest container terminal operator in the country, has pledged \$800m to a \$1.8bn container facility project at the port, with construction expected to commence in 2025 and the first new berth open in 2028.

One forwarder said that the development marked a notable shift in the port's activities, which had historically been associated with bulk and breakbulk traffic, that would require a sizeable investment in associated container logistics infrastructure.

"It is important to build up services – chiefly rail and drayage, but also roads – it's about more building a viable port," added the forwarder.

Container traffic through US Gulf ports surged in 2022 as importers switched from Asia from the west coast, with work stoppages amidst labour negotiations threatening congestion.

Resultantly, Port of New Orleans is not alone in looking to burnish its container credentials, with a consortium of private developers, including APM Terminals, planning to build a new container terminal at Plaquemines Port, situated just 20 miles from New Orleans.





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<b>Good Distribution Practice Refresher, Certified Training Course</b> 1 day Live Virtual Course	9 March 2023 14:00 – 17:00 hrs.
<b>Negotiation Skills</b> 3 days Online & Live Virtual Course	13, 15, 20 March 2023 16:00 – 18:00 hrs.
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# More forwarders embrace automation 'co-pilots'

LAST June, BDP International launched a digital workflow application called Smart Classify to help its clients deal with ever-evolving trade compliance requirements and product classification.

Besides giving a streamlined view of shipment status updates, Smart Classify features on-demand reporting, historical classifications and product information to serve as a central data repository for auditing purposes. At the same time, it enables users to connect with BDP's compliance experts for HTN classification or validation, in order to avoid costly errors and possible fines.

"The idea was to bring customers and BDP staff closer together. The customs process often requires close collaboration," said Neil Wheeldon, the forwarder's chief strategy and innovation officer. "This makes it easier for our own team and involves our customers in the entire classification process. The platform allows them to share documentation and communicate with us."

**"The idea was to bring customers and BDP staff closer together"**

Feedback from clients has been positive, both in terms of the usability of the platform and the easy on-boarding process, he said, adding that there had been conversations about what to do next.

Another automation project BDP went through was the development of a platform for bills of lading, done in collaboration with an ocean carrier. This allows sending drafts back and forth up to the final version. The platform flags any issues that arise, so staff only work on exceptions, Wheeldon said.

The platform is connected to multiple carriers and has been implemented at BDP stations in Europe and North America. Wheeldon aims to complete the global roll-out halfway through this year.

For BDP, process automation has been a driver for a number of years, with the aim of eliminating manual processes and changing ways the company interacts with customers, Wheeldon said. For many forwarders, on the other hand, process automation has entered the radar during the pandemic, propelled by the push to digitisation and the constraints of available manpower.

Wheeldon highlighted two key objectives behind the increased popularity of automation – improved accuracy and reducing labour costs.

To cope with elevated volumes, while struggling to recruit more staff, forwarders need to automate processes to free up their employees for more value-adding tasks and to bring in new business, logistics software providers like CartonCloud keep telling them. It's a mantra that has been resounding endlessly at industry events and webinars.

Then there's the financial aspect. The slump in air and ocean rates over the recent months means shrinking margins – at a time when inflation is driving up costs, noted James Coombes, CEO of Raft (formerly known as Vector.ai), a provider of digital forwarding platforms to automate processes.

According to CartonCloud, automating data entry with its transport and warehouse management software has allowed small and mid-sized logistics firms to reduce administration overheads by as much as 80 per cent.

The company argues that technology "can



**NEIL WHEELDON**  
BDP International

be the difference between a company leaking money and working overtime, and a company that runs smoothly, makes profits and gets the job done on time."

The push for automation is also coming from shippers, largely driven by their desire for more granular supply chain visibility, which tasks their forwarders with providing more information about their shipments.

Coombes raised another driver coming from the shipper side:

"In the 'age of disruption', shippers need freight forwarders that enable 'elastic operations' – the ability to rapidly scale operations up and down in response to market conditions," he remarked.

"Freight forwarding has always been a manually intensive business, so it's almost never scaled effectively. There's long been a linear connection between bringing on new shippers and the need to hire enough staff to service those customers."

Finally, there's the push from government bodies to digitise information flow. Wheeldon noted that the UK authorities were looking at single window platforms and planning to transform classifications.

Software providers are happy to offer the full smorgasbord of functions, but most forwarders pick and choose processes to automate. In many cases, this still raises the questions which to prioritise. Coombes suggests finance as a good starting point.

"It's been a particularly rich vein for automation, and it's relatively easy to set up," he said.

While the internal processes piece is critical, he stressed that it was also vital to automate customer-facing elements that are

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high on clients' agenda. Primarily these are related to visibility – including information about CO2 emissions, he said.

"We've had clients who were told by their customers not to tender because they did not have an emissions piece," he reported. "To retain and grow their business, SMB forwarders have to differentiate on service. They need to keep pace with the larger forwarders in terms of visibility and emissions."

When forwarder HBI signed-up with Raft last year to automate workflows across accounts payable, customs and pre-alert operations, a major attraction was the use of artificial intelligence to manage and act on incoming shipment data, saving the forwarder's staff hours of chasing information, keying it into systems and reconciling the data against downstream systems.

The technology is getting traction in the industry. Much around AI is still futuristic hype, but there is a growing array of real use cases, Wheeldon and Coombes said.

The latter emphasised that AI did not replace employees. Functionalities that utilise the technology "are tools for our users to make them more productive. They're co-pilots, not replacing people," he said.

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