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Optimistic ocean carriers see a peak season on the horizon

Clear signs of improvement with demand rising

THE worst may be over for the container shipping lines, but numbers from OOCL suggest the depths of those dark days may have been more calamitous than first thought.

Typically first out the block, releasing Q1 operational figures several weeks ahead of the financial earnings season of the other major carriers, the Hong Kong-based liner reported a 58 per cent year-on-year slump in first quarter revenue.

One source told Voice of the Independent: "No one knew how bad the slump was going to be, but here's the first evidence – OOCL is the harbinger of container health.

"The only way now is up, and I think there is enough to show that the worst is well and truly over, but the figures from OOCL paint a far more severe picture [of the downturn] than I think anyone expected."

OOCL's average freight rate over the three-month period hurtled south, from $2,873 per teu a year ago, to $1,252.

That drop-off followed the precipitous decline experienced in the final quarter of 2022, in which OOCL recorded an average rate on its liftings of $1,822 per teu, compared with its full-year average of $2,620.

> "There are green shoots ahead and I think we are seeing that with demand on the up"

Despite all that, a spokesperson for the carrier said there were "clear signs of improvement" across the network, and that the market had "started to stabilise".

This echoes a wider industry sentiment, which has been presenting more optimistic forecasts amid expectations of a better peak season – not hard, given its near absence last year – that is driving a rally in the container charter market.

"What can I say? There are green shoots ahead and I think we are seeing that with demand on the up," said the source.

A recent survey of supply chain professionals by Container xChange noted that 48 per cent of respondents believed this year's peak season would be better than last year's, with xChange CEO Christian Roeloffs adding that industry sentiment was "gradually turning positive".

Roeloffs said: "We anticipate a subdued rebound in demand as retailers begin to deplete their excess stock in the coming months, leading up to the peak season."

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Signs of airfreight recovery to 'some form of normalcy'

AFTER the "manic" ups and downs of the past three years, there is an expectation that airfreight is returning to "normality", following what was seen as "collapse" in the last months of 2022.

One source said they had never seen a market "collapse" like that experienced in November and December, echoing the sentiments of many industry figures, with China's exports down 45 per cent in January. But belief is mounting that things have "bottomed out".

Certainly, IATA director general Willie Walsh shares this belief, noting "an optimist can see the start of an improvement trend leading to market stabilisation, after recent dramatic ups and downs."

But what that normality will look like remains to be seen, IATA's own figures indicating that capacity appears to be pouring back into the market with the return of holidaymaking passengers – available tonne kilometres up 8.6 per cent in February, the most recent figures available.

Indeed, global capacity is back to 75.1 per cent of what it was pre-pandemic, as international belly capacity grew 57 per cent year on year in February alone.

But demand has not followed this spike in available capacity, remaining down 7.5 per cent year on year compared with February 2022, although it should be noted the bleeding has certainly been stemmed, with this shortfall half the 14.9 and 15.3 per cent year-on-year dips of the past two months.

Forwarders have continually expressed the view that the market remains "weak", and in some cases questioned why cargo-only services were being added to already under-utilised routes.

Clive Data Services analysis said the 16 per cent increase in available capacity it recorded in February was the largest upturn of the past 12 months, but also said the state of the market had improved since the "seasonal low" of January.

It also stressed that its March figures indicated that belief in a "return to normality" may not be misjudged – albeit a normality that will be welcomed by forwarders and shippers.

The data indicates a 38 per cent year-on-year reduction in the general air freight spot rate last month, which produced an average rate cost of $2.62 per kg, amounting to a four per cent decline over February.

But volume drop-off showed signs of relief in March, registering its smallest monthly decline (down three per cent) in over a year.

That slower rate of decline has seemingly coincided with longer-term contracts being reached with forwarders, presumably believing the market is beginning to stabilise amid retailers touting a rise in consumer spending over the third quarter and surging demands on inventory.

Niall van de Wouw, chief airfreight officer at Xeneta, said: "I think we're seeing signs that some forwarders are willing to take a little more risk on what airfreight rates might do.

"Everybody wants to achieve growth, but if the market is not growing, you have to grab a share from somewhere. Shippers regained some ground because of the lower rate conditions, which affected airlines and forwarders, but it's not like the bloodbath we see in ocean."

One area for airfreight that is looking promising, however, is Mexico, which has seen its airports continue to process ever-increasing cargo volumes.

As gateways all over Europe struggled, Mexican airports experienced a 5.2 per cent bump in throughput, with domestic volumes up one per cent and international volumes up 7.3 per cent, and carriers expect the situation will continue to climb.

Mexico City's Benito Juarez Airport has led this charge, as volumes climbed 7.4 per cent for domestic and 13.6 per cent international, the gateway's chronic congestion problem notwithstanding.

One road feeder operator said its operations "continue to grow" and, with a positive end to the first quarter, expected this to be the story for the rest of the year, with much of the growth being attributed to manufacturers establishing facilities as they look away from China.

The operator said in response it had already converted an ad-hoc service into a scheduled weekly one to meet the demand from this influx of manufacturers.

A spokesperson for Lufthansa Cargo reported that the German carrier had also seen strong demand, stating: "We are performing on previous year levels, having a strong import and export demand.

"The pandemic has shown many manufacturers they should not depend on one country, like China, so Mexico is attracting a lot of industries, such as aerospace, pharma and automotive."

WILLIE WALSH
IATA

Alongside passenger flights, Lufthansa runs six weekly freighters to Mexico City, four go via Guadalajara (GDL) on the eastbound leg, with the remaining two calling at Dallas/Fort Worth – it is also planning to resume passenger services to the capital from Munich in June.

Given the weakness reported in many parts of the world, the growth in Mexico must look tempting to other airlines.

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Carriers have gone back to market to boost their capacity

It is not only carrier sentiment driving this rally; major shippers having told their carrier partners that purchase orders to replenish old stock and buy new season lines have started to trickle through.

Eager to capture the expected influx of demand, it seems carriers have gone back to market to boost their capacity, with Alphaliner reporting "demand strong across the board".

Indeed, daily hire rates are on the increase in all containership sizes, with owners demanding a minimum 12-month charter period, as well as positioning compensation, with one UK-based carrier telling VOTI: "I think we are over the worst."

As if to support this, during the demand boom Wan Hai paid $35,000 for a two-year fixture, with ONE having this month paid $32,500 for a similar deal.

The market seems to be dominated by enquiries from MSC and CMA CGM, which are continuing where they left off when the downturn hit, hoovering-up any open tonnage on the charter market and prepared to wave their chequebooks at owners that might be interested in selling ships.

Alphaliner noted that MSC and CMA CGM were dominating the S&P market, the former having "snapped-up another six vessels in the past days", including two 1999-built 5,300 teu ships from rival carrier Evergreen that were expected to be sold for demolition.

And that ignores the fact that the Geneva-based carrier has a huge orderbook, of 1.7m teu, compared with the 370,000 teu ordered by Maersk.

The second-most active carrier in the market, CMA CGM, has purchased 100 second-hand ships in the past three years, boosting its capacity to 3.4m teu, with a further 1m teu on order, threatening Maersk's position as the second largest container line in the world.

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Spotlight ON

Ivan Petrov

For Fiata, partnership is key to providing support


President
Fiata

IT was not the easiest start to a year for the logistics sector. Post-Covid hangovers continue to impact global trade and geopolitical tensions and, rather than dissipating, seem to be accruing in number. Amid this, the International Federation of Freight Forwarders Associations, more commonly known as “Fiata”, has set itself a multiplicity of goals – not the least of which is to optimise and build greater capacity, and associated support, across multimodal corridors.

Fiata president Ivan Petrov tells Voice of the Independent (VOTI): “With a changing geopolitical landscape, forwarders need more support than ever, and they are looking for this in the form of collaboration, multimodality, trade facilitation and capacity building.”

In an effort to meet this increasing demand for support, Fiata has been collaborating with a host of international organisations, from the WTO to the ITC and IRU, as well as multiple UN divisions to get a greater understanding on trade flows and trade law, while also working with relevant agencies on regional flows in both Asia-Pacific and Europe.

That ultimate aim of easing the passage of goods is exemplified by the work undertaken by its Advisory Board on International Affairs, chaired by Cynthia Perišić, which led to the production of the WTO-TFA guidance to help members to implement the Trade Facilitation Agreement – itself developed to expedite the movement, release and clearance of goods – while it has continued to advocate for accessible Authorised Economic Operator programmes the world over. These, says Petrov, offer “comprehensive benefits” to businesses of all sizes.


STÉPHANE GRABER
Fiata

“We are working with these groups, and many others, to bring members the support they need at this uncertain time,” Petrov continues. “Fiata will continue to facilitate webinars about multimodal corridors, such as that in February on the Latam corridors in collaborative work with the UIC, and also with the UNECE on the Transcaspian (Middle) Corridor.”

This year also appears to have been the year that AI broke out of the pages of Wired and into general discussion. With digitisation a long-running priority of not just Fiata but the entire industry, Petrov and the team have found themselves dedicating more and more time to both understanding, and helping the membership understand, the plusses and minuses of the emergent technology.

“With the increasingly rapid evolution of AI platforms and their use in industry, we have been facilitating discussions, webinars and partnerships with innovative platforms through initiatives like our Digital Lab, which in recent months has hosted webinars featuring the new IATA Cass Link, Champ’s Shipply.Vision Truck, Cargo iQ, IATA One Record, Tricargo, CargoAI and others,” says Petrov. “At the Fiata HQ meeting in March, we gathered start-ups that are utilising AI technology to provide services to freight forwarders, and this is an interesting topic to follow as it evolves.”

Further efforts towards digitisation are also seen in the work being undertaken by the group’s Advisory Body for Legal Matters, which is moving towards developing a legal framework for its digital FBL (Fiata’s bill of lading), while the Digital Projects Unit continues to explore the digitalisation of further Fiata documents.

Throughout, Fiata never seems to work alone. There is a strain of Petrov’s discussion dedicated to what amounts to, in some cases, continued, in others, mounting cooperation with a wider pool of industry bodies. At the end of March, director general Stéphane Graber took part in a Digitalisation panel at the ICC Future for Trade Forum in Singapore.

> "With a changing geopolitical landscape, forwarders need more support than ever"

Graber is keen to stress that digitalisation is not a “final objective” but rather a tool to improve the efficiency of the work of freight forwarders to solve their business cases.

“For Fiata, what is important is the diversity of a competitive market, to ensure that there is no gap between SMEs which can’t access the market and technology like larger companies,” Graber tells VOTI. “Reduced competition would reduce the quality of market solutions and, at Fiata, we have a role to offer and provide access to these latest tools to SMEs. There will always be some that will be slower, and unable to keep up due to feasibility issues, but we are on that journey with them.”

Of course, as the industry digitises it needs to become more cognisant of the threats posed by digitised trade flows. From Fiata’s perspective, this requires greater efforts at promoting cybersecurity and safety in the sector, and Petrov describes this as “more important than ever”.

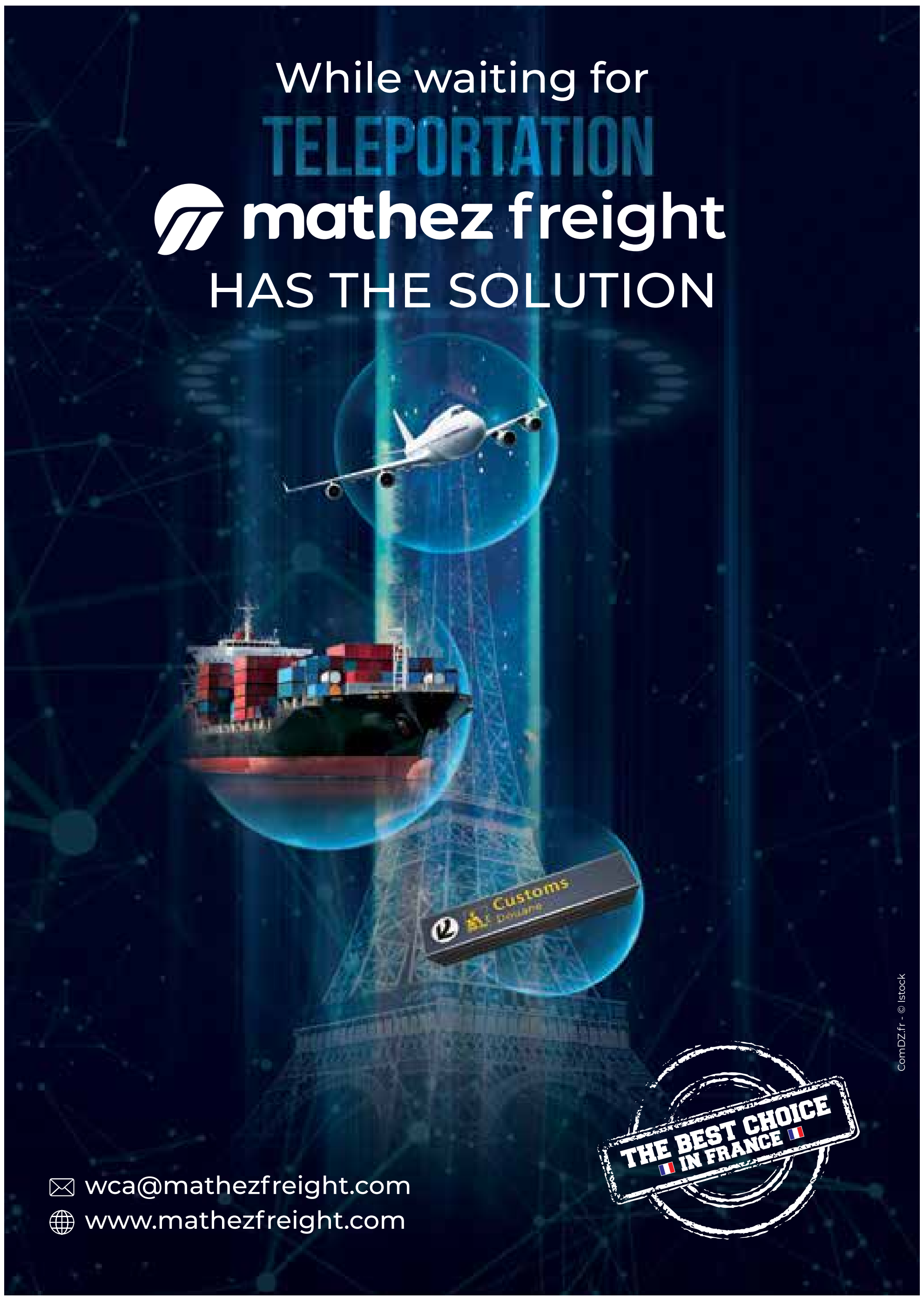
“We are working alongside cybersecurity experts to support members and ensure that cyber-awareness is widely shared,” he continues. “Freight forwarders are key stakeholders in the movement of goods, from the very start to the very end, therefore specialised skills are often necessary. Some handling processes and safety measures are, unfortunately, still easily overlooked in the industry, and therefore Fiata aims to promote and support forwarders to adeptly handle dangerous goods.”

Petrov highlights cargo packaging units, such as Unit Load Devices, in the air cargo sector as just one example of where there is still a knowledge gap. Fiata, he says, “intends to fill such gaps” for its members through its advocacy and advisory work with international experts. As Petrov notes, vocational training – Fiata offering its own diplomas – is “the heart” of Fiata’s work and it has plans to collaborate with the international education and research network Global Supply Chain Classroom (GSCC) again on high-level training webinars. And, as if this was not sufficient, it continues to deliver the validation and re-validation of training programmes to ensure associations remain up to date on the latest training trends, and offering online and freely available courses on the prevention of wildlife trafficking.

“We continue to improve and evolve the courses as the industry’s needs change,” Petrov adds. “The Dangerous Goods Icao-Fiata Programme also anticipates updates this year, and the Fiata Young Logistics Professionals Award will again seek regional and global winners to promote the most innovative and professionally conducted export/import of a chosen item.”

These items, Petrov concludes, vary in shape, size, and form.

“From a whole railway carriage to a satellite, military equipment, and even an African river boat...”



Focus ON

Sustainability is more than emissions – don’t fake it

SUSTAINABLE practices within supply chains are moving in the right direction but there remains something of a disconnect between the narrative and willingness to sacrifice – whether that be by way of cost or patience in timing of deliveries – and SMEs it seems are the ones falling behind, despite being better placed to act fast.

Witness to this disconnect, co-owner of Southern Cross Cargo Vanessa Richards, describes sustainability as a “funny thing”.

“When you talk to some consumers generally about say, plastic usage in ecommerce, they are like ‘who cares if it comes in plastic? As long as its wrapped nicely and didn’t cost too much!’,” Richards tells Voice of the Independent (VOTI). “I live in a land where I think all consumers are demanding better – but still many don’t seem to relate the issues to everyday life. Which is strange, given how many extreme weather-related disasters we have had in Australia, let alone globally.

VANESSA RICHARDS
Southern Cross Cargo

“I still do believe that as the market becomes tighter, more people are going to be concerned about the purchases they make. If they have to choose between who they buy from, it will be from a company that does more than just sell cheap things. And given that we, as freight forwarders, are dependent upon Australian clients wanting to move goods globally – and they themselves will be subject to more stringent procurement requirements – we need to get onto these changes and quickly.”

Secretary-general of the European Shippers Council Godfried Smit believes that part of the issue is tied to the needs of cargo owners and forwarders “not always being the same”. Smit tells VOTI that while the general trend of sustainability is getting ever more important, there appears something of a spectrum of importance on the matter, with those having a direct link to end-consumers positioning themselves at the far more concerned – and therefore far more engaged – end of it.

“For these companies particularly, sustainability (in a broader sense) is important for brand value,” Smit says. “Notions such as the ethical supply chain are also getting attention from these companies. Discussions abound on due diligence, forced labour and deforestation, as all of them feel the need to provide the customer with more information on the supply chain.”

> "I still do believe that as the market becomes tighter, more people are going to be concerned about the purchases they make"

Richards seems keen to call out to other forwarders in her sphere. It is her belief that a lot of the larger multinationals are moving forward far more than the SMEs, albeit she recognises that much of the movement seen by these larger firms is generally in lockstep with feedback from their larger corporate clients, who demand it.

“Some SMEs are really taking on the challenge, but even in looking at The Smart Freight Centres Clean Cargo programme – all about sustainable ocean freight – the members are all the major shipping lines and a lot of the major forwarders,” she says. “This where a lot of the information, challenges, issues, focus, direction and commitment seems to be coming through – particularly relating to environmental issues.”

Small companies like her own, she believes, now need to wake up and recognise that they have to be a part of this global change. Primarily, she sees this as an ethical responsibility, but for the SME forwarding profession, she also sees it as an existential one.

“If we don’t act, we will limit our market opportunities – both with our clients and by way of government legislation,” says Richards. “Late adopters will find it a more difficult and costly path to navigate. Investors are also going to want to see that the SME has more long-term value.

“SMEs are often better able to make meaningful changes a lot faster than larger corporations, because by being small and agile we can adapt quickly to change through fewer and more direct channels of communication between leaders and operations. Many SMEs don’t have a board with external influences to direct investment, so it becomes dependent upon owner managers to guide the change. These owner managers need to see sustainability as a driver for growth, thinking about how you can run your business in a more sustainable manner is not cost prohibitive. You just may need to adopt a broader sense of value beyond immediate financial return. Make use of your small size to implement changes quickly.”

Changes are happening, however. General manager of trade policy and operations at the Freight and Trade Alliance Sal Milici tells VOTI that, from his perspective, the most noticeable efforts to go green are taking place in airfreight. To date, close to half a million flights have flown fuelled by SAF, with some 300 million litres, valued at $17 billion, produced in 2022. Over the past year, he cites not only the growth in FTA members offering Sustainable Aviation Fuel (SAF), but the increasing rapidity in which it is selling out.

“SAF can reduce emissions by up to 80 per cent during its full lifecycle, with more than 50 airlines now having experience of it,” Milici adds. “It seems, rather than appetite, it is lack of production that appears to be hampering a greater uptake. For the most part, forwarders have very little Scope 1 emissions. Most of the emissions occur from the ships and planes carrying the cargo owned by the respective shipping lines and airlines. Other than small reductions of their own Scope 1 (solar panels on warehouses, etc) the best way forwarders can be part of the transition to sustainability is to showcase sustainable offerings for airlines and shipping lines to their cargo owning customers and, where feasible, support such offerings.”

Smit concurs, stating that forwarders can play their part by ensuring that they book the most sustainable transport mode and, within the mode, the most sustainable ship or vehicle. But, like Richards, he also seems to agree that forwarders could engage in the moral imperative of the moment and not only act on the request of the individual shipper.

“They could take into account the social welfare element of their work,” Smit says. “It can be seen as a slow development, but in this development the overall best solution and not the individual best solution would prevail. Shippers can be a driver towards more sustainable direction by taking this into account in their tendering processes.”

Unlike some others, Green Worldwide Shipping’s executive vice president of commercial and product development, Greg Bollefer, sees sustainability is “at the top of everyone’s mind”. He sees this in both a pressure to map and measure supply chain emissions, but also, echoing Milici, in the increased focus on greener fuels. Bollefer tells VOTI he is seeing a lot of investment in new fuel-efficient vessels, alternative fuels (and the ongoing conversion of national grids to mixed/alternative fuels), sustainable packaging, efficient domestic trucking alternatives, carbon offset programmes – the list, he says, “can seem endless” but, from a forwarder’s perspective, he stresses that it is not about trying to do

Environment

just environmental

everything all at once.

"Companies can easily begin to suffer from sustainability paralysis," says Bollefer. "It is about understanding the customer's year one, year two, year three, etc, sustainability goals and working toward them with real, actionable solutions that stay within their budget, timeline, and company vision. There are other factors at play – sustainability is more than just environmental emissions," he continues. "Human rights and forced labour due diligence also plays a major role in how companies procure and source now, as well as in the future. The point is, sustainability is a broad term that means different things to different industries. We see a lot of companies asking for 'sustainable' transportation and logistics, but rarely does anyone have a clear idea of what that means."

Bollefer does not deny that cost and efficiency remain central, but he also does not consider these impediments to sustainable practices, which, he argues, can be configured in a multitude of different ways, from reducing routing distance to utilising specific vehicles or fuels, to optimising load factors. All of these, and many more, have the capacity to mitigate supply chain carbon emissions.

"The best-managed companies understand that sustainability is also about planning for resilience in the face of extreme weather events, labour disruptions and forthcoming regulations," he adds. "Companies looking forward in that way like to partner with forwarders that are also working toward a sustainable, resilient future."

How then should shippers engage their forwarders?

Bollefer says when selecting a freight forwarder

GREG BOLLEFER
Green Worldwide

to help with environmental supply chain mitigation, there is a list of key factors companies needed to understand. Firstly, they should be asking by which international sustainability framework the freight forwarder's programme is validated, and how it aligns with their own. They then need to consider if the solutions provided actively reduce supply chain carbon emissions. And from there, check that the forwarder has a way to manage sustainability services against real supply chain data.

"At minimum, environmental calculators should follow the Greenhouse Gas (GHG) Protocol, Global Logistics Emissions Council (GLEC) framework, ISO 14083 (quantification and reporting of greenhouse gas emissions of transport operations), and EN 16258 (methodology for calculation and declaration of energy consumption and GHG emissions of transport services)," stresses Bollefer. "Bottom line, only way to assure services meet environmental goals, is ultimately for the total emissions number to go down. That's the measure of a successful sustainability programme."

Richards has her own list, at the top of which is that cargo owners, and forwarders, need to have a purpose. She contends that this is "clear, defining idea of what your business stands for", and from here she recommends development of a comprehensive plan that covers the business and its value chain and is based upon "achievable, yet ambitious, goals".

"We need massive change, so don't be afraid to push beyond comfort," she urges. "And I think this requires the embedding of sustainability as part of the company culture. This is about being innovative, engaging, transparent and accountable. The best person to lead it within your organisation is someone who knows a lot of the different business areas – this is so you can identify the risks and values or each area for better buy-in. Go all-in, otherwise you won't get as much traction as is needed to make significant change. And then there is the need to collaborate. Collaboration with a whole range of other businesses is essential to achieving scale, and collaboration comes through advocation, which means being prepared to speak out and to speak up for social justice and sustainable development."

From the customer perspective, sales executive at Brazil's KPM Logistics Luana Linhares does not disagree with Bollefer and Richards, but she stresses that as much as having the data, customers want to be shown pictures and videos – something offering a more tangible proof. And she believes there need to be efforts that go beyond simply tackling the present supply chain emissions, with work that considers the historical problem.

"To ensure a sustainable operation, the forwarders need to choose partners that have shown a capacity to compromise with the environment," Linhares tells VOTI. "And this means that they need to put aside funds from operational revenue that goes back to tackling environmental degradation. For instance, this can be funding the planting of trees or buying resources that are more sustainable, including more sustainable energies. All of this needs to go towards reducing the carbon footprint."

Despite the overlap in the lists presented by Bollefer, Linhares, and Richards, Smit says it remain "difficult" to spot trends in sustainable forwarding.

"What we see is that transport platforms like Transporion are growing but do not show a very fast development relating to the number of clients," he says, seemingly echoing Richards' concern that the SMEs, which make up the bulk of the industry, have yet to engage. "A driver could here be the scarcity of personnel. If in Europe the lack of drivers will go up to one million, it seems logical that forwarders and shippers should go for a labour-efficient and, at the same time, sustainable solution."

Bollefer says that for Green Worldwide Shipping, sustainability has always been a part of the formula, and the company, he claims, has "taken it to the next level over the past five years", bringing in a director of sustainability to help the company accomplish its own sustainability agenda, which appears lengthy. It includes year-round reviews of its Scope 1, 2, and 3 emissions, a comprehensive ESG assessment, double materiality assessment, sustainable packaging and materials audit, forced labour and human rights due diligence programme, supplier code of conduct questionnaire, implementing an environmental management system and being active members of the United Nations Global Compact.

"In addition to these sustainability programmes, Green is equally committed to supporting the communities in which we live and source from – we proudly support St Jude Children's Hospital, the American Red Cross, Truckers Against Trafficking, instituting paid volunteer time for employees and planting trees for each and every single shipment, customer and employee, with Trees for the Future, all year round," Bollefer adds.

Richards says one of the best things business leaders can do is to make themselves aware. This, she says, means looking at science-based targets, as looking at these drives a "real passion" in combatting the problem – "it forces you to dig deeper". From her own perspective, Richards says she has adopted the approach of a sponge, attempting to absorb as much as she can.

"I sat in a Green Ports conference," she continues. "And a Sustainable Procurement seminar that ran globally for 24 hours. This was incredibly interesting because, for a freight forwarder, I got to see it from a client's perspective: what's important to them, new initiatives in packaging, how important transportation and the right partners are to their strategies."

She concludes with a word of warning: "Everyone is looking at ESG, etc, with a sceptical eye and is wary of greenwashing. If you do misrepresent your company – you will get found out. It could damage your reputation, but more importantly, you will do damage to a lot of the extremely valuable work that others are doing.

"So, don't – whatever you do – fake it."

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Insights IN

Seafreight – comment by Mike Wackett

MIKE WACKETT FICS
Sea Freight Consultant

Will the green shoots blossom?

THE duration of economic cycles, and indeed liner shipping cycles, appears to be getting more and more difficult to predict; one quarter you are at the peak of demand enjoying a robust market, the next you are in the trough of soft demand and collapsing freight rates.

And, in some cases, from boom to bust before a newbuild 24,000 teu behemoth deployed on the Asia- North Europe tradelane has completed its maiden round-trip voyage!

Coinciding with the arrival of spring in the northern hemisphere, there is some evidence of so-called 'green shoots' resurfacing in the container liner industry after six months of downturn.

> there is some evidence of so-called 'green shoots' resurfacing in the container liner industry

This oft-used metaphor for economic recovery has been adopted by the shipping industry to describe a rebalancing freight market as it transitions losses through equilibrium and back into the black of profitability.

As evidenced by the operational numbers of OOCL, the first quarter of 2023 is likely to have been rather painful for ocean carriers as they struggled to reduce capacity to mitigate the impact of significantly diminishing demand across their networks.

It seems like only yesterday that containerships were piled up at ports around the world, and in order to get equipment and space on ships from Asia, it necessitated paying eye-wateringly high rates and hefty premium fees of $20,000 per box or more.

But, running parallel with the traditional July/ August peak season for exports from Asia last year demand 'fell off of a cliff', with purchase orders pushed back or cancelled as consumers, faced with crippling energy price inflation and several hikes in bank interest rates, kept their purses and wallets firmly shut.

Consecutive weeks of tumbling spot rates and stalled contract negotiations, together with the doom and gloom of retailer overstocked inventory woes, pointed to the bleakest of outlooks for demand.

Indeed, even the most bullish of carrier CEOs has talked in the past few months of the need to make structural changes to alliance networks.

But all the while my container shipbroker contacts have been telling me a different story, of strong demand for open tonnage, and of daily hire rates and time periods increasing.

There appeared to be a huge disconnect between the freight and the tonnage markets, and I initially put this down to the biggest requirement in a shipbroker's make-up: to be the eternal optimist when talking to owners about the fixture prospects for their ships.

But several weeks on and all the fundamentals in the containership charter market are still to be found flashing green.

In fact, it can no longer be put down to a blip, it is a charter market rally.

Hire rates in all sectors are trending up and owners are again able to dictate the terms of time periods, extension options and positioning costs.

The containership charter market has proved the analysts wrong.

Where are the hundreds of laid-up containerships anchored in the lanes off Asian ports awaiting their next employment that we were told would be happening by now?

And how about the predicted surge in ageing boxships that were destined to end their days on the beaches of the Indian sub-continent?

What the buoyant charter market does tell us, however, is that the charterers, mostly liner shipping companies, are seeing some light at the end of the tunnel in their outlook discussions with their customers, and they need to ensure that they have sufficient capacity to cope with the demand.

Of course, as always, it remains to be seen if this time the cyclical recovery can turn into a more sustainable structural recovery for the liner industry.

Drone delivery just an expensive gimmick?

DRONES do not look set to replace traditional logistics modes in the short-term, as the cost of their use – which includes insurance – and practical issues fail to improve.

A recent report described the cost of drone usage as prohibitively high, with the price of the actual machine weighed down by "significantly higher" maintenance and operation charges, amid a weak R&D effort outside their increasing military presence.

"At one end, they're toys – basically expensive nuisances – and at the other end, they're deadly weapons, with nothing in between," says the report.

"When it comes to urban congestion, drones aren't able to navigate through all the random variables of crowded city streets, buildings, public spaces and urban centres, potentially opening up a regulatory Pandora's box and introducing flight risks."

There are some companies advocating drones as the answer to delivery issues in countries with weak infrastructure, but again the report raises an obvious point of contention.

Namely, that there has been a conditioning in some areas with poor infrastructure to associate drone use with death, the report noting "it's highly unlikely the urban dwellers of Pakistan, Somalia, Syria or Yemen (to name a few)" would be comfortable with drones overhead.

> "When it comes to urban congestion, drones aren't able to navigate through all the random variables"

"Perhaps if more of the R&D spend on drones was non-military, we may get a whole lot closer to addressing the 'solvable issues'," the report suggests.

"But on the more far-reaching ethical, social and regulatory frameworks that would need to be researched and developed to gain maturity… on this point, we've already failed miserably and totally lost our way, with this capability now completely hijacked for war-making."

As far as forwarders go, it does not seem to be considered a big loss, with many outside of the multinationals concurring that drone deliveries are little more than a "gimmick".

How to get AI to fill in the forms

AI is invading the customs space, with one UK-based digital forwarder developing a system, through the open source ChatGPT platform, to complete customs forms for UK exporters.

Phlo Systems has directed its 30-strong workforce to sign up to ChatGPT and start applying the system to develop an AI product for importers too, but it is in the work on UK exports it is seeing initial signs of success.

"We are developing a chat bot by asking it customs-specific questions and, at the moment, responses are 80 per cent correct," said Phlo founder and chief executive Saurabh Goyal.

Based on the AI platform's present rate of learning, Goyal said he and his team expected to be able to use it to complete a full customs declarations form – with some 98 fields to populate – within the next three to six months.

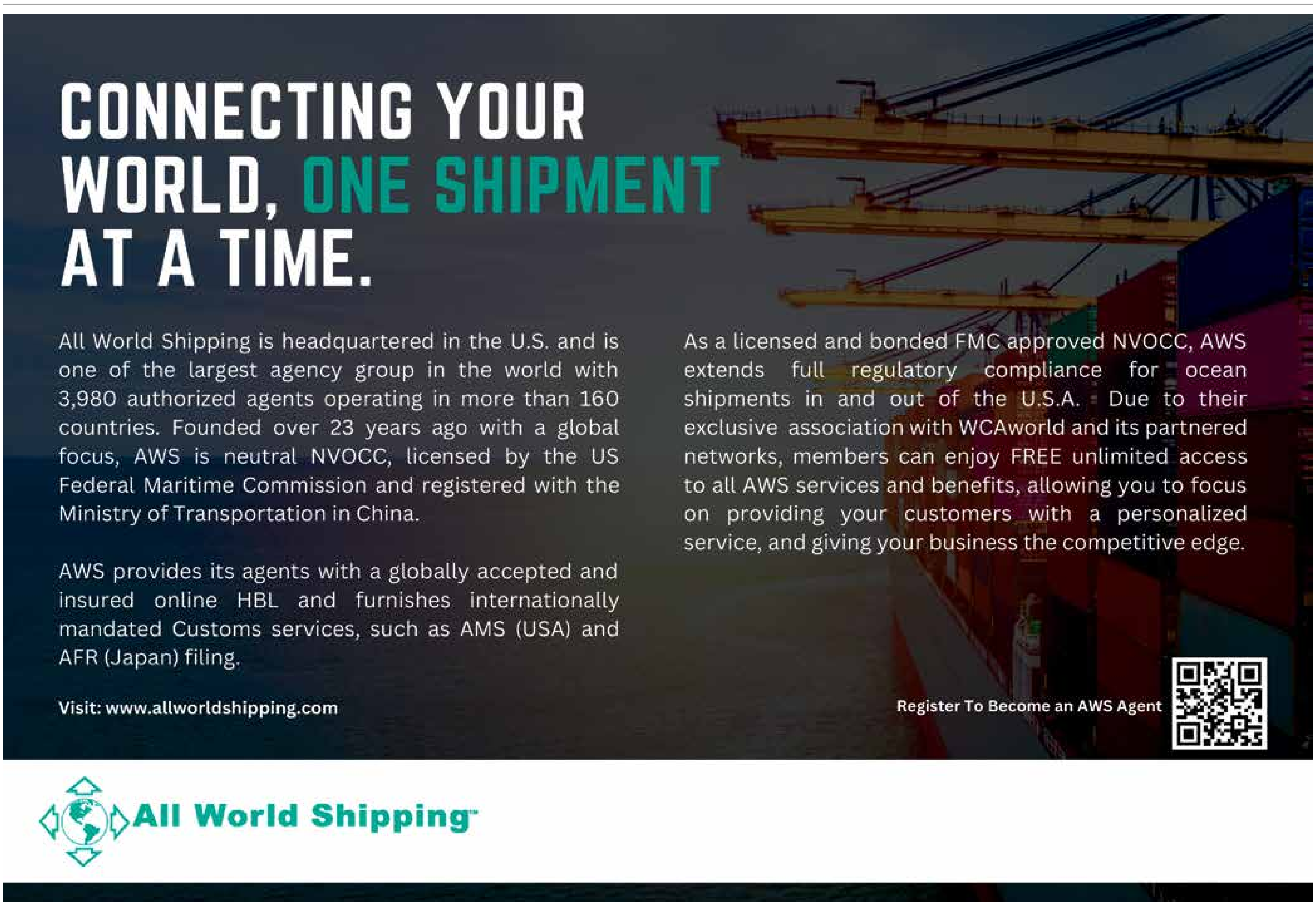
Phlo's embrace of AI is by no means partial, with it considering how a pending ChatGPT plug-in could be harnessed to offer a data analytics function for forwarders and shippers.

"These plug-ins would allow users to extend the power of ChatGPT by allowing it to connect to regular consumer apps, such as Word docs, Excel sheets, pdfs and so on, without any programming effort," added Goyal.

"This would mean we could upload an Excel sheet to ChatGPT and ask it to generate meaningful user analytics and graphs."

The digital forwarder has already utilised a separate AI system from Microsoft for a wide array of tasks, including generating letters and emails, proposals to customers, blogs, and social media output and designing data models for new software functions.

Although these efforts come at a time of increasing speculation and, in some cases outright concern, over the effect of AI in both the business and personal sphere.



Maersk Air Cargo is bullish in a bear market

FORWARDERS have questioned Maersk Air Cargo's "bullish" approach to growing its route network in what they see as a "weak" market evincing little need for more space.

The container line/air cargo carrier announced at the start of the month it had begun offering two twice-weekly services linking Greenville-Spartanburg with Shenyang Taoxian and Chicago Rockford to Hangzhou Xiaoshan.

One forwarder told Voice of the Independent: "Market demand for airfreight has remained slight for some time, so I cannot really see much benefit for the industry."

> "Market demand for airfreight has remained slight for some time"

Another said they saw little sign that demand was climbing in anything approaching the level to require new services, going on to describe the present state of the market as "weak" and asking where more services were "when they could have been useful" – during the pandemic.

Further compounding the confusion was the assertion by the ocean freight goliath that it intended to boost both of the services to thrice-weekly as soon as next month.

Some suggested Maersk's decision ruffled "a fair few feathers" in a moment where WorldACD said the market was experiencing an "unexpected" softening, particularly given demand on North America-Asia Pacific routings saw the largest Q1 drop, down seven per cent.

Unsurprisingly, Maersk remains confident in its network growth programme, believing it is "less beholden to the general market" than some carriers.

And the numbers seemingly support this, with approximately one-third of its volumes arising through long-term contracts, with another third on short-term contracts, leaving the spot market to fill the remaining third.

One source said: "So, while it does need to find cargo, it has something of a built-in buffer as it looks to ocean customer demand."

Director general of Tiaca Glyn Hughes said Maersk's move was a positive for the wider airfreight industry by "further illustrating" the "valued solutions" aviation offered, and cemented the company's commitment to the mode.

"By flying cargo closer from points of production to points of demand, air removes potentially problematic lengthy inland transfers to/from US west coast ports," said Hughes.

He also looked to calm concerns that the carrier was muscling in on others' customers, noting that "from what I gather, these new routes supplement the need for accelerated transport times for maritime customers still experiencing challenges on transpacific maritime tradelanes".

MICHEL POZAS LUCIC
AP Møller-Maersk

Global head of air at AP Møller-Maersk Michel Pozas Lucic said airfreight continued to be an "important asset" in the end-to-end logistics needs of Maersk's customers.

Lucic added that "with the introduction of these new routes, we are further connecting North America and Asia-Pacific through regular flights and controlled capacity for our customers", although there will be many looking on with scepticism.

Trading links with sanction-hit Russia rebuilding

RUSSIAN international connections are slowly rebounding, despite sanctions on the country in the wake of President Putin's invasion of Ukraine.

Logistics operator RusCon, a subsidiary of Delo Group, announced last week it had partnered with Dubai-based Mountain Air Shipping to provide a monthly container service offering 15-17 day-transit times between Turkey and St Petersburg.

Also in on the act are the country's rail operators, with RZD Logistics launching a connection linking Moscow, India and the UAE, via the 7,200km INSTC line.

RZD Logistics chief executive Dmitriy Murev said: "We have been successfully cooperating with this terminal for several years and it has proved a reliable and effective platform for enhancing exports from Moscow, and in the reverse direction."

Until now, rail operators had focused on building links with China, with new infrastructure including a bridge linking Mohe, China's northernmost city, with Dzhalinda in the republic of Sakha, on the Russian side of the Amur River, which separates the two countries.

The bridge will provide Chinese exports direct access to Russia's largest administrative region and, according to reports, will cut 2,000km from a journey that is no longer served by water.

Aysen Nikolayev, a representative of Sakha, said: "The construction of the bridge will increase the capacity to export goods to up to 10 million tonnes a year, and will also relieve the railroad tracks in the region."

On the ocean side, it seems Russian sea connections may be benefiting from a swathe of newcomers unfazed by western sanctions. Linerlytica's latest report suggests these companies have been buying and chartering vessels to meet Russian demand.

At the end of February, Safetrans Line launched a service linking China, Morocco and Russia, after chartering the 3,469 teu Heng Hui 2.

Linerlytica said: "One year after the Russia-Ukraine conflict started, there have been significant shifts in the Russian container shipping landscape, after sanctions shut off most of the traditional Baltic trade."

Other newcomers to have launched services include Torgmoll, Reel Shipping and OVP –formed as a tanker line in 2020 and began offering container connections in June.

Alexander Isurin was a likely link in the deal between RusCon and Mountain Air, having worked for Delo Group's intermodal freight unit, TransContainer, until September, when he joined Mountain Air before stepping down just before this latest deal.

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Shippers 'have a gun to their head' over emissions

IN past years shippers have been asking their logistics providers increasingly about their measures to offset carbon footprint of moving cargo, now they are asking for details on the CO2 emissions associated with their own shipments.

In part, this is driven by shipper desire to reduce their emissions and burnish their ESG credentials, but a bigger factor behind this rise in interest is compliance, as regulators are tightening the screws on enterprise emissions-reporting requirements.

"It's the shippers that have a gun to their head," observed Josh Bouk, president of Trax Technologies, a provider of transport spend management solutions. Companies typically have a fairly good handle on their direct emissions captured under Scope 1 and 2 categories, but Scope 3 emissions – which cover indirect emissions, such as from supply chain activities – have been a bigger challenge for them, he added.

Hence they turn to their logistics providers. The ability to capture and report CO2 emissions in transport is becoming an entry requirement for engagement with shippers, noted Ray Fennelly, CIO and executive vice-president of AIT Worldwide Logistics, adding that this is showing up in requirements for tenders.

"Customers are long past just reporting; they want solutions how to reduce their carbon footprint"

JOSH BOUK
Trax Technologies

"For six or seven clients we signed up last month it is a lead factor," he said.

So far, part of the problem in reporting accurate data is that standards are not in place everywhere. ISO is about to publish its standard this month, noted Bouk. This will enable companies to make produce defensible and auditable calculations, he added.

Another big headache has been the uneven quality of data and level of detail provided by carriers. While some offer detailed information, insights from others about the carbon footprint of their operation is rudimentary.

Data gathering and analysis is not an obstacle, but it can be quite complicated, said Fennelly.

"There will always be a need to be flexible with data that you can collect and fill the gaps with the right assumptions," said Bouk.

The baseline expectation from shippers is to obtain data on CO2 footprint per transaction, observed Fennelly. This is not only to compute the emissions of their completed shipments but also to help them decide on choice of modes or the best possible routing for a shipment, he pointed out.

"The next phase for us is real-time footprint generation. We have milestones now, but pre-determining footprint is approximations," he said.

AIT is receiving questions for more granular information, such as what aircraft type an airline is using on a route, or if it is using a road feeder service for part of the journey.

"It's not terribly complicated at the ship or container level, but you need to combine it with input from the shippers. What's in the container? A lot of forwarders think the calculation stops at the point of the container, but enterprise shippers require information down to SKU level," noted Bouk.

This is a lot of information for a forwarder to dig through, and suitable tools are thin on the ground. Existing offerings are geared towards large shippers, like a set of sustainability solutions launched last year by enterprise software platform provider o9 Solutions, which is embedded in its integrated business planning platform.

RAY FENNELLY
AIT Worldwide Logistics

Trax released a carbon emissions management tool last year that was developed in collaboration with a large customer, but this is not a standalone module either, it is part of the firm's suite of services. This is based on the information contained in freight invoices – weight, dimensions, route, etc.

Shippers that use the software may share the insights with their logistics providers for deeper insights into their CO2 footprint and possible ways of reducing it, added Bouk.

AIT decided to engage a third-party organisation that specialises in carbon monitoring and offsetting to produce science-based calculations. This company captures all the data for AIT's domestic and global traffic, including information on airline, steamship and trucker used. It has also helped the forwarder calculate its own carbon footprint, including elements like business travel.

"This would have been a very big build for AIT to do ourselves," said Fennelly.

On top of the spend on software to run all the necessary calculations, forwarders who want to handle this in-house also face the time required to update their databases in line with shifting regulatory requirements and further granularity along the way.

For AIT, a major factor in the decision to engage a third party was the aspect of taking out subjectivity from the process, which outweighed the cost.

"Objectivity and neutrality had more weight for us than the expense," said Fennelly. He expects customer expectations around CO2 footprint to grow further.

"Customers are long past just reporting; they want solutions how to reduce their carbon footprint," he explained. "Creativity is going to play a huge role. We have to find better ways to move cargo."

Voice of the Independent
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