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Tide is turning for ocean carriers as market slows

Forwarders are circumspect over any sense of 'just desserts'

PLUMMETING rates and inflation may have hit ocean carriers' earnings this year, but forwarders are circumspect over any sense of 'just desserts' after the runaway successes of recent years.

Having both posted record results for 2022 at the start of March, CMA CGM and Hapag-Lloyd warned this year would be very different, pointing to the "marked slowdown" in the fourth quarter that they expect to continue into 2023.

President of Mathez Freight Frederic Mercier told Voice of the Independent (VOTI): "The wheel is turning. This had to come.

"The drop has been as sudden as the increase was high. I'm confident in their future as they used these major profits to diversify their heavy investments."

CMA CGM's 2022 net profit hit $24.9 billion, on the back of a 33 per cent spike in revenue, to $74.5 billion, of which $59 billion was contributed by its core liner shipping activities.

It noted an average rate of $2,711 per teu, compared with $2,055 in 2021, with liftings of 21.7 million teu, down just 1.3 per cent on the previous year, and an above-par performance, compared with OOCL's volume decline of 5.6 per cent and Maersk's 14 per cent.

> "The drop has been as sudden as increase has been high"

Responding to the results, JTM founder, Joao Val told VOTI: "The shipping market shows signs of stabilisation after two record years of growth.

"Despite a reduction in cargo levels, the largest shipowners have achieved unprecedented profits. As a result, their commercial strategy has shifted to include greater flexibility in terms of conditions and a more proactive approach towards forwarders to increase volumes."

With Q4 demand contracting, CMA CGM transporting 5.4 per cent fewer containers in the period and average rate sliding to $2,402 per teu, the carrier signposted its shifting strategy.

Group chief executive Rodolphe Saadé said: "As trade returns to normal and freight rates decline, our strategy and recent investments will prove all the more relevant and allow us to look forward to 2023 with confidence."

Val described this shifting strategy as "a strong indicator of the industry's resilience and adaptability".

Continued on page 3

CargoWise comes under fire from smaller forwarders

RICHARD WHITE
WiseTech

Some SME forwarders are considering walking away from what they claim is WiseTech's desirable, but financially unsustainable platform, as surging costs and an uncertain pricing policy left them "increasingly frustrated".

Speaking to Voice of the Independent (VOTI) one forwarder said costs had climbed 40 per cent in less than a year after signing up to use the CargoWise platform.

Compounding their grievance, they said when they approached WiseTech for an explanation, they were simply told that this was "what it costs now". They said they felt "scammed" by the experience and would be moving off the system.

They added: "We cannot stay with a system this expensive for any length of time, as it leaves us with absolutely no control over our costs on a month-to-month basis."

These comments echoed those of a WCA member that VOTI spoke with, who said one of their "primary" concerns with the CargoWise platform was that there had been a "continual" increase in pricing".

"This has particularly been the case for some of the system's more expensive features," said the WCA member.

Another source said they had been using CargoWise since 2016 and one day they saw the rate "simply double" and to have WiseTech give the same explanation for the increase, adding that they were now seeking alternatives "as these costs are too high for the service offered".

However, analysts have said part of the problem for users was the "absence of alternatives", with some forwarders noting they could neither afford to keep in the system nor leave.

> "We cannot stay with a system this expensive for any length of time"

Chief executive and WiseTech founder Richard White has been proactive in seeking to quash criticism of the company's pricing structure and claims it was "profiteering" from a dominant market position.

"In 28 years, I have never had a complaint from a customer about the price increase, we create value, and the attrition rate is less than one per cent," said White.

A spokesperson for the company added that its pricing structure reflected the investments, costs and value it delivered to users in terms of 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.

There are, however, certainly those who believe shareholder demands are responsible for sudden spikes in costs, with one message board user going so far as to suggest WiseTech was developing add-ons and systems to obtain price increases regardless of whether the features were wanted.

However, such claims are not reflective of general product quality, with the forwarder praising it even as they said they would be leaving it.

But unlike others, they did not believe that the system was "too good and too expensive to migrate from", noting that while it was a good system for air and sea, "for us, in our environment, it's not worth the rate increase".

They added: "We'll make it work another way."

Airline anger at decision to cut slots at Schiphol

AIRLINES have described a Dutch government announcement to cut Schiphol's flight numbers as "incomprehensible", with KLM adding its name to action being taken against the decision.

Joining carriers, including Delta and Martinair, KLM – responsible for 60 per cent of traffic – said IATA and A4E also backed the effort to reverse plans to cut Schiphol's capacity from 500,000 flight movements to 400, as it attempts to address noise and emissions.

They argue: "The airlines have already made multi-billion-euro investments to meet near- and long-term goals, in line with their own decarbonisation trajectories as well as government policies, while the government's justification hinges on operational restrictions with no consideration of alternative workable solutions to effect noise reduction.

"Along with violating national, European and international legislation, the decision is unnecessary, damaging and lacks proper substantiation."

However, describing the flight reduction as a "necessary intermediate step", Schiphol added that it was also calling for the government to bring in an Airport Traffic Decree as soon as possible, reflecting the views of local residents and airlines.

It said: "We are committed to reducing nuisance and emissions… It is important that a new system is introduced in the short term that protects local residents and offers perspective and clarity for the aviation sector. A system that has been in the works for almost 10 years now, and for which the Senate and House of Representatives already created the conditions in 2016, but which has not yet been completed."

'Industry's resilience and adaptability'

continued from page 1

Boosted by an expansion of its freight management business and recent acquisitions, turnover for CMA CGM's logistics business surged 48 per cent, year on year, to $16.1 billion, for a 39-per cent spike in ebitda of $1.2 billion.

Hapag-Lloyd posted a net profit of $18 billion for last year after a 38 per cent hike in revenue to $36.4 billion, achieved by a best-in-class flat transported volume of 11.8 million teu.

This amounted to an average rate of $2,863 per teu, compared with an average of $2,003 the previous year, moreover, it managed to maintain its liftings in Q4 22 versus Q4 21, even if it did witness an erosion of rates during the period.

Nor was it immune to inflationary price increases, with transport costs up 18.5 per cent to $14.5 billion.

Chief executive Rolf Habben Jansen said: "Costs such as for fuel, charter vessels and container handling have risen significantly. A significant decrease in earnings remains inevitable."

Forecasting an ebit of $2.1-$4.3 billion for this year, he said he expected rates to rebound, arguing they needed to "normalise above pre-pandemic levels", due to high inflation.

"Rates won't stay below unit costs for long," said Jansen, but one forwarder warned carriers not to get too carried away, adding they did not expect them to get anywhere near the heights they had been in the past two years, "maybe because that height was a bit artificial like a freight bubble".

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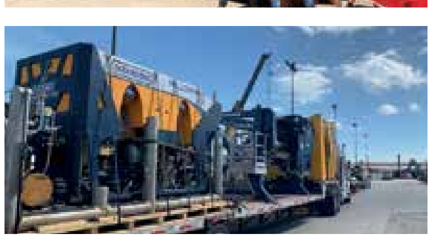

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Spotlight ON

Logistics networks

A bright future ahead for WCAworld and its members

DAVID YOKEUM
WCAworld

ED ZARACH
Zarach & Associates

WCA founder, indeed pioneer of logistics networks full stop, David Yokeum tells Voice of the Independent (VOTI) that a network's success depends upon "how it is managed".

The embryo of what would become WCA originated in Yokeum's first effort at a logistics network, United Shipping. He recalls that United emerged from his decision to criss-cross the US by car as he attempted to persuade forwarders – "who did not know me from Adam" – to give him $1,500 and hope he was not spinning them a yarn.

United is still going, but having created it, Yokeum was able to see, not necessarily its faults, but certain areas for improvement. Those changes necessitated a gamble that United's founding members, who under United's management structure served as its 12 owners, were not keen to take.

"I am very proud that the first two networks I created still exist, but they are very different in the way they are structured," says Yokeum. "A member-owned network has its own board and direction for the network, however, the board has the ultimate decision which can be driven by their own individual interests."

One of those original owners, indeed the first member Yokeum signed up, Ed Zarach of Zarach & Associates, tells VOTI that Yokeum's intention was to expand United beyond that initial group. To bring more members in, and thus grow the network's reach. Doing so, would of course, necessitate the dilution of the members' ownership and, while Zarach says he understood some of the concerns, he also says he felt there was an element of "selfishness" at play that was at odds with the ethos of a collaborative network. Ultimately, Yokeum went his own way, and 25 years later boasts the largest logistics network in the world.

"Through the past 25 years, you can say that WCAworld has evolved tremendously, from its founding days of networking to putting together a business plan that would work for all members equally," Yokeum continues. "We would not be where we are without the support and trust of our members. With over 12,000 independent freight forwarder offices worldwide, WCAworld has grown to be a credible network with great worldwide exposure."

> "We would not be where we are without the support and trust of our members"

What sets the WCA apart from its competitors, Yokeum says, is its ability to prioritise the needs of its members. As a collective, it is always looking for solutions or ways that can help its members succeed. And much of this, Yokeum continues, is down to "simply listening" to the members, understanding what they want, and then going away to develop the services to meet these needs. Zarach believes the results have been exceptional.

"David has introduced some wonderful new programmes as he has grown the WCA," says Zarach. "One of which was the member financial guarantee programme. Before this, the financial worthiness of a partner in the logistics sector was based on trust. Often, sadly, bills would go unpaid, which for an SME can be terminal. And that unease could mean two partners capable of working together choose not to. The Gold Medallion (GM) programme changed that."

Under the WCA's guarantee, the network is obliged to pay up to $3 million of member-to-member bills that have gone unpaid for 90 days. The network then takes responsibility for taking action against the member that has defaulted. What really made the GM programme so revolutionary was that it opened up parts of the world that would typically be neglected.

Yokeum says: "When we came up with this, credit between forwarders was difficult. WCA solved this. The programme provides financial protection to members in any part of the world. And we do that because we trust the process we use to find and accredit members who wish to join the network."

Facilitating connections is at the core of what the WCA does. And making members feel comfortable trading with one another is essential to this. It was behind the development of the member-to-member payment programme, Partner Pay. In essence, members pay one another internally to avoid the cost of sending money through traditional banking systems. India aside, it is available worldwide with Yokeum suggesting it has over the years collectively saved members "many millions of dollars" in banking fees. It is innovations like Partner Pay and the financial protection programmes that has allowed the WCA to expand at an exponential rate.

"We have a worldwide staff based in 13 locations, strategically positioned in key global regions with easy access to our members," he says. "No other network comes even close to that magnitude. Although we are a large network, we still manage to stay close to our members. To us there is no substitution for having that one-on-one communication with our members, we always try to give them the individual attention they deserve and know that they are being heard. Our staff is constantly traveling worldwide to have face-to-face meetings with members, this is in addition to the global annual conferences that we hold, where over 3,500 members are in attendance."

There appear no signs of network numbers dropping off. Indeed, the WCA continues to grow by in excess of 10 per cent per year, which has been a consistent growth since its founding days. Yokeum believes the future is very strong for the network and its members. It has been pushing improvement in relations in a number of countries, notably looking to forge closer ties with the China Ministry of Commerce and the China International Forwarding Association.

"No other network in the world has the reputation, knowledge, experience and credibility that WCAworld has," he adds. "I believe that with Dan March, WCAworld's chief executive, the leadership and the vision for the network, and the great work of our staff worldwide, there's a bright future ahead for the network and its members.

"Key to this will be ensuring that all members have the support of the network, through new products, benefits, information, and selected partners, to ensure they continue to succeed in the face of an evolving industry. Digitisation, new tradelanes and commodities, environmental regulations, and changing consumer and business patterns will all offer tremendous opportunities for our members to show that the independent forwarding community provides the best possible solutions for international logistics."

The WCAworld global annual conference held in Singapore in February was attended by over 3,500 members

Focus ON

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Imagine the unimaginable – and thi

ONE year on from the outbreak of the conflict in Ukraine and there are few signs of the war abating any time soon. For those trapped amid the fighting, there can only be hope of an eventual cessation to the violence and support, both domestic and international, in rebuilding what had been, up to 24 February 2022, a nation growing in prosperity.

That rebuild will, of course, prioritise the homes and civilian infrastructure damaged by ceaseless rocket attacks and ground combat. But also caught up in the war have been supply chains, again both domestic and international.

A spokesperson for FIATA tells Voice of the Independent (VOTI) the regional impact of the war has been "crippling" for civil aviation and for cargo services flying in and out of the area. Noting that airports have been destroyed, the spokesperson says the post-war rebuild will have to prioritise this infrastructure if it is to get food and other vital goods moving again, noting that grain exports and other key commodities have been particularly affected.

Looking globally, they note that war-related airspace closures have forced international flights onto longer routes leading to time delays, higher fuel costs and CO_2 emissions and, ultimately, higher costs when flying cargo over the borders of the two affected countries, which have become no-fly zones.

"Flight restrictions have driven up airfreight prices and global consumers are facing increased costs while also coping with the baffling inflation hikes," the spokesperson continues. "Due to these increased costs, demand has been reducing and threatening recovery in the airfreight sector in post-pandemic times."

QCS Group's chief commercial officer and regional managing director for central and eastern Europe, Lubos Lukac, says "of course" the war has a "huge" impact on the air and sea freight markets. This is especially true of those countries and companies which had strong tradelane and business ties to Russia.

Perhaps the most immediate and apparent impact of the war on global trade has been the effect on major commodities, such as oil, gas, grains, fertilisers, coal, ores and steel. Indeed, grain trade from the Black Sea was halted in the initial months of the conflict. Subsequent agreements allowed it to begin operating again, with data from project44 showing a 291 per cent increase in vessels coming out of Ukraine between July and September, following the UN/Turkey-brokered deal with Russia to allow grain to be exported. But as senior manager of bulk research at Drewry Rahul Sharan tells VOTI, insurance costs, port operations and inland logistics have continued to impact the flow of grain from the region.

"The global grain trade declined in 2022, and the war was one of the reasons behind the contraction in the grain trade, which had an overall impact on shipping demand," says Sharan. "The freight rates were subdued in 2022 because of low demand, and the contraction in grain trade was one of the factors. The EU restriction on coal imports from Russia led to the EU importing coal from other sources, which resulted in higher tonne-miles, which to some extent prevented a sharper fall in rates."

Added to this is the fact that with commodities being transported across far greater distances, ship tonnage has found itself committed for a longer period of time and, together with the refusal of certain countries to accept Russia-flagged vessels in their ports, has led to a decrease in supply, in turn leading to an increase in sea freight levels for bulk and breakbulk cargo worldwide. FIATA's spokesperson says the closure of EU airspace to Russian aircraft, alongside the bans upon Russian transport operators, had a similar impact on the remaining transport modes, particularly felt by forwarders.

"Regionally, the blockade of Ukrainian seaports and the sanctions against the Russian Federation had a far more tangible effect on logistics and, respectively, on the business environment for the freight forwarding companies," says the spokesperson. "The reason for this is that the only Ukrainian operational ports remain those on the Danube River – Reni and Izmail. Although they have the status of seaports and can accommodate relatively small seagoing vessels, up to about 5,000 tons deadweight, their capacity is incomparable to Ukraine's import and export needs."

**RAHUL SHARAN
DREWRY**

In support of those two ports, alternatives were worked out utilising the Romanian ports on the Danube – Galati and Braila – as well as the Moldovan port of Giurgiulesti. But, describing the freight market on the Danube as "the closed type", the spokesperson says that this sharply increased demand, combined with an almost unchanged supply, led to a nearly tenfold increase in freight rates in the lower leg of the river.

"For that reason, a significant part of bulk, breakbulk and containerised traffic was diverted to the port of Constanta, causing congestion, as well as to the port of Varna, Bulgaria," the spokesperson says. "Ukraine's blocked seaports and insufficient river transport capacity have put unprecedented pressure on rail and road transport in Europe and especially in south-east Europe. So, generally, freight forwarders have to operate in a highly volatile regional market with rapidly changing routes and modal shift."

> **"Flight restrictions have driven up airfreight prices and global consumers are facing increased costs while also coping with the baffling inflation hikes"**

All of which has fed into the continuing delays reported on the road borders between Ukraine and its European neighbours. Data from the IRU suggests that congestion has got so bad that at some points trucks are stuck in queues of upwards of 40km. Endeavouring to help reduce this, the IRU has urged the European Commission to develop priority lanes permitting the faster crossing of secure TIR trucks.

"By prioritising TIR traffic, the number of trucks that could transport freight from Ukraine to the EU can be increased two- to three-fold," says IRU secretary general Umberto de Pretto. "This would make a huge difference to goods flows between war-ravaged Ukraine and the rest of the EU, as well as ease the burden on stretched drivers and border and customs workers."

Given the persistence and the severity of delays, there has, unsurprisingly, been a concerted effort from the markets to try and reposition their supply chains. Chief executive of Marinair Pavlos Poutos tells VOTI that he has seen significant resources ploughed into searching out new tradelanes to make up for the loss of capacity and closure of routes that had previously traversed not only Ukraine, but Russia itself, hit by a wave of sanctions that continue to be ramped up.

"Shipping lines and airlines have had to change their strategy and their policy according to the needs of each market," says Poutos. "As an organisation with strong positions in both China and India, we realised that we could utilise several operations that allowed us to secure alternative opportunities for our clients."

Sharan has also seen tradelane changes, a major one being sourcing of coal from South Africa to compensate for Europe's loss of Russian volumes. This he describes as the reopening of a formerly "prominent" trade that had been rendered redundant – "we believe this will remain a key trade route even when the war is over," he adds, indicating some of the likely long-term impacts stemming from Russia's aggression.

"Crude oil trade patterns have also changed dramatically after Russia's invasion of Ukraine," Sharan continues. "With the EU ussia/Ukraine impact

is is it

sanctions and G7 price cap (effective 5 December 2022), Russia has now diverted most of its crude away from Europe to China and India. India's import of Russian crude has increased to about 1.3 million barrels per day (BPD) in January 2023 from about 100,000 BPD before the war. Similarly, China's imports of Russian crude have increased to all time high levels of 2.3m BPD in January 2023 from about 1.6m in 2021."

Similarly, Lukac tells VOTI that his firm has opened "several" new tradelanes: "In central and eastern Europe were strong exports of goods to Russia which were mostly by road but of course also by air," adds Lukac.

"As we know those tradelanes shifted via other countries which are allowed to cooperate with Russia. We have new routings in Africa and South-east Asia. I believe that neutral countries will benefit to establish new positions in manufacturing, who will turn to freight forwarders to build up new, strong tradelanes with products which may not have been in place before."

Commenting on the likelihood of new trade corridors becoming permanent changes in a post-war era, the FIATA spokesperson says it will be dependent upon them remaining active for a certain length of time when the war does end, with the restoration of traditional routes dependent on the time necessary to resume the operation of Ukraine's blocked seaports and Ukraine's damaged transport infrastructure.

"This will be a process that will likely take two to three years," adds the spokesperson. "Once the traditional corridors to and from Ukraine are operational again, the traffic on them will increase with the expected investments in the recovery of the country and with the recovery of export volumes. Logically, import volumes are expected to show a significant growth compared with the pre-war figures. Regarding the corridors related to Russia, as far as the transport infrastructure there is practically not affected, prospects mainly depend on how long and on what scale the sanctions will remain."

LUBOS LUKAC
QCS - Quick Cargo Service

Poutos believes that even if the new tradelanes have no long-term future, anyone who believes the end of the war will result in an immediate return to normality is very much mistaken.

"We do not believe that after the war normality will come very soon," he continues. "This will take time and some of these tradelanes will stay for a long time. And there are trades that existed before the war, but which have developed at a faster rate because of it. We have seen China and India continue to be more involved in our operations and generally we have seen the Asia side participating more in specific operations."

Adapting and changing routes underscores the capacity of forwarders to react, shift-up, and ensure continuity of trade. Rather than vaunt this, Lukac describes it as a reality of the industry, saying of forwarders, "they had to [adapt]".

"Freight forwarding is a dynamic industry under heavy pressure from digitalisation from shipping lines and booking platforms," he continues. "As Charles Darwin said, 'it is not the strongest of the species that survives, not the most intelligent that survives. It is the one that is the most adaptable to change'.

"There is also a large impact of the Green Deal, which is bringing changes to our industry and demands solutions and products which comply with it, so we are fighting on several battlefields."

FIATA's spokesperson concurs with Lukac, noting that managing new realities and new expectations has been something of a norm in the sector since the pandemic. Forwarders, they say, have become accustomed to having to adapt their ways of doing things and the routes they take.

"Those sudden changes in supply chains and the modal shift challenged most of all freight forwarders specialised in only one mode of transport," the spokesperson continues. "They were forced to actively use existing and new partnerships with other freight forwarders in their countries and abroad in order to be able to offer adequate logistics solutions to their customers. Despite the difficulties, such as lack of transport capacity and high freight rates, most freight forwarders also face new opportunities. One of them is the increased demand for multimodal solutions on a regional scale.

> "Freight forwarding is a dynamic industry under heavy pressure from digitalisation from shipping lines and booking platforms"

"Additional opportunities are also available for freight forwarders dealing with containerised cargo. Due to the refusal of container lines to perform pre-carriage and on-carriage within Ukraine, freight forwarders have the opportunity to provide stuffing and stripping services in ports close to Ukraine, with preceding or subsequent road, or sometimes rail transport. Logistics providers operating their own warehousing facilities have a certain competitive advantage, but others also have the option to use port facilities for that purpose.

Opportunities arise for freight forwarders with a narrow specialisation in river transport, and especially in rail transport. In general, the additional transit traffic, that also requires customs formalities and bonds, enables freight forwarders with well-developed customs departments to use their competitive advantage."

Opportunities or not, the war has forced many to reflect on their risk management. While the pandemic generally taught freight forwarders how to use their staff more efficiently, FIATA's spokesperson says, the ongoing war has also taught them that they have to be "more flexible" with the way they organise their operations.

"Learning from both the war and the pandemic how best to minimise risk, now and in the future, freight forwarders must rely on a minimum of two independent transport routes for each of their customers' shipments," says the spokesperson. "Also, they must more actively cooperate with partner freight forwarding companies, specialised in particular modes of transport or geographical regions, as such partnerships can be of key importance when developing multimodal transport solutions in crisis situations."

Certainly, this is a position Poutos seems to share. Acknowledging that no one can completely control supply chains, and therefore that risk cannot be completely removed – "there is always a risk" when operating within global supply chains – Poutos says he and his team have nonetheless been reminded of the need to always imagine the unimaginable.

"Of course, a war is something that no one can predict, and yet at the same time it is something that has to be realised, to be considered, and to think about how it can change the manner of business," he continues. "A good strategy is always to have a foot in the main markets. Then you can move from one to another in the event of an unknown episode, and this allows you to continue serving the specific markets with a different position. Experience, know-how, and a set of open-minded policies are always good manners for the success."


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Insights IN

Seafreight – comment by Mike Wackett

Chatbots? A people business needs the human touch

MIKE WACKETT FICS
Sea Freight Consultant

THE increased use of ocean carrier online booking platforms and a meteoric rise in digital freight forwarders suggests that the liner industry could be run entirely by AI chatbots in the not too distant future.

Nevertheless, the human touch is making a welcome comeback post-pandemic as industry stakeholders rediscover the value of face-to-face meetings, thus confirming that shipping remains essentially a people business.

Indeed, almost 4,000 shippers, ocean carriers, forwarders, consultants and media travelled from far and near to meet in Long Beach, California, at the end of February-early March for the annual JOC TPM (Trans-Pacific Maritime) Conference.

The great and the good of the liner shipping industry rubbed shoulders in a four-day full-on round of non-stop conference sessions and networking events that tested the stamina of the hardiest delegate.

The issue for many was running out of business cards as companies compared notes and exchanged contact details, recalling supply chain challenges of the previous year and discussing the uncertain outlook for this.

TPM23 was a far cry from the previous year, when a post-Covid demand spike saw some 120 container vessels waiting outside the ports of Los Angeles and Long Beach, while spot rates from China peaked at $20,000 a box.

However, this year, waiting times for ships berthing at San Pedro Bay container terminals have reduced to virtually zero, and rates are heading in that direction as well – recently crashing through the $1,000 per 40ft level.

> "Being back in front of the customer is the number-one priority for us right now"

Carrier negotiators were like hen's teeth at TPM last year when shipping lines could cherry-pick their customers, but they were back in force during this year's event, in the halls of the conference and afterwards at the myriad social events held at Long Beach's best entertainment centres.

Having been instructed the previous year to avoid contact with anyone that looked like a shipper, carrier reps were, in contrast, hunting down anybody that might have even the smallest volume to ship.

This included the much neglected and embattled US agricultural exporters, whose nightmarish anecdotes of warehouses crammed full with frustrated shipments of milk powder and products that had to be airfreighted at a loss to honour a contract, were often heard on the TPM sidelines.

"Being back in front of the customer is the number-one priority for us right now," an ocean carrier executive told the audience on day one of the conference, and that desire to rekindle fractured relationships was the mantra of the event.

Delegates on the first day also heard from aggrieved shippers who opined that long-standing relationships had been "destroyed by two years of carrier greed".

Clearly there was much to do to repair those relationships and, although some shippers refused to talk to carriers they claimed had treated them particularly unfairly, as the days progressed there was a sense that the anger was beginning to subside, and that it was time to draw a line under the past and move on.

"We made mistakes," a carrier executive admitted to the table of a retail company procurement manager and her C-suite bosses, adding: "We are very sorry and really want to regain your company's trust."

That overheard conversation in a meeting area on the final day of the conference was replicated many times in meetings and contract negotiations held at TPM this year, as bridges were repaired ahead of a normalisation of business.

It goes without saying that chatbot negotiations would not have made similar progress.

Nonetheless, I'll try using ChatGPT to pen my next column.

Let me know if there is an improvement!

Time for container lines to do a little grovelling

Carriers have acknowledged their mistakes of the past two years, going cap in hand to customers in search of forgiveness.

As our front-page story claims, the ocean freight party is truly over, with rates plummeting and hopes of a resurgence approaching anywhere near pre-pandemic levels all but a distant dream. But rather than wanting rock-bottom rates, however, shippers say they would prefer "stability".

At the S&P Global TPM Conference in Long Beach last week, the new president of CMA CGM North America, Peter Levesque, said: "Being back in front of the customer is the number-one priority for us.

"A lot of things went wrong in carrier-shipper relationships, but we must now draw a line and learn from those mistakes. There is a reason why your windshield is bigger than your rear-view mirror – you have to look forward."

One delegate at the Long Beach event urged ocean carriers to make sure this relationship-rebuild focused on service, noting that "service is always going to trump price, but it has to be a fair price".

BCO procurement managers have been attempting to balance these elements during the start of the traditional transpacific contract negotiation season, one noting that they had spot cargo moving at below $1,000 per box.

They said they had even been offered rates south of that, but had refused, adding: "I do not feel comfortable about it. At some stage, the rate is going to shoot straight back up again. There is just no stability, meaning that we cannot budget."

Forwarders have echoed the sentiment of "stability over rates", but one noted that exporters had a tendency to "prioritise cost above all else", and this tendency often meant they would only consider more-expensive alternatives if they had had a negative experience in the past.

One forwarder told Voice of the Independent (VOTI): "It may be beneficial for them to go and analyse the other factors beside pricing, so as to best optimise their operations and improve customer satisfaction."

Even so, there are, unsurprisingly, some that continue to hold grudges against the lines' behaviour, saying the roles are starkly reversed on this time last year, when shipper desperation led to them paying huge charter hire costs to deploy their own tonnage after carriers failed to honour contracts.

A year of transformation for supply chains

WAR and economic uncertainty is driving shippers toward “friend-shoring”, as 2023 shapes up towards being one of the most transformative years for global supply chains in recent memory.

Managing director of TGF World Sumit Varma says research undertaken by his team pointed to more than six in 10 global companies believing geopolitical instability over the course of the year would have a “detrimental impact” on their supply chains.

This year will see greater impetus on friend-shoring (trade links with friendly and like-minded countries) and near-shoring (trade with geographically close countries),” says Varma.

“Countries will either try to be self-reliant or focus on friend-shoring and near-shoring to ensure robust and secure supply chains. As a freight forwarder, it is time for us to reassess our assets and networks in these friendly and near countries to ensure business continues.”

Cognisant of these changes, countries in South-east Asia have been steadily expanding their investment in logistics services in recent years. Varma says he expects to see other emerging economies follow suit.

He adds: “As countries around the globe invest in labour/skills, trade and logistics, there will be a higher chance of lowering trade costs and competing globally. As a freight forwarder it is important to invest in technology and upskilling of people to ensure seamless transition.”

The research noted that for much of 2022, new nation blocs were emerging over the world, with an underlying impetus to ensure supply chains remained open.

Contending with such issues has been compounded by what Varma considers an era of transformation for global trade, he noted that a combination of the hyperlocal and quick-commerce has left customers with “high expectations”.

"With lessons learnt, the entire supply chain network is focused on resilience and growth in 2023"

“While the supply chain challenges in terms of cost and congestions still continue, the suppliers and local retailers are reviewing their distribution channels,” he continues.

“A forwarder who can support business in enabling a unified commerce model would be an asset. It’s time to look for strong partnerships in allied businesses like 3PL, last-mile delivery and cold chain containers. This will ensure credible services with competitive pricing.

“We believe the coming year will be a year of transformation for supply chains. With lessons learnt, the entire supply chain network is focused on resilience and growth in 2023.”

Logistics operators hit by Pakistan forex crisis

MULTINATIONALS and airlines serving Pakistan have been forced to cut services, as the country’s cash-strapped economy battles with a foreign exchange crisis, also impacting ocean lines.

One major multinational announced its Pakistan services would be suspended from 15 March for locally invoiced imports, while outbound shipments would be restricted to a maximum of 70kg until further notice.

Galloping inflation showing no sign of abating has led the country to seek $1.1 billion in assistance from the International Monetary Fund to mitigate the crisis, according to reports.

Amidst this, Pakistan’s regulatory authorities have restricted outward payments for foreign company’s operating in the country, with the multinational claiming this had limited its capacity to offer its full suite of services.

Nor are the major forwarding outfits alone in this, with Virgin Atlantic having announced the discontinuation of its connections between Heathrow and Islamabad and Lahore.

Having introduced the routes at the height of the pandemic in December 2020, both services will fly their last flights before the end of July, a spokesperson for Virgin adding “it is with regret that we’ve taken the difficult decision”.

Although yet to suspend operations, ocean carriers are also contending with the foreign currency crunch, Maersk claiming it was “making every effort to effectively deal with the Pakistan forex crisis and keep cargo flowing”, after consolidating operations in the country.

It said: “In the current macroeconomic challenges, Maersk has further strengthened the dialogue with all its stakeholders to ensure trade functions as smoothly as possible.

“Through collaborative efforts with the government, financial institutions and other stakeholders, several measures have been put in place, which have shown positive results.”

Maersk is yet to suspend operations and is making every effort to keep cargo flowing

Deadline looms for US freighter screening

STAKEHOLDERS in the air cargo business are concerned that the industry may not be ready for the full implementation of the US mandate to screen main-deck cargo exports, which is set to be enforced from 1 November.

The US Airforwarders Association (AfA) and others have called for the Transportation Security Agency (TSA) to modify the regulatory framework and help the industry in its efforts to bring shippers on board, which is deemed critical.

The requirement to screen all airfreight exports departing from US airports on freighter aircraft has technically been in force since June 2021, but so far the TSA has not fully enforced it and allowed shippers and forwarders to use some alternative security measures. These will expire at the end of October and will not be extended.

Of particular concern is how to deal with cargo that is impractical to screen with existing measures, such as aircraft engines, generators or commodities that could be damaged by x-ray screening.

The TSA has promoted its Secure Packing Facility (SPF) programme, but industry stakeholders have dismissed this as not viable for shippers and forwarders. The scheme has not found any takers in either group, noted Brandon Fried, executive director of the AfA.

> "The problem is that SPF was initiated for the e-commerce community, but even that community found it unworkable"

"The problem is that SPF was initiated for the e-commerce community, but even that community found it unworkable," he said.

Instead, his organisation and other interest groups have lobbied for the Certified Cargo Standards Security Screening Programme (CCSSSP), which was established when screening of bellyhold cargo departing US airports on international flights became mandatory.

CCSSSP would be relatively easy to adopt, according to Fried. It was developed in a close dialogue between TSA and industry interest groups, so the outcome reflected the needs and capabilities of all parties involved.

The TSA has signalled its acceptance of this approach, but at this stage the scheme is not ready to cover main-deck traffic. The regulations have to be updated and aligned with the acceptance and handling elements of the various freighter security programmes in use before 1 November.

Moreover, the official definition of a 'shipper' has to be revised. The changes over the past two decades, particularly the rise of e-commerce, have rendered the existing definition out of date.

The TSA has assured industry stakeholders that it can complete the regulatory updates for CCSSSP in time for the new mandate, reported Fried.

Still, there is anxiety that the time until 1 November is too short to prepare the industry fully for the new regime. Forwarders have emphasised the need to get as many shippers as possible involved and CCSSSP-certified in time for it. There is broad consensus that it would be impossible to get ready in time for 1 November without significant buy-in from this side.

"Shippers have been reluctant so far to go into it," said Fried. "So far they've had alternatives."

Forwarders are talking with shippers to encourage them to embrace certification, but they cannot do this alone, he argued.

"Now is the time to execute the programme. We need TSA's help," he said. "They could give us some promotional pieces, but, most importantly, they should sit down with us and shippers to promote it."

The first step is for forwarders to tell shippers about the programme, followed by shipper information sessions conducted by the authority. Forwarders and TSA must send out the same message, Fried stressed.

"We told TSA we would help them shepherd shippers to the programme and help them liaise," he said.

These steps should be taken without delay. He acknowledged that the time left until November is very tight to make sufficient headway, but expressed confidence that it is possible.

"It's doable if we work together. It's not doable without the help of the TSA; certainly not if the TSA is confusing shippers," he said.

Another question is if the TSA itself would have enough resources in place to accommodate a surge in applications for CCSSSP certification. "There's a lot of background checking, facility checking and validation to be carried out," Fried reflected. "If there's a surge in shipper applications, TSA is going to have to allocate resources in time."

Liners start changing course on owning airlines

SHIPPING lines are having second thoughts over their foray into aviation – NYK becoming the first carrier to ditch its air cargo subsidiary, citing too high a cost.

The Japanese shipping giant announced that it intended to flog the entirety of Nippon Cargo Airlines (NCA), 13 years on from buying it, to airfreight rival All Nippon Airways (ANA), having agreed an MoU to complete the deal on 1 October.

As the announcement was made public, news also spread that Maersk was changing routes, although it said these reports were "speculative".

NYK said: "The continuous introduction of new aircraft to expand the operation and maintenance system, and the continuous training of personnel engaged in operation and maintenance, required a considerable expenditure.

"In the highly volatile business environment of airfreight, NCA has been facing challenges in expanding its business scale at a level that is commensurate with such costs."

One source close to the Japanese air cargo market said that NCA had "honestly never made money", claiming that "on its own, and in today's market, it would fold", pointing to an episode in 2018 when it grounded its entire fleet.

Having helped the carrier with its maintenance over the years, the decision to sell to ANA has been described as a "natural fit".

NYK said that the deal came with a pledge that no jobs would be lost – a position confirmed by an ANA spokesperson – and included plans to "dramatically enhance its international air cargo network", although questions over NCA's fleet have been raised.

The ANA spokesperson confirmed that it would be "taking on the 15 NCA aircraft", but noted that further details had not yet been decided.

Given that "ANA has been more focused on the 777F as a strategy", the source expressed scepticism that it would be welcoming back the five 747-400Fs outsourced to Atlas, but not two operated by ASL Airlines, with questions over the remaining eight retained by NCA.

"I don't think it would be in a hurry to get back the -400Fs," explained the source, although the spokesperson did speak of "combining" the 747 capacity with its own "robust Asia network".

NYK has announced its intention to sell the entirety of Nippon Cargo Airlines, 13 years on from buying it

Voice of the Independent
Contacts
Production & Design: Mandy Warren
mwarren@worldlogisticsmedia.com
Editorial Team: Editor
editorial@worldlogisticsmedia.com
UK Office
Talon House, 6 Blackthorne Road,
Colnbrook, Berks, SL3 0AL, UK
Phone: +44 7736 034153