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Bad news for carriers: rates have further to fall

World's largest shipping lines claim "no sign" of demand recovery

QUARTERLY results from the world's largest shipping lines suggest maritime analyst Drewry may have been on to something when it claimed rates could have further to fall.

Against a bumper 2022, Hapag-Lloyd, HMM, Maersk and Yang Ming reported Q1 profits well down – Maersk $5 billion down on last year, with Hapag expecting to only break even for the remainder of the year and all four claiming "no sign" of demand recovery.

Maersk's chief executive Vincent Clerc said there was no firm evidence of a demand recovery, and that the next quarters would be "the reality" of a challenging year.

"If you look at the guidance we have provided, and take out what we have delivered this quarter, at these levels the industry is certainly not creating economic profit," said Clerc.

"If you are very exposed to the spot market and very exposed to east-west trades, you may actually be in loss-making territory."

> "at these levels the industry is certainly not creating economic profit"

Hapag may have been the happiest of the bunch, a robust performance on its largest Latin America market and eight per cent growth in its transatlantic services leaving its Q1 liftings down by a better-than-industry-par 4.9 per cent on the same period of 2022, to 2.8 million teu.

Even so, it could not offset tumbling spot rates, in turn dragging down its contract rates for a fall of a third in revenues to $6 billion.

Claiming the first quarter would be the strongest of the year, Maersk reported a whopping 37 per cent slump in revenues, to $9.9 billion, after carryings dropped from six to 5.4 million teu and an average rate of $1,436 per teu compared with Hapag's $1,999 per teu.

After 2022's $6.1 billion surplus, Yang Ming's profit nose-dived to $112 million in the first three months of 2023; HMM's plummeted 91 per cent after revenues dropped 58 per cent.

Prior to the results season, some suggested that the recent uptick in spot rates was indicative of the industry if not rebounding then having certainly reached its nadir, but Drewry suggested otherwise, warning the industry could be facing a cumulative $10 billion in losses in 2024.

Continued on page 3

India's logistics sector tastes the fruits of success

A wave of global nearshoring, a rapidly expanding perishables market, and its attractiveness as an alternative to China, is propelling something of a boom in India's logistics sector.

Among the winners of this move towards a new "China" have been India's budding cargo-only airlines which have been attempting to consolidate their operations as the industry sees signs of strong capacity demand, propelled by the wave of nearshoring.

Having been spun- off by parent SpiceJet in April, SpiceXpress bagged $100 million from SRAM & MRAM Group intended to fuel its growth.

SRAM & MRAM chair Sailesh Lachu Hiranandani has proved particularly keen on Indian air freight, noting "we see excellent growth opportunities in the logistics and cargo space" and that SpiceXpress had shown "exceptional growth" in the nascent air cargo market.

"And we see tremendous potential for the company in India's fast-growing cargo and logistics market," added Hiranandani.

> "we see tremendous potential for the company in India's fast-growing cargo and logistics market"

Nor is Hiranandani alone in pursuing the promising market, with freight capacity aggregator Teleport another player looking to grab a slice after agreeing a strategic collaboration with Delhi-based Pradhaan Air Express, with its converted A320 freighter.

"As a young cargo airline, this partnership is a major step towards achieving our goal," said Pradhaan's co-founder and chief executive Nipun Anan.

Kenya's Astral Aviation has also been keenly eyeing developments in the Indian market, chief executive Sanjeev Gadhia noting that Astral – which has leased Pradhaan its A320 freighter – was contemplating taking a slice of the action.

"We are looking at maybe taking a stake in the airline in the next couple of months," said Gadhia, adding that he was also evaluating A321s and A330-300(P2F)s for the new carrier.

With the world's largest population and increasing demand for e-commerce and domestic express services, there is a heap of opportunities for those carriers that do look to take advantage of the growth trajectory.

According to reports, of the 2.2 million tonnes of air cargo traffic generated, approximately 30 percent was linked to the domestic segment.

Faith in India's market potential is shared by forwarders, Jet Freight Logistics' director Joy John pointing to "unprecedented" growth in the country's manufacturing output, almost certain to lead to a booming demand for capacity.

John added: "The investments by Foxconn in Indian units and the new declarations regarding SpiceJet and Pradhaan in cargo verticals are steps directed towards that market outlook."

Having invested some $37 million in a new mobile manufacturing plant in Karnataka, Apple supplier Foxconn's arrival – seen by many as it searches for alternatives to China – will only serve to heighten expectation over where the country's industrial output can go.

The new site adds to facilities in Tamil Nadu, Andhra Pradesh, as well as a pre-existing deal to acquire roughly 200 acres in Telangana state.

During talks, Foxconn chair Young Liu also expressed interest in producing semi-conductors and electric vehicles in India, indicating that the stumbling blocks for foreign investors in the country had either been mitigated.

India's budding cargo-only airlines have been attempting to consolidate their operations as the industry sees signs of strong capacity demand

With global manufacturers eyeing India as a China-alternative supply chain improvements and more business-friendly policies are critical to any success.

From the perspective of burgeoning transport operators, surging manufacturing output will only serve to facilitate their growth, but with the country also reporting a rapid expansion in perishable cargo flows, it appears there exists something of a readymade market.

Partially responsible for perishables output has been development of a new seedless variety of watermelon, which has attracted wide demand amidst a globally rising temperatures.

One Mumbai-based importer/exporter of the fruit claimed it had already received strong interest from buyers across the Middle East, with one in the UAE particularly keen, setting a 500-tonne target for Dubai this year.

Given the fruit's time-sensitive nature, India's ability to capitalise on this emergent demand will necessitate some major improvements in its logistics infrastructure.

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Rate outlook makes nervous reading

Drewry senior manager Simon Heaney said: "I think carriers did a pretty good job frightening shippers that more capacity reductions would follow if GRIs weren't at least partially successful."

Heaney was reluctant to predict when recovery would come, noting that he would be more confident in doing this if the foundations were in place, "but they are just not", even with UK shippers having been told to expect rate increases on Asia-North Europe tradelanes.

This may make nervous reading for Hapag, given its orderbook of 17 vessels, for 350,000 teu, including 12 24,000 teu ships due for delivery over the next two years to service this loop.

It was the collective industry's orderbook Heaney drew attention to as undermining a stable foundation for growth, noting orders for this year and next were "vast, and about to land with vengeance very soon" with demolitions and idle fleets "still way below what we expected".

He added: "Without those building blocks, in our view this recent uptick in both spot rates and charter hire prices is transitory."

According to Alphaliner, only 28 ships (48,555 teu) are to be demolished in 2023, well below expectations of industry analysts, while Drewry slashed its scrapping forecast from 900,000 to 300,000 teu claiming carriers were trying to "milk" demand from emerging markets.

Given the performances clocked by shipping lines, and Drewry having warned of the poor situation, the analyst's rate outlook will likely make for uncomfortable reading.

"We are now anticipating that average global freight rates, a blend of spot and contract rates across all trades, will drop 60 per cent this year," continued Heaney as he warned that its first forecast for next indicated prices would fall again.

"We are anticipating prices will fall again [in 2024] with the sharpest correction being on east-west trades, where we expect rates will fall by 24 per cent," he added.


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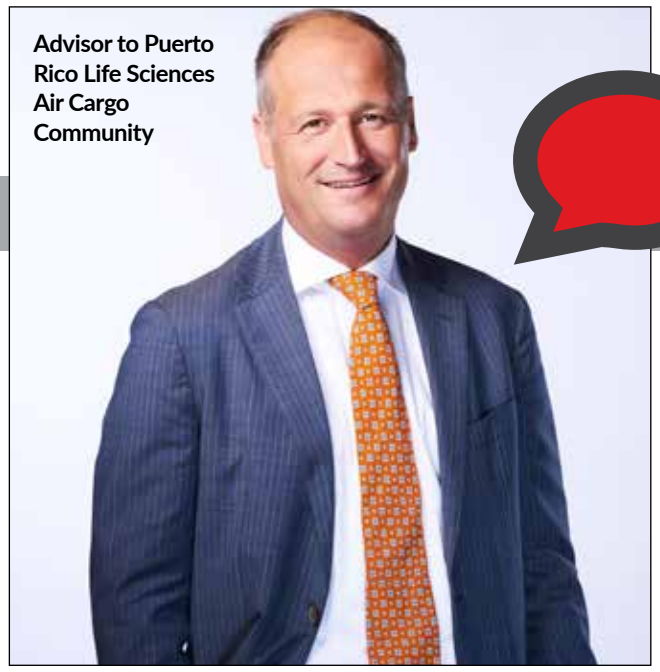
Spotlight ON

Jonas van Stekelenburg

Forwarders: Puerto Rico needs you



Advisor to Puerto Rico Life Sciences Air Cargo Community

PUERTO Rico's export potential may be hidden behind its US veil, but a new cargo community is hoping to demonstrate that the Caribbean Island has what it takes to be a hotbed of life sciences development.

Launched amidst the hubbub of Munich's Air Cargo Europe event this month, the Puerto Rico Life Sciences Air Cargo Community is keen to engage forwarders of all sizes, but is particularly keen to showcase the opportunities for nimble SMEs that can get in from the ground up. Advisor to the community Jonas van Stekelenburg says it deserves to be taken seriously, pointing to the vast array of backers and members behind it, telling Voice of the Independent (VOTI) that the board includes pharmaceutical and medical device manufacturers, airlines, airports, handlers, hauliers, integrators and forwarders – "but we want more".

"If you're asking what the news is, it's this: Puerto Rico has started its own cargo community comprising more than 30 members from industry to academia to government and, yes, we are keen to see this number grow," van Stekelenburg continues. "And that's for multiple reasons, not least of which is because we want to enhance the quality of life science equipment and move towards a standardised operation model to take advantage of what Puerto Rico excels in… and that's life sciences, this is a $46 billion market, but because most of the exports go via the US, the data does not show."

Van Stekelenburg says that when looking to the data on Puerto Rico, its export activities are hidden behind the fact it sends the bulk of its goods off island, but nonetheless domestically, through the US to which it is an "unincorporated territory". Numbers may never lie but he stresses that the business is there, "it just needs the logistics infrastructure to make it take off". And it certainly boasts big names. Twelve out of the 20 top medical devices companies have manufacturing sites on the island, including Medtronic, Coopervision and Boston Scientific. Added to this are the 12 out of the 20 top pharma companies, manufacturing eight of the 15 global top-selling bio-pharma products.

> "Big pharma and life sciences are based here, and we are looking to grow their number"

"For international SME forwarders, we really need to stress that because of Puerto Rico's place [as an unincorporated territory] these figures do not show up in any data. But if you look at it, you can see the opportunities that are here," van Stekelenburg says. "Because now the volumes we have are being shipped by a few big multinationals, but there is an opportunity for those SMEs willing to get involved to do so. Big pharma and life sciences are based here, and we are looking to grow their number."

It is not only the new cargo community that acknowledges Puerto Rico's talent. American Airlines has, for two consecutive years, named it as a stand-out performer. Van Stekelenburg says that one of the big plusses Puerto Rico offers is the quality of workforce it has developed over the years.

"You have to ask why Johnson & Johnson, Pfizer, these big companies, would set up here and the answer is simple, the island has geared itself towards servicing the life sciences sector," he says.

"Universities here are producing high-quality graduates that know exactly what is needed, and because of the work available there is a dedicated and growing workforce for life sciences."

Because of the already established pharma business, van Stekelenburg describes Puerto Rico as "a gem", but it is "a gem that could explode", resulting in a major business opportunity for SME forwarders. He does, however, stress that this is not a one-way street. There are opportunities for forwarders, "but they need to put their money where their mouth is".

"What we are trying to do here is build a community with shared ideals, shared modes of operating," he explains. "We are just starting this up, have been working on it for six months and at the moment it is open to everyone. We want to work with everyone willing to work on quality. All those open and willing to invest in the quality and put some skin in the game. But the interest has to be there. The government has shown commitment to get the CEIV certification. And we want any community partners to show the same commitment.

"What this means in practice is that we would ask SMEs to share standard operating procedure – this doesn't mean we would be asking them to divulge their pricing or their capacity – for details that all partners could use, and so create a more harmonised service. And where there are gaps in what they do, we would ask they adopt an island standard that would be a world standard. I imagine this would be how we do it and I imagine we would get agreement on it. After one or two years' worth of working like this, everyone knows what it is and to expect from it."

Being an island, there is perhaps room for misconception that Puerto Rico is tourism-heavy. It is not the case that tourism is absent – it makes up seven per cent of GDP – but it is not like other Caribbean islands, so the bulk of its freight capacity does not come from bellyhold space in passenger aircraft. The bulk of it is freighter capacity.

"It is not all to the US either," van Stekelenburg says. "We have a daily service to Madrid. Right now, the capacity we have is sufficient to meet what we are producing, but as we look to expand this market, and as we look to make it more efficient, we are eyeing a wider network. There is scope to improving this.

"We want to have growth in tonnes of cargo, growth in manufacturing, growth in connections. We want to grow ahead of GDP, yearly. We want to bring more manufacturers in, and by improving the logistics in the country, manufacturers will be more incentivised to come."

In essence, his call can be distilled down to "forwarders, we need you".

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Turkish flying high after success of WCS

IT has been a busy month for Turkish Cargo, having started with hosting IATA's World Cargo Symposium (WCS) and ending with a host of new partnerships.

Amid the hubbub of the WCS, which ran from April 25 to 27, Turkish Cargo announced on its second day it had signed a memorandum of understanding with Avianca Cargo, as part of its continuing endeavour towards network expansion.

Chief cargo officer at the airline Turhan Özen said: "This MoU represents a significant enhancement in air cargo services between Türkiye and Latin America.

"For this reason, we chose Avianca Cargo as our strategic partner, because it allows us to advance our firm purpose of improving our global cargo operations. We are reinforcing our intercontinental connections and expanding our cargo services to South America."

And the agreement flows both ways, with Turkish's access to South America reflected by the greater access on offer to Avianca's customers through Turkish's worldwide network.

Chief executive of Avianca Cargo Gabriel Oliva said the agreement would lead to stronger bilateral cooperation between both airlines to generate new commercial opportunities, and a closer operational, technological, and product collaboration.

The two carriers believe their combined expertise will help fuel each other's growth, while offering existing customers access to greater levels of capacity.

"The extensive trajectory and leadership of Avianca Cargo in Latin America, added to the worldwide experience of Turkish Cargo and its positioning, will ultimately allow us to achieve the highest levels of product offer, service, and value for customers," Oliva added.

In addition, Avianca and Turkish will work together to explore future areas of partnership as they look to deepen their cooperation between one another.

More partnerships followed, with news that Turkish had struck another MoU with DHL Global Forwarding, the carrier seeing the agreement as a means to further enhance Istanbul's position as a leading global logistics hub.

Özen said: "We hope this MOU, which stands out as a great source of pride and excitement to us, be beneficial to both parties.

"It will enable us to offer more effective, productive and uninterrupted air cargo service to our customers and add value to the industry upon the establishment of a powerful partnership by and between Turkish Cargo and DHL."

Central to the partnership is DHL's leveraging of Turkish Cargo's "mega" cargo facility at Istanbul Airport, Smartist.

This, Turkish said, would result in a significant increase in the volume of traffic handled at the gateway while also affording DHL the advantage of Turkiye's "unique geographical" position and access to the carrier's intercontinental cargo network.

In between all this, the Turkish flag carrier also acceded to the IATA CEIV Lithium Battery Certification programme, consisting of training, assessments, and validation to ensure best practices in the handling and transport of lithium batteries throughout the supply chain. Global head of cargo at IATA Brendan Sullivan said that the certification would serve as a significant boost for shipper confidence in transporting these batteries.

The two carriers believe their combined expertise will help fuel each other's growth

Chief executive at Turkish Airlines Bilal Ekşi said; "As a global air cargo brand, we are strongly committed to maintaining the supply chain for the lithium battery products and diligently fulfilling our responsibilities in this regard.

"Thus, participation in the CEIV Li-batt certification programme, which is globally accepted as one of the highest standards, is a great source of pride to us.

"The new certification programme underlines the adherence of Turkish Cargo to high-quality standards and a commitment to provide safe, fast and secure air cargo services to our customers."

At this year's WCS, host Turkish also proved one of the more active participants, and grew strong crowds for the detailed panel session and the gala dinner.

IATA's director general, Willie Walsh, noted that the last time Istanbul hosted the event was over a decade ago, in 2011, and he was pleased to be back after such a long break, particularly given it marked the 100th anniversary of the establishing of the republic of Turkiye.

"[It was] memorable, discussing how to improve sustainability, safety and reliability, as well as emerging opportunities with new markets, technologies, and digitalisation," Walsh added.

Turkish Cargo signed an MoU with Avianca Cargo at the World Cargo Symposium in April

Opportunists that launched on major box lanes fade away

MORE newcomers to long-haul container shipping routes are leaving transpacific and Asia-Europe lanes as a reversion to pre-Covid demand renders the opportunists loss-makers.

Lines to have pulled out include Transfar Shipping, BAL Container Line and container maker China International Marine Containers (CIMC), joining TS Lines that called time on its Asia-Europe, Asia-USEC and China-Canada services in February.

Comment from the carriers has been less than forthcoming, but email correspondence between Transfar and one of its shippers confirmed it had withdrawn from the Asia-US east coast leg.

While the same email asserted it was still offering Asia-USWC services, vessel databases show all but one of Transfar's owned ships have been chartered to other operators, with one going to Ellerman City Liners and two of its 1,800 teu ships to Hapag-Lloyd.

Furthermore, four of its panamax boxships, fixed from Zhonggu Logistics, are understood to have been moved to Safetrans Logistics, a start-up engaged in China-Russia shipping.

On 5 May, BAL's holding company, LC Logistics, submitted an updated prospectus pertaining to its listing application on the Hong Kong Stock Exchange, stating net profit dipped year on year in 2022 to $56m, as volumes regressed to 355,363 teu from 380,269 teu in 2021.

Originally intended as an NVOCC focused on intra-Asia, BAL, like others, was enticed into the transpacific and Asia-Europe trades in 2021 by Covid-induced historically high rates.

By last June, BAL had signed a 12-month slot-charter agreement with Transfar's service between China and the US west coast and Mexico, but the same year LC Logistics had already announced BAL's retreat from Asia-Europe, citing its weak competitiveness.

It said it had done this "so we could concentrate our resources on destinations in Americas, Australia and Asia, considering their higher market demand".

Like Transfar, BAL appears to have chartered four ships it owns to other operators, including Wan Hai and Evergreen, while vessels chartered to operate its transpacific services have been redelivered. But it still has two 14,700 teu vessels on order for delivery in 2025.

Given that long-haul trades have become loss-making, the fate of vessels on order now remains to be seen.

Focus ON

A strong network is key f project logistics

YOU cannot move for airfreight capacity at the moment, it just keeps coming as more and more passenger services are restarted. Rates have supposedly hit bottom and will again start trending upwards, according to some commentators, but this is hard to see when Chinese services stand at around 60 per cent of their pre-pandemic numbers and consumer spending globally remains in the dirt, with little sign of an imminent turnaround. While most forwarders contend with this luxury, for western companies in the project cargo sector the story is quite different as many face a post Ukraine-invasion absence of the Russian big beasts: Volga's Antonov AN-124s and the world's largest commercial aircraft, the AN-125.

DAN MORGAN-EVANS
Air Charter Service

When Air Charter Service global director Dan Morgan-Evans, told Voice of the Independent (VOTI) last April the removal of these aeroplanes from the market would create a "huge hole", and an even bigger headache, for the project scene, it was not entirely clear he thought the situation would be the same more than 12 months on. But the same it is.

Even if the carrier's sister airline, AirBridgeCargo, has seen one of its aircraft seized by the Canadian government and handed over to Ukraine. Morgan-Evans said shippers would have to think about space before producing loads, having spent years working with the well-known specs of the Antonovs. Transport had to come first. Managing director of Share Logistics, Bert Westland, tells VOTI what this means in practice is that lead times have, by far and away, been extended to a level not seen before in the project sphere.

"Cutting the Ilyushin and the Antonov aircraft from the global market means that if you want a big aircraft you have to wait three months before getting your hands on it," Westland says. "Three months is massive, prior to the war you would wait one week, and the aircraft would be yours. So, this has been a major change that has taken some time to get used to."

> "getting main deck capacity remains a major problem for those wanting heavy goods to be delivered quickly"

Perhaps obviously, Amsterdam-based Share usually elects not to wait for the planes and has, instead, sought alternative solutions – not least because, even if it does get the aircraft, "the price is way too high". This new approach has meant a reversion to sea freight for deliveries, even those that may, before the war, have demanded speed. Is this situation tenable? It is seemingly out of everyone's hands.

"And I am not too sure when we will see things returning to normal," he continues. "If you look at signs on the market it seems to be going in the right direction, but getting main deck capacity remains a major problem for those wanting heavy goods to be delivered quickly. Internally, we are saying maybe next year there might be a better scenario, but we're also saying maybe this will continue into 2025. The Ukrainians have the aircraft too, of course, but defence demands are using much of that capacity for the war effort. I think it is safe to say that there will not be a quick solution."

BERT WESTLAND
Share Logistics

For brokers, loss of the market meant hundreds of millions being wiped off their revenues for each succeeding year that the war drags on without resolution – either of the conflict or in sourcing an alternative to the AN-124s and the AN-125. This, however, has not been the only impact of the war on this sector, the sanctions regime having far-reaching implications, particularly for the forwarders operating in sanctioned spaces. Chief executive of Globalink Logistics Siddique Khan tells VOTI that for forwarders in the project sector, work in the CIS and Central Asian markets "currently presents a challenging" environment.

"Challenging though it may be, it's also a somewhat rewarding environment in this moment," says Khan. "The region's landlocked nature and its limited routing options, surrounded by sanctioned countries, alongside a lack of modern heavy transport equipment, creates unique obstacles for project logistics. But these challenges can also lead to opportunities for project forwarders with a strong regional network, assets on the ground and a deep understanding of the market."

Translog Overseas's Justo Marmol certainly concurs with Khan's assessment, that having a strong network behind you is pivotal when working in project logistics, and like Khan's Globalink, Translog counts the CIS as one of its areas of expertise.

SIDDIQUE KHAN
Globalink Logistics

Both Marmol and Khan consider, while respecting challenging conditions, there are opportunities out there for those willing to go out and find them.

"We are witnessing growth in the renewable energy and infrastructure sectors, particularly in hydropower, solar and wind projects," says Khan. "These developments are driven by the need for sustainable energy sources and improved infrastructure to support the region's economic growth. Conversely, we observe less long-term activity in the oil and gas sectors due to shifting global priorities and economic factors."

This concurrent growth in both the renewable and the fossil fuel sphere is a trend noted by Westland. Share does a lot of work in niche sectors, in particular marine spare parts, and this gives him oversight of the continuing strength of oil and gas. That being said, the company has been doing evermore work in green solutions, delivering electric vehicles and associated infrastructure – as an aside, this has even had a knock-on impact on the company's internal operations.

"'What is my carbon footprint?' This is a question we are hearing all the time," says Westland. "Combined with the fact that the Dutch government mandated that companies have someone internally responsible for their environmental practices, we have taken on our first electric vehicle as we have seen infrastructure in Europe improving. But this growth in green solutions, and our doing more and more work in it, is a trend we are seeing all over the world and not just in Europe."

While the move to green may be global, managing director of independent shipping agencies Frank Scheffler tells VOTI that

Project Cargo

or war-hit

there has been something of a new market spring up from some of the government mandates being pushed over Europe.

"The need in Germany to reach its environmental goals, led (and is continuing to lead) to a lot of shipments of used machines, or even full factory inventories, that do not fulfil the need to reach that goal, for example to India, Bangladesh and Africa," says Scheffler. While the emergence of what one would assume will end up being a short-term new market, there are areas Khan believes we will see the entrenchment of more longer-term opportunities over this coming year.

"Digitalisation and investment in new equipment, technologies and digital tools will enable project forwarders to optimise operations, enhance efficiency and reduce costs," he says. "This will be particularly beneficial in managing complex multimodal operations in the region. However, the required investment would be substantial. Therefore, one must have an extended outlook for this market. Another area we expect to see gains is in the Belt and Road Initiative. As this continues to expand, the need for regional project logistics services will be in demand. Forwarders with a deep understanding, a long presence in the local market and the ability to navigate the complex geopolitical landscape will be well-positioned to capitalise on these opportunities.

"And, finally, I think we will move towards "localisation" where strategic partnerships with local companies will be crucial in overcoming the region's unique challenges, but to achieve this, one must fully localise the business model. By combining local expertise with a global reach, project forwarders can provide end-to-end solutions that cater to the specific needs of their clients. Localisation of business in this region can pose compliance risks, which must be carefully managed by having a strong local presence and management resources."

FRANK SCHEFFLER
independent shipping agencies

Khan's predictions may be what the future has in store for project forwarding, but Scheffler suggests changes over the last 24 months when it comes to European exports have been quite substantial – changes driven not just by the invasion of Ukraine.

"A lot of RoRo business, due to tight space and steadily rising rates, has been switched to either a pre-stuffed basis on flats or other special equipment, and we've seen even breakbulk shipments on container carriers," Scheffler says. "This change is particularly pronounced, a 100-per cent flip, as previously the container carrier option was written off as being too expensive when compared with RoRo. Now, it is the other way around. Another challenge for the RoRo carriers is more and more shipments of e-cars and hybrid-cars. Some lines have already announced that they will not carry several lines of car producers, or certain types of car, due to concerns over potential for fires. So, it will have to be seen what the effect of this will be on the market and how, for example, container carriers would cope with that."

As if modal shift was not already the theme of the project sector's new reality, Marmol says he too has seen something of an ever-increasing shift from road to rail, at least in Europe. Marmol suggests this likely ties into the demand for greener solutions, but he stresses that unlike road, the rail industry has some obstacles built into it when it comes to transporting project cargo, and that if rail is to replace road, a fundamental rethink may be necessary.

"Yes, there has been an increase in rail transport and yes, this has even been the case for project cargo," Marmol continues. "However, you must realise that the rail industry has a fundamental disadvantage compared to roads. And that's the tunnels. Yes, of course there are tunnels for roads, but you can plan around these, there are many more roads than there are rail lines. So, when people ask me 'why not use rail?' I have to say to them that rail works for the heavy pieces but not so much for the oversized pieces. So, while there is a general increase in every form of cargo turning to rail because it is sustainable, it is naïve to consider it a salve for "all" cargo, because rail brings with it these disadvantages.

"I must stress, this is not me trying to rubbish rail, we, of course, always assess it for our intra-Europe shipments, but it is not always workable. The infrastructure around rail is itself the problem. Again, there are also issues with roads – the health of bridges being one – but there is just more of a workaround, a greater flexibility in it, and I think for this reason sustainable practices needed to be being guided by developments in road transport."

> "Yes, there has been an increase in rail transport and yes, this has even been the case for project cargo"

Translog may be known for using sea and air – "this is our expertise, not moving a 90-tonne piece from Bilbao to Hamburg and that's it, but it moving from Hamburg to Guatemala" – but Marmol's knowledge of European rail and roads comes from Translog's particular area of expertise, namely moving big bits of Europe-manufactured heavy machinery. This includes things like bigger trucks and excavators made in the likes of France, Germany, Italy and Spain for export to not only CIS countries, but Guatemala, Turkey and Vietnam. And despite having been operational in this market for the better part of two decades, Marmol says it is one that continues to grow for the company.

"We are very much firmly established as world-leading in the movement of these machines, but it remains a growing market for us as we move away from oil and gas work to really hone in, and concentrate, on big machinery and infrastructure projects," he adds.

JUSTO MARMOL
Translog Overseas

And, if it was not already clear, Marmol is obsessed with detail. He says project work, due to its nature, is not as slick and streamlined, or perhaps as simple, as a lot of the work done by forwarders.

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ABC back on the runway soon

WESTERN forwarders may not be able to get their hands on larger aircraft, but for those not encumbered by sanction, access to bigger aircraft may get somewhat easier in the next few months, after news that AirBridgeCargo Airlines is set to relaunch at the start of June, making use of two Ilyushin IL-96 freighters. Seemingly, President Putin has backed the move, and images released by a factory in Voronezh shows that at least one of the aircraft now bears the ABC livery. Based on Volga-Dnepr having flown its AN-124s and Il-76s to China, Egypt, India, Turkey and Vietnam, there are expectations that ABC will be flying on similar routings. Given what happened to one of AN-124s parked up in Canada, it is very unlikely the carrier will risk flights to countries where it may see another of its planes nabbed, particularly given that it owes more than $300,000 to Toronto Pearson for parking fees associated with the aircraft being repatriated to Ukraine. Added to that are fines it has received from US courts amounting to some $175,000. But, with a payload of 88,000kg, a range of 5,500km and total load volume of 580 cubic metres, the four-engined Ilyushin 96-400T will be welcomed by those seeking project capacity, with Air Charter Service having described it as a "very capable and popular option".

Focus ON

Project Cargo

Project forwarding is a 'people business'

continued from page 9

"You need to analyse everything because the cargo we deliver often goes to unusual ports where the necessary infrastructure may not be in place, so what is required to complete the job needs to be put in place ahead of us arriving," he continues. "And that means organising the trucking and not only getting the truck but making sure the route works. We shipped 80 tonnes to Nigeria for an oil and gas contract and that meant making sure they had the right trucks. And we have had shipments for islands where the right truck was not on the right island, so we had to move it to make sure we had what we needed. It is this sort of thing that you have to do in project forwarding that you do not always have to think about with the other work of a forwarder. But out diligence is paying off and we have seen a very important increase in our project work over the last four years. I believe this is for two reasons; firstly, the company is now much more well-known within this industry and has a reputation for a very professional approach built on a strong team with ever-growing experience; and, secondly, it is because we have built ourselves up around this great network."

Marmol's repeated reference to the importance of networking is one shared by all those who spoke to VOTI and Scheffler says that while things may be changing around it, within it and apart from it, the one constant – one he believes will remain true for as long as project forwarding exists – is that it is a "people business", and this in some ways puts him at odds with other voices within the industry, particularly amidst a push for digitisation.

"The desire of the carriers and some forwarders to become fully digital will be very hard to achieve in this segment and we daily see the need of customers for a personal contact, with sound knowledge, to assist them and get their project shipment completed smoothly," he says. "As many ocean carriers have invested a lot to become a full logistics provider to their customers (BCOs, not forwarders!), we might see a mid/long-term change in the market due to that, but when it comes to projects and the need for service, knowledge, flexibility and reachability, both by phone and in person, forwarders in that segment can definitely score and make their stand."

Heavylift opportunities opening up

GLOBALINK has migrated 50,000 tonnes of project cargo over seas, down rivers and across land for Tajikistan's Nurek Hydro Project. Described as a "vital initiative to revolutionise the country's energy sector", the multi-year Nurek project saw the movement of heavy machinery including "colossal" transformers, weighing more than 220 tonnes each, from the Black Sea through the Caspian, then on over the rugged terrain of Kazakhstan and Uzbekistan, before arriving at the remote project site in landlocked Tajikistan. Central to the move, Globalink's chief executive Siddique Khan tells VOTI, was the forwarder's ability to "leverage our extensive global network and partnerships with leading shipping and transportation companies to devise a comprehensive and efficient plan".

"The cargo, originating from various continents, was initially transported via sea freight to the Black Sea port and further navigation through the land waterway to Bautino and Aktau Ports in the Caspian Sea," says Khan. "The final leg of the journey presented the most significant challenges as Globalink's expert team of engineers and logistics specialists coordinated land transportation from the Caspian Sea ports. Using specialised heavy-lift trailers and hydraulic axle lines, they expertly manoeuvred the colossal transformers and other heavy equipment through the rugged terrain."

Given the project's focus, the team at Globalink consider its success testament to the company's commitment to ensuring a "greener" future, for not only the people of Tajikistan but the world. Furthermore, Khan believes there are increasing opportunities opening up in the CIS region for project forwarding, provided you have the right people around you.

"The project logistics landscape in the CIS and Central Asian markets offers both challenges and opportunities for forwarders," he says.

Insights IN

Seafreight – comment by Mike Wackett

Frugality the new normal for ocean carriers

MIKE WACKETT FICS
Sea Freight Consultant

'LOOK after the pennies and the pounds will look after themselves' is the new mantra for container shipping lines this year as the industry is dumped abruptly onto the down cycle.

On the face of it the first-quarter financial results of ocean carriers would suggest a very healthy liner sector, but the outlook is in fact far from rosy.

A tailwind of high-rated unexpired contracts not only sustained the shipping lines in Q1 but enabled them to trouser another three months of billion-dollar profitability.

But that was the last hurrah of a massively profitable two years when the seas were sprinkled with gold dust and the only item on the carrier boardroom agenda was what to do with the mountains of cash generated from sky-high freight rates.

Indeed, ocean carriers enjoyed a totally unexpected silver lining (or perhaps more accurately gold lining) from the pandemic.

The danger signs began flashing red in March 2020 as the world locked down and demand fell off a cliff, obliging carriers to lay-up a third of their fleets.

The view of analysts was that the already marginal liner trades, subjected to even weaker fundamentals, would push the weaker shipping lines over the edge into an abyss of bankruptcy.

Not for the first time, how wrong those analysts were!

But in fairness, even Nostradamus could not have predicted what came next: very strong homeworking and leisure demand combined with an out-of-kilter supply chain which propelled freight rates to stratospheric highs, not seen in over half a century of containerisation.

> **Indeed, ocean carriers enjoyed a totally unexpected silver lining (or perhaps more accurately gold lining) from the pandemic**

Chronic equipment shortages and port congestion, which effectively stymied 15 per cent of the global containership fleet, aided and abetted by other disruptions such as the Ever Given parking up in the Suez Canal for six days, turned liner markets into golden cash cows for any carrier that could find a ship that would float.

However, with western consumers being punished for high inflation by hiking interest rates multiply times, unsurprisingly demand has dropped like a stone and with the unwinding of supply chain congestion the return to normalisation has seen container spot and contract rates tank.

Some carriers endeavoured to tie shippers into multi-year contracts at high rates, but that strategy soon had to be adjusted to reflect the soft markets, with shipping line ambitions for this year scaled back dramatically to contract rates that are just above spot.

The speed of the correction to freight markets has caused the shipping lines to refocus on costs with carrier procurement officers taking the lead once again to squeeze service suppliers.

And there is another problem for the liner industry: what to do with the estimated 2.5m teu of newbuild capacity that will hit the seas in the second half of the year?

The 2M alliance for example is soaking up capacity by deploying an additional nine ultra-large container vessels on their Asia – Europe loops.

In order to do this, the soon to be divorced Maersk and MSC will adopt super-slow steaming on a number of their joint services.

Meanwhile, THE Alliance members are redirecting some Asia-North Europe and Asia-US east coast backhaul loops around the Cape of Good Hope, to save on Suez Canal tolls and add some 10 days to roundtrip voyages, thus absorbing capacity, albeit burning 1,000 tons more bunker fuel in the process.

Since the start of the pandemic the liner industry has pivoted from the threat of bust, to boom, back to potential loss making.

This means that the huge staff bonuses will become a distant memory and ocean carrier executives will soon have their teams back auditing the office paper clips for wastage!

Regional airports 'cleaner and greener' than major hubs

SHIPPERS keen on improving their environmental credentials may be set to ease reliance on major gateways and prompt forwarders to use smaller airports.

Research by the none-too-biased and upstart Illinois airport Chicago Rockford (RFD) claims aircraft use less fuel and emit less CO2 and other pollutants when using smaller facilities, like RFD, than they would at major hubs.

"We looked at data based on the time it takes to take off and land and found a significant difference between RFD and major hubs," said director business development Ken Ryan.

"At RFD, the average time is 16.9 minutes. At some major hubs, the average time is 106 minutes. It's mostly direct approaches to RFD, and just five minutes from wheels-down to engine-off. That makes for significant savings."

Based on data provided by an outside company, aircraft operating into RFD emit 75 to 76 per cent less CO2 per rotation.

In terms of cost, a typical 747 freighter operating four times a week into RFD could save $8 million, emit 6,000 fewer tonnes of CO2 and 15,000 fewer tonnes of NOx – as well as burning 1,800 tonnes less jet fuel.

Perhaps unsurprisingly, RFD leapt on the data and has been appealing to shippers to urge their forwarders to pressure airlines into ditching the big gateways in favour of theirs.

Director for planning and operations Zack Oakley told Voice of the Independent: "This is an immediate step you can take, with immediate savings. We want airport selection to become a subject when it comes to CO2.

"It's not just RFD; there will be other airports with similar findings. It's worth comparing Liege with Schiphol, and Frankfurt Hahn with Frankfurt."

Alongside the environmental benefits, Oakley noted that less congested – or better laid out – gateways could cut crew times and make maintenance savings due to quicker taxiing.

Given RFD's new taxiway is based around the cargo centre, aircraft can immediately turn from the runway, with engines off, in five to seven minutes, meaning they will pay less for pollutants once the 2025 surcharge takes effect.

Ryan urged: "Shippers, please tell your forwarders to explain their airport selection process."

Capacity conundrum for cargo airlines

AIR freight rates have yet to hit their nadir, with a glut of new capacity coming to market and Chinese passenger services only back to about 60 per cent of pre-pandemic levels.

Forwarders have said the surge in China-Europe air passenger services could only lead to the ongoing depression of air freight rates, with the UK providing a snapshot of what is in store for the rest of Europe after China-Heathrow flights jumped from five to 54 in the last six months alone.

One forwarder asked carriers, with more capacity being added – whether lower deck or full freighter – "how will they fill their bellies?".

> "there may be no cheaper time to bolster your fleet"

"Looking at the Chinese market, the new capacity that has already arrived and the additional capacity due, you have to ask what the cargo teams will stick in it? Outbound, it'll be e-commerce, but inbound, who knows?" the forwarder told Voice of the Independent (VOTI).

"You also have to remember that China operates pop-up airlines to coincide with certain pockets of demand, like students needing flights to overseas universities."

Noting that the "vast majority" of carriers had now resumed pre-pandemic services, a spokesperson for Heathrow Airport said that there remained some that were still planning to increase some of their frequencies over the coming months.

Manchester has also seen a spike in flights, announcing a return to pre-pandemic frequencies of services from Hainan Airlines (back to four a week).

Given surging new passenger services, bringing belly capacity, question marks surround the recent fad for airlines investing in full-freighter aircraft, particularly with growth in passenger demand on a global level expected to be "mammoth".

One executive at a carrier also told VOTI to bear in mind that some new orders "were less about expanding, and rather replacing, existing capacity" in line with sustainability agendas.

Even if the intention of carriers has been towards expanding existing capacity, another source said given the industry's cyclical nature and the global rise in e-commerce consumers, "there may be no cheaper time to bolster your fleet", before the next upturn in demand.

"People are having to be very creative about the way they fly at the moment, but when I look at new orders, it makes sense if they're getting them at a lower cost," the source told VOTI.

Another UK gateway, Bournemouth Airport, also this month announced it would be handling three A340 freighters a week from China, operated by European Cargo, managing director Steve Gill claiming they would allow for "a fast and efficient" e-commerce routing.

He added: "Together we can save customers a lot of time in a time-sensitive market. Working with European Cargo, we've proved Bournemouth is a viable alternative to London."

Europe hasn't been letting the UK have all the fun when it comes to welcoming new services with Magma Aviation having launched its first regular scheduled flights to China's Nancheng Changbei Airport from Liege, utilising a 747-400F running three to four times a week.

But one forwarder said that while there may be some long-term benefit, in the short-term the new freighters and returning passenger services would just fuel rate reductions.

"E-commerce outfit Shein – basically the Chinese Boohoo – has also just introduced daily cargo flights into East Midlands, which makes sense for its capacity needs into the UK, but again, what is it taking back to China?" the forwarder continued.

"Non-Chinese carriers have to face up to the Chinese state's willingness – and I know they do this with two of their airlines – to subsidise export legs.

"This means carriers are having to not only compete with this influx of capacity, but the reality that Chinese airlines can drop their rates even further, because the subsidy provides an extra revenue stream."

Great places to work in Türkiye

TURKISH forwarder Genel Transport has arrived on Türkiye's Best Workplaces 2023 list, following a survey conducted by Great Place to Work.

A total of 163 Turkish companies, arranged into six different categories organised by company size, were named the country's best employers, with Genel recognised in the category for businesses operating with 100-249 employees.

Genel's founder and chief executive Turgut Erkeskin said of the award: "We are proud to be named on Türkiye's Best Workplaces list in our first year.

"This recognition is entirely based on how our employees feel about their experience here. Fostering a trust-based workplace culture that is fair, equal and great for everyone is a top priority for us.

"And I'm pleased to see that our employees endorse this. Together with our people, we will keep improving our practices to build a great workplace for all".

Surveying millions of employees across 60 countries, Great Place to Work uses benchmark data from past winners to determine a threshold for each year's prospects, which are then nominated.

Full steam ahead for Emirates SkyCargo

EMIRATES SkyCargo is intending to double its capacity over the next decade as it targets 20 new destinations for what is a rapidly growing freighter network.

Two 747-400Fs have already been added to the fleet and the aggressive approach taken by the Dubai-based carrier will see it add 15 further freighters in the coming year – not to mention the surge in belly capacity that the post-pandemic passenger return is bringing.

Divisional senior vice president Nabil Sultan said of the strategy: "While current volatility may cause others to hesitate, Emirates is pushing full steam ahead with our plans.

"It's important not to let short-term blips impact the medium to long term. We are doubling capacity over the next decade and it's clear that demand will grow over the decade – it's been three to four per cent annually.

"We will deal with those periods [of low demand] but we believe that growth will continue to happen."

Despite claims from forwarders that the pandemic-era shift from sea to air has since reverted, Sultan seems confident that airfreight will continue to have the edge over its ocean-going competition that will more than make up for any short-term blips.

Pointing to e-commerce and fast fashion, Sultan said these sectors were dependent on speed, adding that "time is paramount".

"Over the past two to three years, there has been a fundamental shift from sea to air, because of the benefit of getting products to market quicker – speed has become the norm – and for fast-fashion the whole cycle has to be airtight, and quick to achieve it," he continued.

"Airfreight will play a bigger role. That's the future; time is paramount, and you need fast, seamless [operations]."

Sultan said Dubai's popularity among e-commerce companies was gaining, with a lot lured to "take advantage of Emirates" and, while unable to say with certainty what percentage of the carrier's volumes was e-commerce, he said it was approximately 30 per cent.

Given its intention to grow even amid the present weak market and continuing global economic uncertainty, Sultan said Emirates was targeting helping customers expand.

"If a customer has a specific requirement, then we can extend ancillary services – work out how to assist them, perhaps in last-mile," said Sultan. "We have ground handling partners around the world very keen to diversify their business, so we can help with that."

Back to the future as freighter fleets grow

WHILE some carriers are adding freighters to their fleets, Japan Airlines (JAL) is recommencing freighter services with Biman Bangladesh Airlines (BBA) joining the sector.

The decision from JAL has been described by one commentator as the airline "going back to the future", with the resumption of all-cargo flights coming some 13 years on from its having had to ditch them as part of bankruptcy reorganisation.

Reports claim that the move by the Japanese airline has been taken to "capitalise on growth opportunities in the cargo and mail sectors".

> "capitalise on growth opportunities in the cargo and mail sectors"

Accordingly, three of its 767-300ERs planes are being sent to an airframe overhaul facility for conversion into freighters capable of carrying large containers, seemingly reflecting belief among carriers more broadly that the present economic blip will be short-lived.

One report said the freighters will be offered for services across East Asia, including China and South Korea, with long-term plans for offering the capacity on domestic routings.

Until recently, the carrier had offered additional cargo capacity by leasing freighters in periods of high demand, but that plan faced obvious obstacles during the pandemic when passenger demand collapsed and all carriers experienced marked surges in cargo demand.

Interest in a return to freighter services picked up pace in December after JAL announced plans for a low-cost subsidiary offering services to logistics provider Yamato Transport.

That agreement saw Spring Airlines Japan lease three converted A321Fs for freight and mail transport, which in turn seems to have prompted the parent carrier to fully commit to cargo with a dedicated freighter division.

Not alone in this new attachment to freighters, JAL has been joined by BBA which, at the start of May, confirmed it was in the process of acquiring two wide-bodied A350 freighters.

Buying direct from Airbus at a cost of $200 million each, BBA will use the aircraft to launch a dedicated air shipment business as it intends to grab a large chunk of cargo presently flying in the hull of its passenger services.

The deal with Airbus – which includes eight passenger planes – also represents something of a step-change at BBA, breaking Boeing's long-dominance at the Bangladeshi flag carrier.

For Airbus, the agreement was not easy, getting a toehold on BBA after much persuasion at a March aviation summit in which it put multiple proposals to the government that included selling it aircraft and an arrangement for an aviation partnership with the UK and France.

But the aircraft manufacturer had been aware of Bangladesh prime minister Sheikh Hasina's having been on at Biman for some time to buy freighters to start cargo transport services.

Hasina's interest has likely been spiked by recognition that BBA has a very paltry share (last year it carried 28,000 tonnes in bellyholds) of the domestic cargo market which otherwise has 14 other foreign carriers servicing the market.

The UK, at least, has already gotten on board, with officials claiming the two countries had signed an Aviation Trade and Investment Partnership in London to expand their cooperation.

Under the agreement, the UK is expected to provide long-term loans to Bangladesh to buy freighters and other aircraft, with UK minister for investment Dominic Johnson claiming: "This deal demonstrates the UK's commitment to strengthening Bangladesh's aviation industry, in turn helping to create jobs in both countries."

DOMINIC JOHNSON
UK minister for investment

Bumpy road ahead for US haulage operators

MACROECONOMIC indicators pointing south and capacity remaining high equate to a bumpy road ahead for US haulage operators according to the latest Uber Freight market update.

Uber's Update & Outlook noted, relative to sales, inventories have been stable amid a first quarter of largely flat consumer spending, a 1.1 per cent contraction in manufacturing output over the past 12 months, with a six-month picture and new orderbook suggesting further dips.

Given the weak indicators, Uber has claimed there is little sign of any sort of market rebound and the hopes of widely predicted first-half recovery are seemingly being pushed further away.

Earning calls from major operators have done nothing to lift hopes of Uber's position being a tad more pessimistic than needed, with Old Dominion revising its Q1 expectations, Schneider National predicting only moderate recovery in H2 and Heartland Express sceptical.

Heartland chief executive Mike Gerdin noted: "Demand is significantly less, along with significant pressure from shippers to reduce rates while operational costs continue to rise."

> "significant pressure from shippers to reduce rates"

For truckload, contract rates continued their decline as shippers persisted with their push for cuts, and while spot rates may have remained largely flat for the three months to March, Uber warned there was no sign of a bottom, expecting further declines before the summer.

Summer brings with it the produce season, and while this will bring an immediate spike in demand, it will have no longer-term benefit.

Less-than-truckload (LTL) carriers have also been notified that they too will experience a volume drop as the PMI continues to contract, even their better pricing discipline has allowed them to stave off some of the worst – Yellow Freight already recorded a 12 per cent fall in Q1.

Similarly, intermodal service providers experienced a quarter to forget as they racked up yet another poor month – volumes for the sector have been down in 19 of the past 20 months.

Resultantly, intermodal spot rates plummeted to levels not seen since 2016, leading Uber to predict there will be no rebound until the year is out, although it did say that supply issues for over-the-road capacity would drive volumes towards intermodal carriers.

Rivals ready to pounce as 2M 'divorce' looms

VULTURES are circling over the soon-to-be corpse of the 2M Alliance as rival ocean groupings beef up their east-west networks in a bid to boost market share after a potentially messy divorce.

Both the Ocean and THE alliance members have announced network upgrades in the last four weeks, while each half of 2M, Maersk and MSC, have sought to keep their cards close to their chest as they work out how to go it alone after their 10-year relationship ends.

During Maersk's Q1 earnings call this month, chief executive Vincent Clerc said the carrier's standalone network plans would be published "once we have operational control".

"We do believe we can actually create a network where we can increase asset intensity, so we will need less capacity to move the same amount of volumes, with less carbon footprint, more reliability and, also, very competitive transit times," continued Clerc.

"We cannot do that today in an alliance set-up; we will do that once we get out of the alliance."

Clerc's comments did nothing to dampen speculation Maersk and MSC's separation would result in the two slugging it out, with sources claiming communication between them was being kept to a minimum as they pull "in different directions" on capacity management,

Having taken delivery of newbuild 24,000 teu vessels, THEA partners Hapag-Lloyd, HMM, ONE and Yang Ming are very much going the other way, busy upgrading Asia-Europe loops.

According to Alphaliner, ONE's 24,000 teu ONE Innovation will be deployed on THEA's Asia-North Europe FE3, marking the alliance's second Asia-North Europe loop upgraded to 24,000 teu after 11 of HMM's 24,000 teus were put to work on the FE4 loop.

ONE Innovation will set off set off on its maiden voyage from Ningbo on 4 June, replacing the 16,010 teu HMM Garam, which would be cascaded onto THEA's Asia-Med MD2 loop.

Alphaliner added: "Until recently the FE3 fleet consisted of 11 14,600-16,000 teu ships. The upgrade of the service started last month with HMM shifting the 23,964 teu HMM Le Havre and its sister ship HMM Gdansk to this loop."

With contract rates having settled "just above spot", the 24,000 teus have become the new workhorses of the tradelane.

One consultant said that in order to produce positive voyage results amidst this change in capacity, carriers had been refocusing on slow-steaming and maximising utilisation in order to produce positive voyage results.

VINCENT CLERC
Maersk

Indeed, after a better-than-expected first quarter – due to tailwind effects of unexpired higher contract rates – the pressure is on for the shipping lines to break even in coming quarters.

As such, the consultant noted some THEA backhaul sailings from North Europe and the US east coast to Asia were sailing via the longer-transit Cape of Good Hope route to save on Suez Canal toll fees, and as a form of capacity management.

BALS claims a first in air cargo

AIRLINE and forwarder data will form the basis of a new spot cargo indicator being trialled by pricing agency TAC Index on Europe-bound freight from India and Vietnam.

The Baltic Exchange Spot Indices (BAI.S), TAC claims, through its use of airline and forwarder data will allow for the development of future contracts and risk management tools not currently available to the market.

Chief executive of Baltic Exchange Mark Jackson said: "If the trials prove successful, BAI.S will be the first spot assessments based on actual shipments for the air cargo market."

According to TAC: "The initial testing phase [of BAI.S] will be a private, blind trial, designed to ensure the assessments meet the Baltic Exchange's rigorous methodology and thresholds for benchmarks."

Following these tests, a review will be completed before moving on to public trials, which, if successful, would lead to the system going live.

Managing director Peyton Burnett said: "The new Baltic Exchange spot indices will enable further, more advanced risk management tools to be developed for all types of air cargo counterparties, greatly enhancing their ability to manage the volatility of the market."

MARK JACKSON
Baltic Exchange

Details on the additional trial routes would be added shortly, with Jackson stating that it was thanks to industry support that they had been able to create this "unique benchmarking tool".

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WCAworld

Professionals find satisfaction in supply chain careers

THE slower market notwithstanding, conditions have been good for supply chain professionals. A global study of career prospects and remuneration tabled by the Association for Supply Chain Management (ASCM) found a high degree of job satisfaction among professionals. It helped that the majority have found it relatively easy to get new positions and pay has gone up.

For its global 'Salaries and Careers' report, ASCM used input from 3,953 supply chain professionals in the first two months of this year. The largest contingent (27 per cent) hailed from the industrial/manufacturing sector, followed by pharma and healthcare (14 per cent), consumer packaged goods (10 per cent) and tech firms (7 per cent). Employees of logistics providers made up 5 per cent of the total – the same percentage as the automotive, chemical industry and retail sectors.

Career satisfaction was high among respondents, with 65 per cent rating it eight or higher on a scale from one to ten, and 96 per cent stated that they were planning to stay in the supply chain sector at least for the next five years. More than four in five (82 per cent) said they were proud of the work they do, and 58 per cent felt appreciated, indicating positive reinforcement from their companies.

Nearly three-quarters (74 per cent) of European supply chain professionals had salary increases last year, with an average rise of 11 per cent, while 23 per cent had increases of 15 per cent or more. In the US 32 per cent reported rises between eight and 15 per cent, and 16 per cent saw their pay grow more than 15 per cent.

The gains in salary were most pronounced for professionals who changed employers. For Europeans who started a new job, pay went up on average by 18 per cent, compared with 9 per cent average increases for professionals who stayed in their job. The corresponding numbers in the US were 13 per cent average rises for professionals on the move and 7 per cent for those who stayed put.

Among US professionals, a higher salary was the biggest reason for changing jobs (28 per cent), while 24 per cent were seeking more responsibilities or a promotion. Among Europeans, 40 per cent said they changed jobs in pursuit of a promotion or increased responsibilities.

Finding a new job was easy. In the US, 76 per cent of job seekers took less than three months to land a new job, and nearly 3 per cent of them almost doubled their pay increase over the one received the year before. The hunt was barely more challenging for US college graduates, with 70 per cent securing employment in under three months.

Employers have been visibly looking to groom supply chain talent. At all degree levels (graduate, undergraduate, associate), salaries in this sector were about $30,000 higher than the national average in the US. Moreover, pay rises in the US have been higher for younger employees than for long-time staff. This is in contrast with Europe, where professionals with experience of at least ten years have seen the most substantial increases in pay.

HELMUT BERCHTOLD
adi Consult

Remuneration is not the only attraction. "Companies are offering career paths to keep people," noted Helmut Berchtold, head of the US arm of logistics recruitment specialist adi Consult.

Preferences in academic qualifications are shifting, ASCM found. For more than 60 per cent of supply chain professionals older than 30, a Master of Business Administration degree is the favoured graduate title, whereas 57 per cent of those under 29 favour a Master of Science degree.

Interestingly, women earn higher salaries than men in the first two years of employment in supply chain jobs, but beyond this initial span men are paid increasingly higher, culminating in average salaries of $130,000 a year for men with 20 years or more experience, versus $107,000 for women.

> "Companies are offering career paths to keep people"

In the US, the median income for supply chain professionals reached $98,570 last year. US supply chain directors earn between $125,000 and $180,000 a year, supply chain managers are paid between $96,000 and $137,000 and logistics managers $80,000-$120,000. Supply chain analysts earn between $66,000 and $90,900.

In Europe, total compensation ranges from €38,308 to €148,285, with an average base salary of €62,886.

ASCM found that European supply chain professionals enjoy a better work-life balance than their US counterparts, reflected in longer holidays and shorter average working hours. While 61 per cent of European respondents have five weeks or more of vacation, only 21 per cent of US and 14 per cent of Canadian supply chain professionals enjoy such lengthy holidays. Globally, 72 per cent work 35-45 hours a week, but 29 per cent of US professional reported working more than 45 hours in a typical week, versus 20 per cent in Europe.

The drastic lay-offs at Amazon, FedEx and in the logistics departments of the likes of Walmart in recent months signalled a sharp correction in expectations for e-commerce growth, but forwarders have refrained from staff cuts, observed Berchtold.

"The attitude is more 'we're still busy; let's see what the future brings'," he said.

Still, the days of the ultra-tight labour market are over and the situation is approaching pre-pandemic conditions, albeit not in terms of pay, as those raises cannot be reverted, he remarked. More professionals are actively looking for jobs than a year ago, and they are less firm on demands like not wanting to work in the office.

Sales people are still in short supply, though, and Berchtold does not expect this to change, especially when it comes to sales executives with a good track record. "Successful people are even more highly sought after," he said.

Slow-steaming not so green after all?

CARRIERS may need to find an alternative to slow-steaming after its environmental credentials came under scrutiny and may have been "grossly overestimated".

Slow-steaming is many carriers' preferred strategy for complying with IMO CII regulations aimed at reducing carbon emissions, but studies by Simpson Spence & Young, corroborated by research from Clarksons, suggests incorrect calculations may have been used.

Clarksons lead analyst Jon Leonhardsen said: "The reason for a misconception is that calculations are based on textbook speed-consumption curves.

"These have an exponential growth across an entire speed range. However, if you factor-in all the consumers of a ship and the variables of real-world sailing conditions, the curve becomes less exponential (or flatter) at lower speeds."

This threatens to undermine many of the maritime industry's long-held beliefs, and even brings into question the assumptions underlying the IMO CII regulation.

Sea freight consultant Mike Wackett said re-emergence of the debate on the questionable benefits of super-slow-steaming came at a bad time for carriers as they attempt to persuade shippers increased transit times would nonetheless cut emissions.

Voice of the Independent
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