Voice of the Independent

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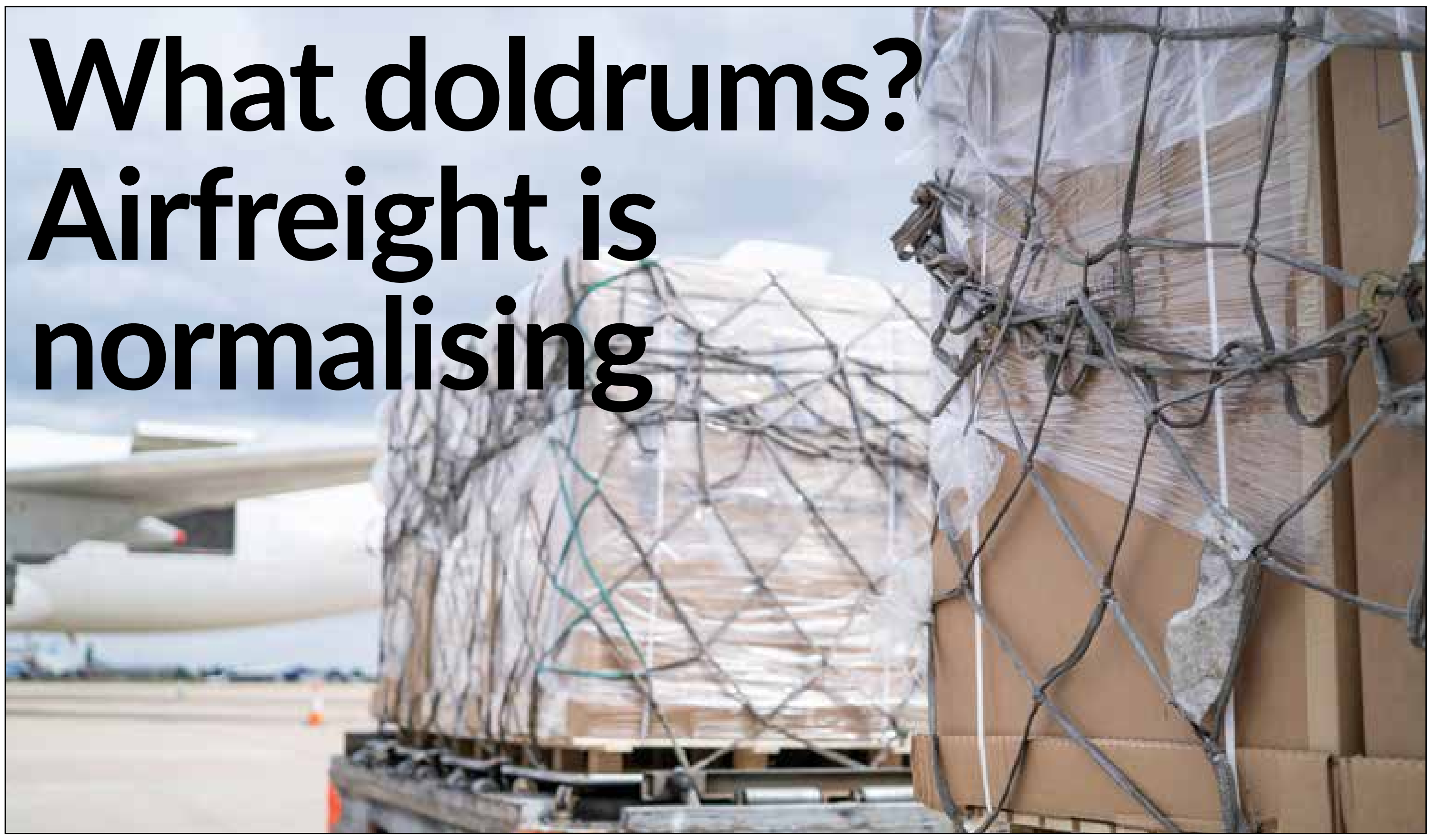
What doldrums? Airfreight is normalising



Latest data recorded July spot rates declining, marking the fourth month of declines

AIRFREIGHT rates may finally have hit their nadir, but no one should be counting their chickens just yet, as any green shoots may simply be a mirage.

Indeed, the latest data from both Xeneta's Clive Data Services and Tac's Baltic Air Freight Index recorded July spot rates declining at an escalating rate of 40 per cent or more, year on year, marking the fourth consecutive month of declines.

Chief airfreight officer at Xeneta Niall van de Wouw said: "July rarely provides any surprises in terms of performance levels in the global air cargo market.

"But what will be concerning airlines and forwarders is the constant month-on-month decline in average rates, and the quickening pace of this fall since the turn of the year. Going into the usually critical winter rates negotiation period, it's clear shippers will have the upper hand."

However, a month-on-month uptick of 1.2 per cent in July's closing weeks left analysts suggesting rates may have finally bottomed-out, a belief shared by investment bank Stifel.

"Results have been weaker than expected, volumes softer than expected and signs of an inflection more difficult to detect than we had anticipated," said Bruce Chan, director and senior research analyst of global logistics and future mobility at Stifel.

> "bottom may be more of a flat hull than a v-shape"

"But based on our conversations with management teams, both public and private, and our channel checks with shippers, we have seen the bottom."

Chan said that "bottom may be more of a flat hull than a v-shape", noting though that things were "not likely" to get much worse from a demand perspective, noting one of the key swing factors on whether "even a small holiday pick-up" emerged would be retailer confidence.

Despite no signs of a "bounce-back" as the issue went to press, Tac, citing market sources, said there was increasing optimism for one, "based not least on major product launches".

Some forwarders though have scoffed at the power of product launches to revive airfreight in the way they once did, with one telling Voice of the Independent (VOTI) that it was an outdated assumption based on pre-pandemic thinking where the "need for speed" dominated.

Continued on page 3

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Will there be a peak?

continued from page 1

"This stuff about product launches leaving things busy is rubbish, yes it will mean certain lanes are busy, but not the entire sector," said the forwarder.

"Then there's pandemic-induced tolerance for longer lead times on product launches. Before Covid, retailers would expect the new iPhone delivered within two weeks, and by air; now they're willing to wait six weeks for it to come by sea.

"Added to that is the consumer response to new product launches, where before you'd see mile-long queues for that new iPhone – you're not seeing that now."

Airforwarders Association executive director Brandon Fried (right) told VOTI he "didn't buy" the idea that the power of the product launch had been lost to the pandemic, but did say that the pull of the next iPhone launch had become less certain.

He added: "I think we're in a lull as far as the pull of Apple is concerned, the market's maybe a little oversaturated with new iPhones.

"But with the next Apple innovation that hits the market, I think we can be pretty certain you'll see that spike in airfreight demand. They've always been big events and there's a lot of chartering that occurs when one of its products really takes off."

> "certain lanes are busy, but not the entire sector"

And Fried thinks there is some sort of peak looming – albeit one that may be a little later than normal as the US gets to grips with the present economic situation.

Like other industry sources VOTI spoke with, Fried noted that the US looks set to avoid a recession, and the disastrous economic forecasts that started the year may have been slightly wide of the mark, although he added that there are still "headwinds".

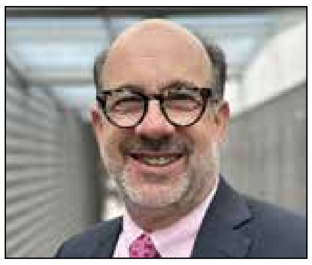
He added: "Higher interest rates is one challenge and here in the US the Fed has increased interest rates, so this is something that will possibly lead to demand being tempered."

Another headwind, as described by one forwarder, is the"aggressive" return of passenger services – with a mounting belief that the lockdowns have led to a substantially higher than average demand from holidaymakers.

This has brought with it the associated belly capacity, inundating the market and only further depressing rates.

Chan said: "There is more capacity yet to come. We believe this dynamic is most prevalent on transpacific lanes, with certain Asian markets having been slower to reopen, and thus slower to normalise on the capacity front.

"We anticipate global cargo market oversupply will linger well into 2024, if not beyond. So, any tightening on the rate front will most likely need to come via demand improvement."



Whatever happens, Fried said "sooner or later" robust US consumer demand will deplete the unusually high warehouse level and retailers will need to restock, if the US economy avoids recession this could mean a big last-minute peak.

Fried concluded: "Will there be a peak? Maybe, if we do get one it'll probably be muted but compared to unsurpassed heights we won't see again for a long time, we're getting back to business as usual. We need to get used to airfreight normalising – this doesn't mean it's falling into catastrophe or the doldrums, it's still viable."

Fleet of new UCLVs puts pressure on carriers

200,000 teu of newbuild tonnage hit the market in July as carriers took delivery of a wave of new orders. And that followed June's record-breaking deliveries of 300,000 teu of new capacity.

The additional half-a-million teu arriving in the midst of a downturn cycle are only adding to fleet managers' headaches as they seek employment for existing vessels.

Nor is a reprieve expected anytime soon.

Excluding Maersk, all top-ranked carriers have huge orderbooks, with Alphaliner citing MSC as out in front with 1.5 million of new teu on order, CMA CMG not far behind on 1.2 million teu, while Cosco and Evergreen have more than 1.7 million between them.

Three of the latest additions to the global fleet at 24,000 teu ULCVs set to be deployed on Asia-North Europe strings, with expectations that smaller vessels will be cascaded onto transpacific and secondary routings.

As far as forwarders are concerned, new vessels and the potential to depress rates further should not be seen as much of a "win", one forwarder told Voice of the Independent, asking "what's better, a percentage of a higher rate or a lower rate?" – but they agreed shippers would cheer.

Cosco Group subsidiary OOCL is among the carriers to take delivery of one of the new mega-ships, the 24,188 teu OOCL Felixstowe, which Alphaliner reported as the fourth in a series of 12 being constructed for the carrier.

Hapag-Lloyd also had new capacity to unpack, receiving its second of 12 LNG-powered 24,000 teu class UCLVs, the 23,664 teu Manila Express, ordered in 2020/2021 and following the Berlin Express, which entered service at the start of August.

One consultant noted that the service was being upgraded to an all-megamax operation.

Nigeria to get flag-carrier airline

AFRICA'S latest carrier is set to launch in October, with mounting hope it may transform the air cargo market.

Managed by Ethiopian Airlines, which has a 49 per cent stake, Nigeria Air will commence operations with two wide-bodied and six narrow-bodied aircraft, Ethiopian's chief financial officer Mesfin Tasew told Bloomberg.

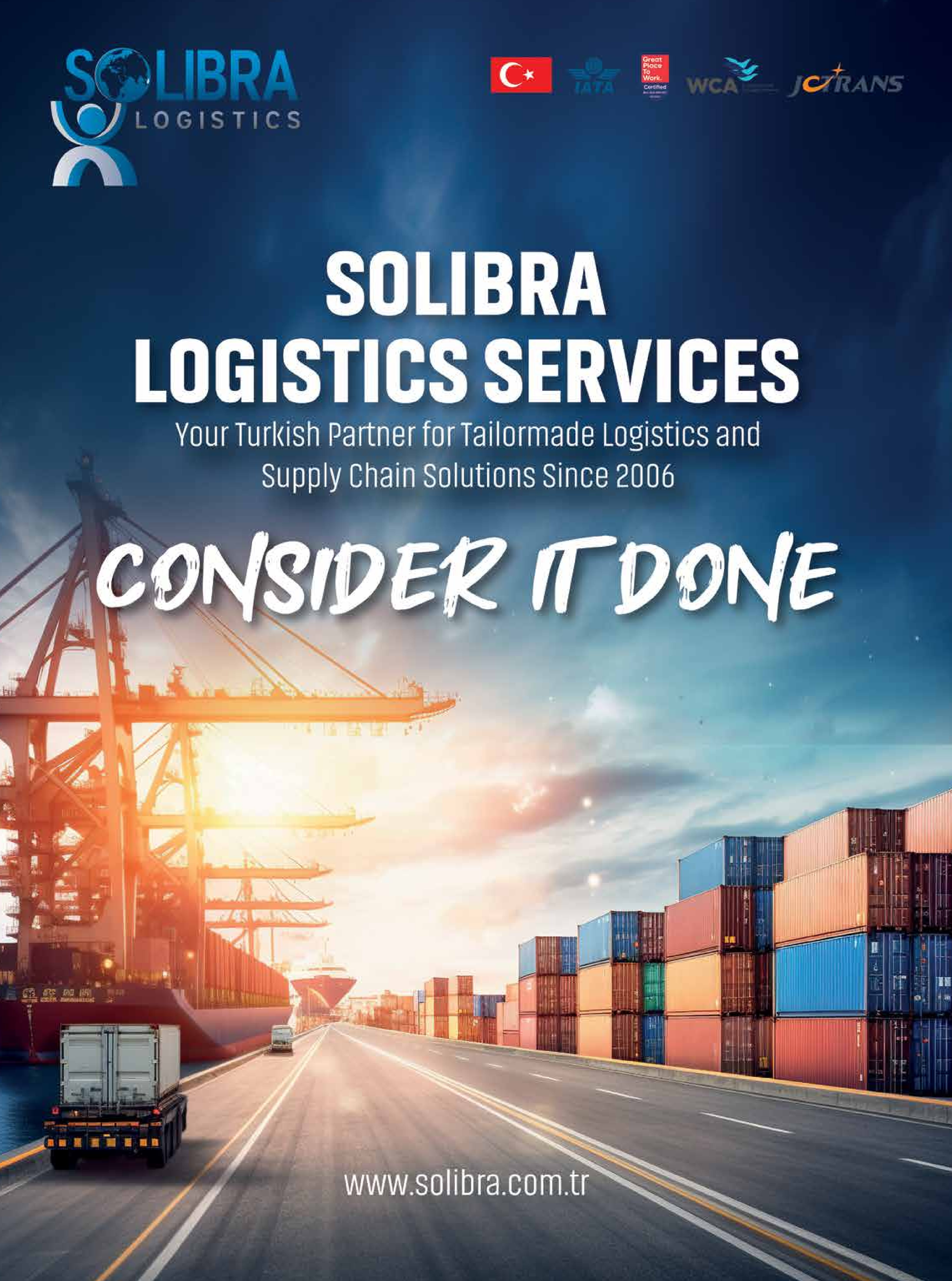
Tasfew added: "The prime objective is to enable Nigeria to have a national flag carrier. Nigeria is a big country, big economy, but unfortunately, it doesn't have a strong airline."

As part of the ownership model, Ethiopian Airlines will operate the new carrier under a management contract, with Tasfew noting its previous successes in this type of arrangement having founded Togo's Asky Airlines.

Although he did not mention freight, given the potential for a cargo surge out of Africa's most populace nation, expectations are for immediate marketing of bellyhold capacity.

According to Nigeria's air cargo stakeholders, the current import-to-export airfreight ratio favours imports, at a ratio of 87:13, with corrupt practices, extortion and poor infrastructure listed among the major issues to contend with when operating in the country.

These hurdles, they added, cost $250 million in lost annual revenue from air exports of agricultural commodities alone.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Spotlight ON

James Hookham

director
Global Shippers Forum

Shippers back in the driving seat – but which way do they steer?

"WE'RE not in unchartered territory, but it has been a long time since anyone encountered such a steep fall in container rates as those we are seeing now," director of the Global Shippers Forum James Hookham tells Voice of the Independent (VOTI). And he is not wrong; to find rate declines of the type witnessed over the course of 2023, you have to go back to immediate aftermath of the 2008 financial crisis – "there will be people around who still remember that" – but remembering it and contending with it are two separate beasts.

"The issues that arise when this sort of thing happens is that shippers do not know how to bid, nor what to expect when it comes to moving goods," Hookham continues. "We have sort of reversed, back to more than a decade ago, and yet do not know where we are going; we are left asking could rates drop further as more capacity comes online, and if this occurs, what does it mean for service levels?"

> "We have sort of reversed, back to more than a decade ago, and yet do not know where we are going"

Hookham is speaking at a moment where the behaviour of carriers has come under increasing scrutiny and, with shippers seemingly in the driving seat, warnings from across the industry that they and forwarders take the higher ground rather than seeking to exact revenge on carriers that jacked-up prices during pandemic-induced capacity shortfalls.

"There was undoubtedly a sense of intense frustration and disappointment at the way things panned out during Covid," continues Hookham. "Things did not pan out as expected between parties in the supply chain and, in some cases, did not pan out as had been contracted. What this resulted in was a realisation that contracts were not as watertight as had previously been believed, and so we are likely to see this remedied with future negotiations and contract discussions. But what we are also seeing is shipping lines being on their best behaviour as both their customers and regulators circle around them."

But Hookham is also aware that there are questions for shippers themselves, less to do with their logistics partners and more on what the future holds – will anybody want what we have to sell? Will the major economies go into recession? On that last point, he recognises that the situation is not uniform and the outlook for those major economies is seemingly a mixed bag.

"You know, we are seeing increasing speculation over the state of play for the US and there are more and more suggestions that it may avoid the big recession and experience something of a soft landing," says Hookham. "Look at the UK, the picture is decidedly uncertain there. In the EU, it is fairer to say that the jury is still out, as interest rates there have gone up, but also what we tend to see is something of a six-month lag between what happens Stateside and what happens in Europe. But the US definitely has not had it as tough as Europe when it comes to consumer confidence and inflation."

> "I do not think it was even possible for them to define the cues as the pandemic was such a novel experience"

In the previous issue of VOTI, we spoke with shipping advisor for The Kemmsies Group Dr Walter Kemmsies. If we go on his assessment, Hookham is right to believe the US will avoid a grinding recession. In fact, Kemmsies is anticipating a sudden peak spike when retailers realise that they have misread the cues and have not stocked up to meet holiday demand. This, he told VOTI, would result in everyone going gangbusters for airfreight capacity in a bid to get stock to market before the holidays are out. Hookham does not disagree (entirely).

"Again, I want to reemphasise that the situation in the US is different to the rest of the world," he says. "So, accepting this caveat, I could see a sudden spike in demand for seasonal goods and need for airfreight capacity – especially if the Fed does not raise interest rates, because this will give the impression it is all over."

Even if Hookham accepts the possibility of a late-season holiday surge, he is yet to see any signs of it and has not begun to field calls from shippers fretting about getting goods to market in time for 23 December – "it has not begun registering as shipper demand" – while he also points to the well-known fact that there is an abundance of capacity on the market. He also thinks the idea of retailers misreading cues may be being a little harsh on them, as he returns to the point with which he opened our discussion.

"I do not think it was even possible for them to define the cues as the pandemic was such a novel experience," he says. "Nobody had undergone something like that before, there was no last time to look back on and go 'ah, this is what's happening'."

That said, Hookham concurs that the actions of retailers has played a part in the present state of the market.

"I think what retailers did do was over-order," he says. "We saw a lot of double ordering going on, and this was either because the first orders had not turned up and were stuck somewhere along the supply chain, or because they were on a boat in San Pedro Bay waiting to be unloaded.

"What this meant was that inventories accumulated as retailers doubled-up to ensure they had stock to sell. We certainly see this state of 'over-inventory' weighing on British retailers and I see no reason to doubt that this has been the same in Europe and the US. Supply chain leaders were told to 'get stuff into the markets' they operated in, and that is exactly what they did."

Focus ON

Shifting perceptions on training and recruitment – it's a tough job

AS this issue went to press, Canada's International Longshore and Warehouse Union had seen its members accept the second deal presented to end what had been weeks of strikes, causing major disruption along the country's west coast.

Canada has not been alone when it comes to industrial disputes. Most of the developed economies have been beset with strike action for the better part of two years since the pandemic exposed glaring inequalities in working practices and renumeration. Indeed, at the time of writing, tentative agreements were in place to resolve worker dissatisfaction along both sides of the US, Italian rail freight workers were sounding warnings that they may lay down their tools if demand were not met, and the less said about the UK the better.

Nestled amidst the industrial actions, and threats of further action, the logistics industry has been contending with what is best described as a long-running failure to adequately recruit as the present generation of logistics workers age out and a new crop are struggling to be found. Nowhere is this more apparent than in the trucking sector, with the average driver age increasing as the years tick by. Compounding difficulties has been technological changes that have upended the traditional industry pathway.

Director and co-founder of Australia's Freight & Trade Alliance (FTA) Caroline Zalai tells Voice of the Independent (VOTI) that Australian freight forwarding operations traditionally provided staff with a logical career pathway, "new entrants were 'runners' of paperwork to shipping lines, air operators and government departments, with others becoming 'compilers' who prepared data for lodgement of import declarations by licensed customs brokers. This is where most of our experienced business leaders of today started their careers and learnt the fundamentals of operations".

"The reality is that these and other introductory roles have largely become redundant due to a combination of technological advances and offshored labour," Zalai continues. "Whilst generating essential cost efficiencies for businesses, these initiatives have now left us with the dilemma of how we find meaningful entry level roles into the industry that will provide a career pathway and develop staff into senior forwarding roles for the future."

For its part, the WCA is continuing to expand the training opportunities it offers to its members. Manager of the WCA Academy – which is responsible for the provision of training – Leah McKenna tells VOTI that recent additions to the roster include new suites of sales courses with a focus on negotiations, selling and remote selling.

"These courses offer not only the training aspect, but being back in classrooms presents a great opportunity to network," McKenna says. "We introduced these at points where people were still not back to travelling at the same extent that they had been pre-pandemic and were really pleased – and had great feedback – on this offering of additional learning opportunities and extra chances to network, so it has proven to be a really big boost for the academy and shows what it can do for our network members."

> "these initiatives have now left us with the dilemma of how we find meaningful entry level roles into the industry"

Zalai's mentioning of technology's impact on recruitment is just one of the ways advances in this field have affected the forwarding sector. From McKenna's perspective there is another, equally pressing issue: cyber security. And the WCA Academy, she says, is keen to help SME forwarders avoid some of the perils associated with cyber threats.

"One of our free-of-charge courses is cyber security, which provides an intro to cyber phishing," McKenna continues. "We developed it ourselves and are incredibly keen to push it, particularly given the ever-increasing number of cyber-attacks being experienced across industry. The course itself does a few things, including providing you with the knowledge on how to spot when these attacks are coming, as well as how to be more conscious of the ways hackers and cyber criminals may look to access systems. You know, some of the stuff seems quite simple but unless it's pointed out you may not realise. It can be things likes paying closer attention to who is emailing you and being alert to spotting slight differences in things like domain names and email addresses."

McKenna and the academy team certainly know their audience if attendance numbers are anything to go by, "we've had a number of members that have sent their entire teams to attend our cyber security classes," she adds, noting that the intention is about making sure everyone across a company is taking responsibility on this issue, because there is only so much protection that technological aides themselves can supply when it comes to combatting malware, the rest is on "individual responsibility" to keen defences up.

Another area that has become important, particularly as members engage not only customers but other members from different backgrounds, is greater knowledge on cultural differences. And McKenna says that the academy has been sampling cultural intelligence courses, which she describes as having been an "eye-opener".

CAROLINE ZALAI
Freight & Trade Alliance (FTA)

"Put simply, it is about knowing cultures or understanding differences," she continues. "It works to highlight different cultures. If you are working with a customer from, say China, it helps to know that they like to give business cards in a certain way. While, for some cultures, working over weekends is an absolute no-no and, resultantly, they find it offensive to receive any work-related emails over the course of their weekend.

"These classes aim to highlight these differences so members know what to expect and what their partners and customers can expect as far as working practices go. Addressing these areas and providing the right knowledge is crucial as a mis-step in this area can result in a bad start to a relationship – but, conversely it can also lead to a good start. We plan to roll this out on a more permanent basis in November, online and through virtual classrooms."

The academy's training also appears to be syncing with some of the wider concerns when it comes to job retention and job creation. Members have increasingly raised queries on the issue of staff appreciation, and McKenna says that the rising number of staff members being sent on training courses is indicative of companies taking employee satisfaction more seriously than perhaps had been the case.

"We are seeing a lot more HR departments getting involved when it comes to managing training records," she adds. "Communication is coming back to know what is going on, they want them trained within WCA and they

raining & Recruitment

LEAH MCKENNA
WCA Academy

want to show appreciation."

Of course, if the industry ages-out, there will be no staff to whom appreciation can be shown, and for Zalai and Australia's supply chains, trucking is not the only area that is facing an acute demographic time-bomb. In Australia, all customs brokers are licensed by the Australian Border Force, falling under a strict compliance regime with increasingly demanding licensing conditions that she says exist to ensure revenue and community protection outcomes are achieved.

"Most importers of goods choose to engage a customs broker to act on their behalf because of the complexity of the laws governing the importation of goods into Australia and the potential financial and other implications of lodging an incorrect declaration," Zalai adds. "We have an aging workforce across freight forwarding operations, in particular relating to licensed customs brokers. With a projected increase of over 70 per cent in cargo imports here in Australia over the next 10 years, the scarce number of new entrants is alarming".

In the UK, efforts stepped up last year to ensure the loss of qualified staff capable of keeping the country's supply chains running did not materialise. Launching in August, "Generation Logistics" is a sector-led, government campaign aiming to highlight the benefits of a career in the logistics industry and attract people into it. Now moving into its second year, the two organisations – CILT and Logistics UK – responsible for managing it have been pleased with how it has panned out. In a statement from the latter, the second year of the programme intends to build on strong results in terms of interactions while also

> "We are seeing a lot more HR departments getting involved when it comes to managing training records"

awareness among educators in schools and colleges.

"It is the biggest story in the logistics sector when it comes to recruitment and it is going great guns," a Logistics UK spokesperson tells VOTI. "We have already created more than 315 million opportunities to see our campaign messaging, generated more than 2.8 million engagements with our social media activity and driven over half a million visits to our website (which didn't exist a year ago)."

The sector-led aspect is driven by sponsorships that allow logistics companies to tap into the Generation Logistics network, promote entry-level schemes, amplify social media posts using the campaign's channels and participate in Generation Logistics Week. But if there is one area where Logistics UK believes the scheme is falling short, it is in attracting SME engagement. To rectify this, it has sought to amend the sponsorship package, with Generation Logistics having announced a heavily discounted sponsorship package for smaller companies – organisations with a turnover of less than £20 million will have access to sponsorship options for £2,000 per annum – with Logistics UK president and executive sponsor of Generation Logistics Phil Roe believing the scheme's viability depends upon its capacity to get the entire sector behind it.

"We are passionate about representing the whole sector, which is why we have introduced a substantially discounted opportunity for smaller companies," says Roe. "Over the last year, the industry has delivered a high-profile, national awareness campaign – the first time this has happened – and we are definitely shifting perceptions. Year two is going to be even better and I would urge companies of all sizes to come forward and support the campaign in its second year."

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Focus ON

Training & Recruitment

Scope for growth with schools and apprenticeship programmes

continued from page 7

Member services director at the British International Freight Association (BIFA) Carl Hobbis has been incredibly impressed by the programme, telling VOTI "Generation Logistics is doing a great job in raising the awareness and it is focusing on the education sector in year two". But he echoes some of Roe's concerns, believing that "not enough collaboration takes place in the SME sector, just generally, and the larger companies", and considers that it is the employers that need to be upping their effort, noting that schools and colleges are crying out for employers to get more involved in careers activities.

Alongside Generation Logistics, since 2018 the UK's Institute for Apprenticeships has been advertising the International Freight Forwarding Specialist Apprenticeship. Since launching, it has seen 1,000 apprentices begin their training. Given that there was no freight forwarding standard when the apprenticeship programme began, Hobbis considers the numbers to be "good", but there is always room for improvement.

> "The numbers that have started in freight forwarding could be better"

"The numbers that have started in freight forwarding could be better," Hobbis adds. "We have had over 1,000 starts since July 2018. Doing more in this space could help employers at entry level. A bit of effort is needed as well by employers, to promote the sector more. But when you consider BIFA has over 1,600 members – most are SMEs – there is scope for growth and opportunities within their local communities."

Not one to simply shout from the sidelines, BIFA has put its money where its mouth is and is in the midst of developing a schools programme, which it hopes will address the generational shortfall and build on the recent launch of its Freight Development Pathway in association with Manpower, part of which is targeted at the younger generation. A spokesperson for the organisation says its Young Forwarder network could also be considered a "borderline" training initiative. In addition to these, it offers an array of training opportunities and courses for forwarders and, while not responsible for running the apprenticeship, was the catalyst for the launch of the International Freight Forwarding Specialist Apprenticeship.

But there is a clear acknowledgement that 'all ships need to be sailing in the same direction' if the sector is to prosper, and there have been other efforts to address shortfalls. Echoing Zalai, one source notes that "a lot of office procedures that used to be manual are now automated as a result of digital and technological advances".

"But that is no different to other sectors; and, of course, robotics is of ever-increasing importance in the warehouse as well as other parts of the supply chain," the source tells VOTI. "Speaking from a UK perspective, I know several forwarders have recruited from the pool of people made redundant when the likes of Debenhams and other high street stores closed; retraining shop assistants to do Customs entry work, which has boomed since Brexit, for example. They are also struggling to fill warehouse positions made vacant by the exodus of east Europeans."

Zalai says the situation surrounding industry awareness is the same in Australia, noting that while many roles within the supply chain were designated "an essential service" during the pandemic, many Australians are still unaware of the opportunities, employment scope and security that the logistics sector holds as a career pathway.

"The challenge is how do we put our sector on people's radar?" she says. "Supply chain work is exciting. You need to be an investigator, a problem solver and an innovator. Opportunities exist to deal with and meet overseas agents, partners and suppliers and play an integral role in the challenging but exciting realm of international trade operations.

CARL HOBBIS
BIFA

"As well as being able to attract new entrants, we are actively engaging with specialists to provide a contemporary professional development pathway through structured education."

Recruiting the right staff still a challenge

HEADLINE labour shortages represent just the tip of the iceberg when it comes to difficulties faced by the logistics sector.

WCAworld member 500 Logistics' managing director Steve Dinsey tells Voice of the Independent there are hidden shortages that are causing as many problems as the likes of driver shortages that have dominated newspapers since the pandemic.

"For instance, a shortage of warehouse staff at a delivery point can trigger offloading delays, causing a domino effect on subsequent loading tasks," says Dinsey.

"Internally, recruiting the right talent has been an ongoing battle. The aftermath of Brexit left a scarcity of customs-trained professionals in the job market, posing challenges for our operations and client services; however, a recent shift in trend is becoming evident.

"In the past few months, we've noticed a change in the market; more candidates are now available than in the last two years, although not necessarily as experienced, or as ideal."

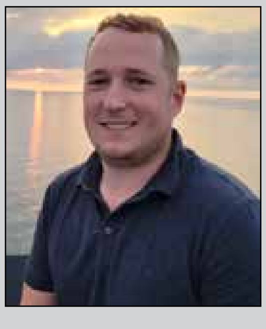
With fewer experienced candidates available, Dinsey says it is becoming more important that internal processes are in place to help new employees, and that the right training is available to get them up to speed quickly.

He cites courses offered by both the WCA Academy and BIFA as ones that reacted to these needs, but he says there needs to be industry recognition that the forwarder's job is changing.

"Experienced forwarders remain in high demand, but the role has expanded, incorporating digital skills for managing complex supply chains. So the labour market is more competitive as companies seek individuals who can adapt contribute to innovative solutions," he adds.

"Alongside this, AI chatbots and virtual assistants are enhancing customer service, providing instant responses, shipment tracking and offering personalised recommendations."

Dinsey does not seem to "fear" AI, noting that "when used properly" it can greatly improve a forwarder's efficiency, but he also believes that above the noise there remains an essential requirement for individuals, and this means ensuring a willing labour force are ready.



STEVE DINSEY
500 Logistics

Insights IN

Seafreight – comment by Mike Wackett

Surviving the silly season

MIKE WACKETT FICS
Sea Freight Consultant

IT'S meant to be the silly season, when nothing much happens in transport and logistics, but I have a feeling that, following the Covid years of plenty, mergers and acquisitions (M&A) will be back on the agenda in the liner world fairly soon.

You have to go back to 2017 for the last round of M&A consolidation in the container liner industry.

It was the year the three Japanese ocean carriers, NYK, MOL and K Line, that were hitherto staunchly protective of their individual markets, merged appropriately into ONE (Ocean Network Express).

The collapse of the world's seventh-largest carrier, Hanjin Shipping, the previous year and the continued sub-economic freight rates hobbling the liner industry obliged the proud Japanese lines to merge their resources in order to achieve unit cost parity with their larger peers.

> It seems that the peak season this year has been cancelled, or at best is very subdued

2017 was also the year that the highly respected, Hong Kong-based Orient Overseas International Ltd (OOIL), parent of OOCL, was acquired (the deal completing in 2018) in a $6.3bn raid by China state-owned Cosco Shipping.

OOCL was regarded as the best in class of the mid-sized carriers, having proved to be judicious in its liner operations over many years. However, the OOIL's shareholders took the money when they were unable to scale the container arm to compete with the bigger lines.

Back to the present, the second quarter of this year saw the last of the final hurrah of the tailwinds of the post-pandemic boom years, during which time ocean carriers trousered billions of dollars of freight without really trying that hard.

So far, carriers that have reported their Q2 financial results are either forecasting breakeven at best for the second half of the year, or are declining to give guidance at all; such is the uncertainty of the outlook for trade.

But what about the traditional peak season, won't that give carriers a demand boost and, consequently, a spike in earnings?

It seems that the peak season this year has been cancelled, or at best is very subdued.

By now box terminals in North Europe and the US should be heaving with row upon row of import boxes of products targeting the holiday season, however, the main container terminal hubs remain sparsely populated, with some scheduled calls by the lines reduced to an inducement status.

Thereafter, forward purchase order data remains grim with retailers reluctant to overcommit during a cost of living crisis that is torturing the surviving shops on the high streets of Northern Europe.

In a traditional peak season, blank sailings from China to North Europe are unheard of, but carriers have cancelled vessel departures at the last minute as they have struggled to fill ships past the voyage breakeven point.

Indeed, statistics published by China's customs administration for July record a 14.5% slump in Chinese exports, compared with the same month of 2022, as overseas markets for 'Made in China' goods contract.

It follows that the pressure will fall on the smaller carriers once again during the coming difficult quarters as they struggle to compete in the marketplace with their much bigger peers.

Led by MSC, the top seven ranked carriers control a dominate market share of just shy of 80%.

Crucially the top container lines are still awash with the cash earned over the past two years and will do whatever it takes to maintain growth and support the huge 2.4m teu orderbook armada of newbuild tonnage set to be delivered by the end of the first quarter of next year.

This means that the smaller ocean carriers, ranked from eight to 12 in the capacity league table, will be anxiously looking over their shoulders in the coming weeks and months as further liner consolidation becomes a harsh reality for the industry.

Perhaps it is the silly season after all?

Report paints gloomy picture for forwarding market

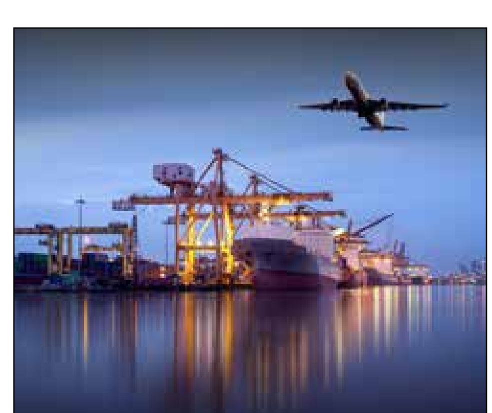
FURTHER contraction is expected in the global forwarding market after last year's 3.7 per cent downturn, according to a report by Transport Intelligence (Ti).

Following from last year's 3.7 per cent dip, Ti expects the market to fall 3.9 per cent by the end of the year, reducing the market's value to less than $425 billion. It cites the receding optimism, since the start of 2023, that the world economy could achieve a "soft landing".

The Global Freight Forwarding and Market Size & Forecasting 2022-2027 report noted: "According to the IMF, risks to the outlook are heavily skewed to the downside, with the chances of a hard landing having risen sharply."

If the report is accurate, air will be the biggest loser, with the market just north of the $138 billion mark, as it loses 4.7 per cent of its value a year from a 7.3 per cent drop.

Alongside air's competitive advantage over sea having diminished amidst congestion in the latter clearing and rates rapidly falling, it is also contending with high inflation, spiking fuel prices and the Russian war against Ukraine.



And IATA has said air can expect government inflation-combating by cooling economies will only further eat into volume declines, putting forecasts for year-end volumes four per cent down on 2022's numbers, but, perhaps more worryingly, 5.6 per cent down against 2019.

It may be bad for air, but sea is also likely to see its numbers fall over the course of 2023, with Ti suggesting a 3.5 per cent contraction on 2022, that would put its market value at around $229 million as it faces up to "depressed consumer behaviour".

The report added: "The very strong supply of vessels combined with mediocre, or even falling, demand, as well as resolved port congestion, point to a downward trajectory for freight rates."

Furthermore, it is suggested that air and sea freight forwarder services were not immune to the inventory-to-sales ratio, presently hovering around historically high levels, although sources have questioned the influence of the particular products in question.

One source told Voice of the Independent that, with consumer spending remaining strong despite high inflation, inventories would run out of seasonally specific commodities and there could yet be a surprise in store and some sort of peak.

Even so, the report noted: "In periods of low inventory, air freight benefits disproportionately, as shippers seek to rapidly move stock into the right locations and replenish stores to match supply with demand."

If the global economic forecasts of a "prolonged period of subpar growth" prove accurate, Ti said the global freight forwarding market is expected to reach a market value of just over $414 billion in 2027.

LAX takes another step towards ‘distant’ cargo efficiency

LOS Angeles World Airports (LAWA), which oversees LAX and Van Nuys airports, has taken another step towards a sweeping revamp of the cargo infrastructure at the world’s ninth-largest airfreight gateway. It has nominated a consortium, led by Aeroterm, the airport arm of Realterm, to redevelop the airport’s sprawling and disjointed freight set-up into a consolidated operation.

Like Miami International Airport, LAX will see a vertical structure with a high degree of automation to boost efficiency on a limited footprint. Both mega-hubs are land-constrained, with no room to expand air cargo infrastructure beyond their perimeter.

Throughput at LAX is forecast to grow at a compound average rate of 2.6%, to reach 7.7 million tons in 2045. Last year the airport handled close to 2.7 million tons, which ranked it fifth among US cargo airports. However, two of the top three – Memphis and Louisville – are integrator hubs, while second-ranked Anchorage is a transit point for intercontinental freighter operations, with little origin and destination traffic. In terms of imports and exports, LAX was second only to Miami in the US last year.

LAX has long been a source of frustration for forwarders and operators. To begin with, most of the infrastructure is outdated. Most of the buildings were raised in the past century, with some dating back to the 1950s. An assessment conducted by LAWA in 2021 concluded that many of the facilities were “not compatible with current industry operating standards”.

Access has been another bugbear. LAX has three separate cargo areas, with 27 buildings, forcing customers to do multiple journeys to pick up and deliver cargo.

The consortium’s plan for redevelopment envisages a two-storey facility with 1.6m sq ft of floor space to be built in the first stage of the project. According to a source with knowledge of the plans, it is not set in stone that all cargo activities will be consolidated in one area.

The consortium’s plan for redevelopment envisages a two-storey facility with 1.6m sq ft of floor space

Historically, bellyhold cargo activities have been concentrated in the Century Boulevard area, while freighter operations have been off Imperial Boulevard, but there have been changes over the years that blurred the lines.

Nor are there likely hard and fast rules on who will be admitted to set up shop at the new facility and who will be off-airport, the source reported, adding that airlines and handling agents should have first call on the site.

As for parcel operations, UPS, FedEx and DHL have placed the bulk of their flights serving Los Angeles at Ontario International, while Amazon is using San Bernardino and March airports.

“Domestic freighters are not the best use of LAX,” the source remarked.

Besides going for a multistorey structure, the plan aims to boost productivity through technology and automation. It calls for automated handling equipment, and a truck management system using artificial intelligence to be deployed to optimise truck movement to and from the cargo area. Other elements of the plan include a truck staging area and off-site cargo support facilities.

“Our revolutionary development at LAX would be the first of its kind in cargo history and would become the leading example for all future air cargo facilities,” declared David Rose, Realterm’s managing director of airport infrastructure.

While this vision may give long-suffering customers moist eyes, it should be noted that their pain is not going to end any time soon. The environmental review of the project is not expected to get under way until the third quarter of next year, and will take about two years to complete. Construction of the first phase of the project should last into the next decade.

There is broad agreement that the revamp of LAX’s cargo infrastructure is long overdue, but there could be delays. Originally LAWA had intended to embark on this project three years earlier, but it got pushed back while the airport was dealing with the modernisation of its passenger terminals and access roads and the construction of an elevated people-mover system.

Sceptics have questioned if airports and airlines will forget about the cargo focus they found during the pandemic and step back on cargo investment plans as the airfreight sector is experiencing a downturn, while passenger volume has soared. These concerns have been aggravated by the rise in interest rates.

At this point there are no official projections of the cost of the project.

“Airports should not put too much emphasis on temporary conditions,” commented airport consultant Mike Webber, a veteran on the air cargo scene. “Recession and fuel costs are a distraction for airports. The buildings will be around 24/7 for 50 years.”

Recovery from Canadian port dispute will take time

WEEKS of port disruption along Canada’s west coast was brought to heel in the first week of August, after seeming acceptance of the second “tentative” agreement.

Having rejected a compromise solution secured by Canada’s International Longshore and Warehouse Union (ILWU) leadership on 22 July, a second agreement received just shy of 75 per cent membership support to end supply chain chaos.

In a simple statement confirming the result, ILWU president Rob Ashton said: “The results of the ratification vote for the tentative agreement show 74.66 per cent in favour of accepting.”

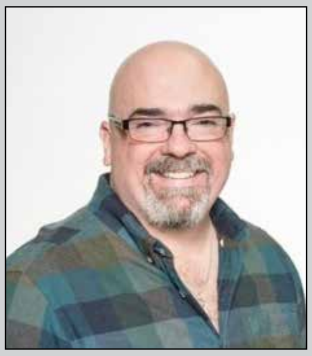
The latest proposal was secured in the dying hours of July and includes increases in both benefits and wages and training opportunities, according to details supplied by the British Colombia Maritime Employers’ Association (BCMEA).

It followed the dramatic rejection of the previous agreement, which many thought had brought an end to the labour unrest weeks ago before the ILWU membership voted it down.

Canadian labour minister Seamus O’Regan acknowledged the positive vote via social media, but has reportedly ordered a federal investigation into how the disruption, which saw ships and boxes bouncing between Canadian and US ports to avoid delays, was able to unfold.

O’Regan’s patience had clearly reached its limit, as he directed Canada’s Industrial Relations Board to determine whether the initial rejection would prevent any agreement.

He said: “If the board determines that to be the case, I have directed them to either impose a new collective agreement on the parties or impose final binding arbitration to resolve outstanding terms of the collective agreement.”



ROB ASHTON ILWU

Some estimates suggest that, at the height of the 14-day strike along the coast, there was over $12 billion worth of freight stuck at sea with no port to call home.

And the Railway Association of Canada has warned that clearing the containers affected by the strike will be anything but a quick process, citing three to five days to clear every day of the strike’s backload.

Voice of the Independent

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