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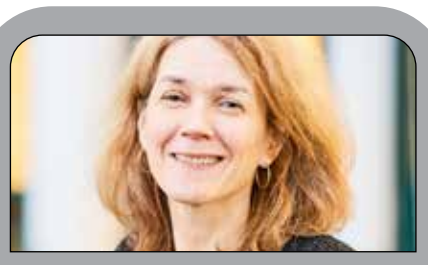
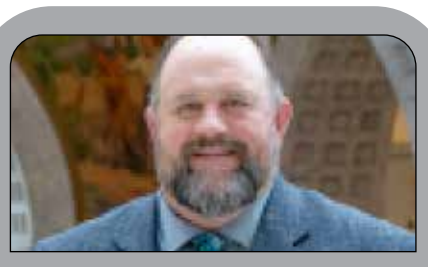




Bleak outlook for box trade as Golden Week looms

Disappointing export bookings have carriers in a less than celebratory mood

CHINA may be building up to its Golden Week holiday, but "disappointing" export bookings and an "especially bleak" outlook have carriers in a less than celebratory mood.

Joining the misery are North Europe's barge and feeder operators as well as European and US container terminal, who can now expect a "very thin" lead time after a multitude of void sailings from China were announced in response to the slim trade.

Maersk, MSC, and Zim have all blanked sailings, with MSC announcing no fewer than 11 on Asia-North Europe and five on Asia-Mediterranean from weeks 37 to 42.

The cancellations include six consecutive weekly blankings of MSC's Asia-North Europe standalone Swan loop and three of its Asia-Mediterranean standalone Dragon routing.

Maersk, which said it was "looking to balance the network in light of forecast reductions in demand and a reduced workforce to handle cargo operations", begins its blanking programme slightly later, cancelling Asia-Europe services from week 39.

This begins with its AE55 (MSC's Griffin) loop, which is scheduled to sail from Shanghai on 30 September, with its final blanking due in week 41.

> **A multitude of void sailings from China were announced**

Transpacific routings look equally hit, as carriers show the same ruthless streak, even though Asia-US trades appear somewhat more resilient. The 2M partners are taking out three headhaul US west coast sailings.

Furthermore, the Golden Week period will see the 2M and VSA partner Zim blank five voyages from Asia to the US east coast.

Compounding Zim's difficulties – after a trying first half performance – the blankings include one of its 10 newbuild LNG-powered 15,000 teu ships, which had been ordered under long-term charter specifically for the Asia-US east coast route.

Indeed, virtually all tradelanes are experiencing outward loops from China being cancelled, as the lines seek to stymy further rate erosion driven by softening demand.

That erosion was made clear in Ningbo Containerized Freight Index's (NCFI) commentary published in the second week of the month, which reported, across 15 of its 21 monitored export routes that rates had fallen, attributing this to "oversupply" and "sluggish demand".

Continued on page 3

Rates continue to head south

continued from page 1

However, even the NCFI found a silver lining, as it pointed to booming trade with India and Pakistan, noting demand "continued to rise" and that "space was tight" on some sailings.

Resultantly, this led to rates from Ningbo to India and Pakistan spiking another 12 per cent in the period covered, marking the fifth consecutive weekly increase for that trade, although it remains to be seen whether that will lift the doom and gloom surrounding container shipping.

Doom and gloom is understandable given rates continuing to fall due to weak demand during a period which traditionally should see a spike in bookings before the week-long factory shutdown.

And reports from China suggested sailings to North Europe and the US in the final week of August witnessed utilisation levels drop to 80 per cent on some export loaders, with Xeneta's XSI Asia-North Europe component averaging $1,525 per 40ft, 80 per cent down on last year.

A director of a UK-based NVOCC said the blankings had to happen or it could be expected that rates would fall "really fast, as demand is just not there this year".

"We've already seen rates kicking around in Chinese forwarding circles of below $1,000, but we think these are probably not supported and are companies chancing their arm and gambling that rates will collapse," they added.

> "The boom period of just one year ago must now seem like a very distant memory"

Transpacific carriers have imposed GRIs and, in some cases, peak season surcharges (PSSs), Hapag-Lloyd announcing a PSS on Asia to North America of $600 per 40ft.

Imposed or not, it remains to be seen whether the GRIs and PSSs will stick, but there was little sign of an impact on spot indices, with Drewry's WCI Asia to US west coast spot down one per cent, to an average rate of $2,217 per 40ft, with Asia-US east coast flat, at $3,438.

Freightos's Baltic Index also shows trouble on the transatlantic, with North Europe to US east coast spot down to $1,217 per 40ft, compared with an average rate a year ago of around $9,000.

And the long-term contract rates that carriers rely on for at least half of their business continue to head south; Xeneta's index for contracted rates fell another 7.8 per cent in August, having now dropped 63 per cent in the past 12 months.

Chief analyst Peter Sand said: "It's torrid for carriers in the contract market, with continuing weak demand exacerbated by burgeoning overcapacity as more new ships come on line.

PETER SAND
Xeneta

"This is driving down the industry's prized long-term rates, with falls across the board when we assess region by region. The boom period of just one year ago must now seem like a very distant memory."

HMM still up for sale

HMM is up for sale but Hapag-Lloyd will not be getting its covetous hands on it after South Korean regulators stepped in following complaints from national maritime bodies.

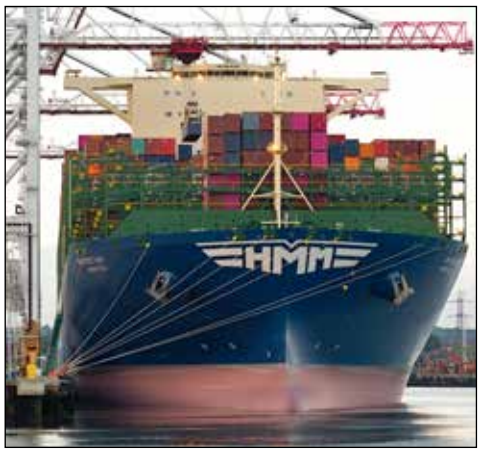
An earlier favourite to take control of the government's 57.8 per cent stake in HMM, the German carrier had appeared in poll position, not least because of it having the largest war chest, with cash balances exceeding $7 billion.

But creditors involved in the sale, Korea Development Bank and Korea Ocean Business, have seemingly heard the country's maritime community and ruled Hapag out as a potential suitor.

Those concerns came through a joint statement from Federation of Korea Maritime Industries (FKMI) and Busan Port Development Association (BDPA), which said that a sale to Hapag-Lloyd risked South Korean security.

"If we sell HMM to Hapag-Lloyd, we're concerned about the outflow of invaluable national assets," the statement noted.

"This includes our country's container transport assets, terminals and know-how accumulated over decades. We're angry that Hapag-Lloyd could even be included among the preliminary bidders. HMM is an indispensable asset to our export-oriented economy."



Having shot across the bow of Hapag-Lloyd, the statement then condemned the South Korean government of being "unaware of shipping's importance to the country".

The two creditor backs, which hold nearly 40 per cent of HMM's shares, invited bids for their stake on 20 July, but Korea Development Bank also plans to convert some of its HMM convertible bonds into additional shares, which could take the state stake to 57.87 per cent.

During the preliminary bidding stage, five prospective buyers submitted offers of around Won5trn ($3.7bn), with Hapag-Lloyd the frontrunner due to its balance sheet.

With it now out of the running, all eyes have turned towards what looks like a three-way battle between domestic logistics firms Dongwon and LX Holdings and Harim Groip, which controls Korean carrier Pan Ocean and has teamed with a private equity firm in its bid.

It is understood the carrier's creditors are keen for a sale, with due diligence now taking place on the remaining bidders in the hope of a winner being announced by November.

Representatives of Hapag did not respond to requests for comment, but one analyst suggested it was interested in a deal to preserve market share after having shown the "least aggression" in ordering newbuilds and HMM's fleet of 88 box ships offering additional capacity.

Despite being South Korea's largest box carrier, a turbulent period led to it falling under government control in a 2016 debt-for-equity swap.

Spotlight ON

Nicolette van der Jagt

The new challenge for Europe's forwarders


director general Clecat

"UNPRECEDENTED" best describes the past three years, but for director general of Clecat, Nicolette van der Jagt, focus is on the major changes set to rupture Europe's forwarding community as it steps forward into a future in which war continues to ravage the continent's borders and the impact of the pandemic continues to make itself felt.

Central in these changes is a wave of regulation, much of which is targeting the impact of global supply chains on the environment as the continent looks to meet its climate commitments.

"It is fair to say that a big challenge for forwarders is to stay ahead of what's coming and expected from business, and to be prepared for new legislation," van der Jagt tells Voice of the Independent. "European policymakers are set to support global sustainable economic growth and impose legislation requiring companies to report on social and environmental information when sourcing globally.

"Companies are faced with a plethora of new rules and regulations, which need to be implemented by companies at a rapid level, with the risk of penalties. There is a growing pressure on trade to source in a sustainable and transparent way, with new reporting standards."

Changes include liability laying with forwarders for shipments they move on behalf of non-EU-based shippers. This, van der Jagt, continues, mean they need to not only know their business but must keep abreast of changes relating to social and environmental regulations.

"An example of new legislation is the Carbon Border Adjustment Mechanism (CBAM), which seeks to address the risk of 'carbon leakage' when production is moved abroad to avoid carbon pricing," she says. "Companies importing any of the listed products into the EU will be obliged to start reporting, as of 1 October, when the transition period starts. With an official guidance just being published by the European Commission, companies have a month to prepare for implementation with outstanding questions around responsibilities, in specific scenarios, for the different actors involved when importing CBAM goods.

"This timeframe creates a disproportionate burden for economic operators to prepare in a successful and compliant manner. This is not only related to the reporting obligation itself, in terms of roles and liabilities, but also to all the resources and activities required to collect, process and submit the CBAM quarterly reports. IT adjustments will be needed in order to ensure an optimal implementation of CBAM requirements.

> "It is fair to say that a big challenge for forwarders is to stay ahead of what's coming"

"One important other challenge is the impact of changing environmental regulations and sustainability expectations to speed the greening of supply chains. Forwarders have a particular interest in the implementation of the Corporate Sustainability Reporting Directive (CSRD), especially regarding the sector-specific standards for transport. The directive will come into effect in less than six months for 50,000 European companies. While a small number of large forwarding companies will be covered by the reporting obligations under the CSRD, other small and medium-sized freight forwarders may be asked by their customers to report on the sustainability of their activities, for their own reporting. This should incentivise forwarders to implement carbon footprinting/measurement and reporting of GHG emissions from transport and logistics activities."

She warns that risks may arise through fragmentation of the different methodologies for measuring and reporting GHG emissions from transport. These include the likelihood of differing outcomes of computations, which would, in turn, create an environment in which the results are very difficult to compare.

"At a time when there is a limited uptake of emissions accounting in everyday practice, this supports the perception that carbon footprinting is complex and difficult to introduce, in particular for SMEs," she continues. "We've has been calling on the commission to make the standards more practical, reducing administrative burden. However, simplification is still necessary, especially with regards to value chain and workers (especially for SMEs in the value chain). As many SMEs will be tasked to provide data to bigger companies subject to reporting requirements (especially transport companies as their subcontractors), it is important that the EC also provides guidelines and support to SMEs, also not in the scope of the CSRD."

Nor, says van der Jagt, are environmental regulations the only big EU projects concerning forwarders, as the EU prepares for the implementation of several Union Customs Code (UCC) projects, such as the Import Control System 2 (ICS2). This – which she believes will prove to be "another challenge" for many forwarders – is an updated customs electronic import system which will manage the advance safety and security risk analysis for all goods entering the European Union. As such, shippers or their logistics service providers will need to submit EORI numbers, six-digit HS codes, and detailed product descriptions. Generally, business and governance tend to butt heads – particularly in recent years where there has been a perception of governments and legislators failing to take note of the practicalities of the sector coming under new governance. When it comes to the European Commission, however, van der Jagt believes president Ursula von der Leyen has fared better than most.

"She deserves much credit for some policies related to decarbonisation and economic security, which is key for the EU," adds van der Jagt. "Everyone is concerned about the EU's industrial competitiveness; and we note a greater role for state intervention. But at the same time, we note that not all agree on what policies are best for promoting competitiveness and what form state intervention should take. Some think that economic reshoring is essential, others –largely forwarders – believe in diversification. There are tendencies is both directions."

Although, there remain issues. While Europe has set "clear targets" in the wave of environmental legislation that has washed over the continent, van der Jagt echoes a common refrain on the manner if implementation and associated support that has been made available to businesses, with particular concern over the impact of these changes on small and medium-sized businesses that may lack the necessary war-chest to ensure compliance.

"Yes, policymakers have set clear climate targets, which have led to the wave of legislation such as ETS for road transport and CBAM," she says. "But the speed of the legislation is not going hand in hand with support to companies to allow them to comply in an easy way – so there are some clear trade-offs. And it may the questioned whether policies incentivising business would not have been more helpful for the EU's competitiveness."

Focus ON

A new AI world, but it needs a 'in the loop' approach

SARUNAS BELICKAS
Cargo Stream

"ULTIMATELY, AI is data, and there is no doubt data makes things run more efficiently," the chief executive and founder of Dronamics, Svilen Rangelov, tells Voice of the Independent (VOTI). Rangelov is tapping into an undoubted essential truth about global logistics and the flow of international goods, but data and AI sum up very different images in the minds of laypeople. One projects notions of spreadsheets, the other projects concern. Wherever on the spectrum the truth of AI falls, one thing remains certain, namely that AI, or "artificial intelligence", is at the epicentre of the present technical, even political development.

One of the companies keen to tap into this developing technological advancement is Raft, an intelligent logistics platform that automates shipment execution with the aim of helping key players in the logistics industry apply AI to their daily tasks and customer interactions. The company's chief growth officer, Lionel van der Walt, tells VOTI that "Raft addresses multiple challenges that forwarders face" and through this tool streamlines everything from "mundane tasks" like data entry and invoice processing to more complex responsibilities like preparing customs documentation and emission reports.

"Streamlining these processes results in significant time and cost savings for freight forwarders, who are then empowered to provide elevated levels of customer service – crucial to gaining a competitive advantage in today's challenging market," says van der Walt.

Of course, van der Walt and the team are not oblivious to imagery whipped up around AI. This negative imagery was further foisted on the global population in a series of letters from different groups, including the likes of Elon Musk and Apple co-founder Steve Wozniak, that warning against the threat posed and calling for a pause in the development of artificial intelligence until regulators have got a better handle on what it is actually capable of. One of these letters, released by the Center for AI safety and signed by OpenAI chief executive officer Sam Altman, along with academics and executives from Microsoft, Google and other companies, wrote that "mitigating the risk of extinction from AI should be a global priority alongside other societal-scale risks such as pandemics and nuclear war". van der Walt says that AI "is a broad field", but there are misconceptions about AI's role within the logistics sector.

"It is important to recognise that AI can be developed and deployed in numerous ways that benefit both the industry and humanity," van der Walt continues. "At Raft, we have always believed in the indispensable value of human interaction, and as such we have adopted a 'human in the loop' approach to our solutions. Our approach is to complement and elevate human experiences and expertise, rather than overtake it.

"The transformative role AI plays in the supply chain is undeniable, going far beyond saving money or improving efficiency. By automating mundane tasks, it liberates front line and back-office employees to engage in more value-driven and enriching activities like knowledge sharing, cultivating robust relationships with both external and internal stakeholders, and focusing on specialised roles such as regulatory compliance. Additionally, AI introduces a new standard of accuracy, transparency, and efficiency, empowering forwarders to achieve customer service excellence previously deemed unreachable."

> "Streamlining these processes results in significant time and cost savings for freight forwarders"

Certainly, the world's larger logistics players are not particularly concerned with the role of AI in improving efficiencies within supply chains. Maersk announced in mid-July that it was implementing an AI-enabled robotic solution in its new East Midlands UK warehouse. Designed by US firm Berkshire Grey, the Robotic Shuttle Put Wall system is intended to "automate and enhance and accelerate the warehouse operations in the 685,000 sq ft facility significantly". According to Maersk, the system can sort orders three times faster than manual systems and improve upstream batch inventory picking by up to 33 percent while also handling 100 percent of the typical stock keeping unit assortments, order profiles and packages.

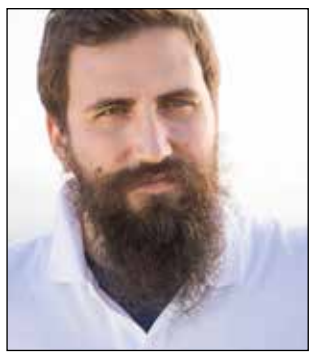
Chief operating officer at Cargo Stream Sarunas Belickas says that in some cases logistics-focused AI offerings are reflective of the hype that engulfed blockchain, noting that "investors are throwing money at anything that says 'AI' now," but while cautious Belickas notes that amidst the noise there are very real opportunities for deploying AI in the logistics sphere.

"There are use cases; for example, it could improve visibility," he says. "People will perhaps not need to scroll and review every order –AI could do this, say in a case where a shipment's ETA has increased. If it is a dramatic case, AI could identify this and draw the user's attention to it – or, dismiss it if it is not a major concern. Also, perhaps not every bill of lading needs to be filled out manually. It is possible that AI could do this. We are planning to use AI for communication."

Indeed, Amsterdam Airport Schiphol was very proactive in deploying AI, having been using a system developed by the Smart Cargo Mainport Program since October 2021 to nominate a forwarder for the handling of shipments before flights arrived. Previously, this task had been carried out by ground handlers leafing through paper documents. Schiphol cargo partnerships director David van der Meer says within four months accuracy had hit 99 percent and would continue to improve.

"The system informs the forwarders and airline customers earlier about expected arrival of shipments," van der Meer says. "It will have an effect on customer service to forwarders and the consignees. Automatic nomination is also a pre-condition to improve the planning of the pickup of shipments and improve the security of the cargo flow. The system is based on a self-learning algorithm. The more data that becomes available, the higher the system's performance becomes. If the system is not able to perform a nomination, staff of the handler will need to input this manually into the system. The system will learn from this and will be able to perform more and more nominations automatically."

From Rangelov's perspective, it is no surprise to see logistics turn to AI, and particularly the aviation sector, which he considers to have been a "pioneering industry" in the use of what he terms "proto-AI tools", namely autopilot systems – a fact he says brings an additional layer of safety for those concerned by the rise



SVILEN RANGELOV
Dronamics

Technology

'human

of artificial intelligence because aviation is "resistant to current AI adoption due to stringent safety regulations".

"The data-centric nature of aviation, especially in autonomous flight, underscores its reliance on extensive data collection," he continues. "Ultimately, AI is data and there is no doubt it makes things run more efficiently. Each flight test results in lots of data that allows us to recalibrate. Every taxi run and flight contributes to refining aircraft and flight plans. A lot is said about AI replacing people, but for now, our flights are led by experienced commercial pilots, it's only the cockpit that is no longer in the air but on the ground. In the future, they'll be able to remotely control more flights through previously set flight plans, but their role continues to be key."

Given its potential future importance, how can AI help the small and medium-sized forwarding community? van der Walt believes that in what is fast becoming an increasingly complex world of logistics, using new technologies is a necessity, in order to compete in the market. AI, in particular, he says, is driving new ways of working by helping to make sense of the diverse unstructured data that sits across an operation, and by enabling automated processes and workflows across the entire shipment lifecycle.

"We are seeing more forwarders choosing digital platforms that offer a wide range of automation and optimisation tools in order to maximise the value of this technology along the depth and breadth of their business," van der Walt continues. "What we have learned is that forwarders prefer holistic solutions versus numerous disparate solutions automating different areas of the shipment lifecycle, such as accounts payable, customs entry preparation, warehousing, or booking confirmations – they get the greatest value from one solution that can address all of these aspects in a cohesive manner."

Imperative to this though is sourcing a digital platform that seamlessly integrates with a forwarder's existing tools and third-party systems. This, van der Walt says, is so as to avoid issues with interconnectivity. In citing a platform with strong integration possibilities, he points to the Raft platform as an example of something seeking to seamlessly link in with existing systems, noting that it acts as a layer on top of its customers' systems and integrates with most common systems and tools used in daily freight forwarding operations, including TMS, ERP systems, payments systems and emissions calculator tools. Systems synchronisation is integral for making the entire shipping process more efficient and visible.

> "AI can create efficiencies and save costs within the supply chain"

"AI can create efficiencies and save costs within the supply chain by eliminating outdated and cumbersome manual processes that often lead to delays or errors," he continues. "For example, Raft's solution embeds AI into workflows and standardises diverse data inputs – including email content, EDI, or API – in order to drive lower-touch shipment execution and automate tasks which would otherwise require high levels of manual, time-consuming, intervention. Alongside this, Raft also centralises communications and workflows, enabling users to effortlessly collaborate directly on the platform. For instance, team members can tag their colleagues, maintain a clear audit trail and receive timely notifications to ensure a streamlined workflow where nothing slips through the cracks."

Supply chain technology developments extend far beyond AI, though. In fact, AI sits within a broader field of supply chain digitalisations, which appears to have finally tipped beyond the point of being optional – many in the sector seemed keen to retain old ways of doing things – but as the world became more and more digital, it was inevitable that the logistics scene would have to divest itself of outdated modes of doing things.

"You only need to look at how digital telecommunications and, as a result of it, e-commerce have impacted our way of life - we expect products to get to us faster, cheaper," says Rangelov. "Digitalisation is no longer about staying competitive, it is about staying relevant to consumers."

van der Walt concurs, noting that this shift was in large part down to the availability of tech to forwarders – which continues to develop at pace – had made digitisation possible and resultantly meant that digitising operations was quickly becoming an issue of necessity. As he looks to the future of the forwarding scene, he sees it being "closely intertwined" with other technological advancements, not least the one close to his heart, as he says this symbiosis is "especially" true of AI.

"For example, with stricter emissions-reporting regulations coming into play across the globe, it will be extremely challenging for forwarders to provide accurate data in the correct format, in a timely manner, without using technology," he says. "Moreover, the benefits forwarders can glean from digitalisation – greater efficiency,

transparency, accuracy and the ability to achieve levels of customer service excellence previously deemed unreachable – mean those who do not embrace it risk being quickly outpaced by competitors. In addition to these reasons, digitisation is also becoming increasingly affordable and accessible. This makes it a more viable option for businesses of all sizes."

This focus on AI is not myopic though, with van der Walt very aware of other advancements that look set to reshape the industry, pointing to developments in robotics and automation, 5G, cloud-based solutions and the development of 'digital twins'.

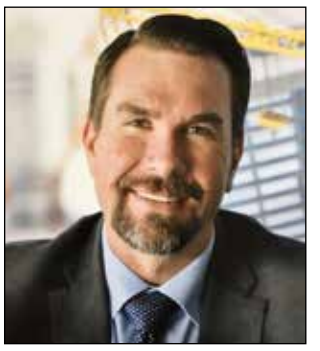
"Robots are being used to automate tasks in warehouses, factories and transportation," he says. "This is helping to improve efficiency and accuracy and reduce costs. 5G is providing faster and more reliable connectivity, which is enabling new applications in supply chain management. For example, 5G can be used to track shipments in real time, and to control robots and drones. Cloud-based solutions are making it easier for businesses to manage their supply chains. These solutions offer scalability, flexibility and security, and they can be accessed from anywhere. A digital twin is a virtual representation of a physical object or system. This technology can be used to simulate the performance of a supply chain, and to identify potential problems before they occur."

Is there anything else? Rangelov may have one: drones. And as with AI, drones offer the biggest opportunity for a new, transformative technology to completely disrupt the industry. Up to this point, the reality of drone usage in logistics has largely been minimal, but Dronamics hit a first earlier this year, becoming the first cargo drone airline to obtain IATA and ICAO designation.

"The cargo drone solution we have developed at Dronamics supports on-demand shipping by enabling businesses to reach customers up to 80 percent faster, 50 percent cheaper with 60 percent less CO2 emissions," says Rangelov. "We establish direct point-to-point routes, challenging the traditional hub-and-scale model, which means goods travel less miles, get to their destination quicker, all of which supports decentralisation too.

"Our vision is for a future with faster, cheaper and cleaner air cargo. Our mission is same day delivery for everyone, everywhere. Connecting businesses and communities in the most remote and underserved corners of the world through advanced drone logistics. Why? Because reliable and rapid logistics can boost economic growth and improve quality of life."

Concluding, van der Walt notes that "these are just a few of the trends that are shaping the future of the supply chain. As these technologies continue to develop, they will have a major impact on the way we manage our supply chains".



LIONEL VAN DER WALT
Raft

Relief for UK exporters as customs switch is deferred

LOGISTICS providers breathed a sigh of relief as the UK tax authorities relented on their determination to push through changes in post-Brexit export processes in one swoop.

HMRC announced at the end of September that it had "listened to industry leaders" and was implementing a phased adoption of the new Customs Declaration Service (CDS), although forwarders claim the tax body's hand was forced.

"It claims its decision came after listening to industry feedback, but I would respectfully suggest otherwise," the forwarder said.

"But it's in response to slow development of a sound operating system for the inventory-linked locations [ports and airports with systems linked to HMRC] that forced it. There were still issues of operating through non-inventory locations but appear to have been addressed."

With operations through non-inventory locations "well" into the beta testing stage, it has become possible to begin the migration to CDS, but sources said this could not be instant.

Resultantly, HMRC director of border change delivery Sarah Hartley said: "Those businesses that have the IT functionality in place are still able to move across to CDS by Thursday 30 November, ahead of the majority that will now migrate to CDS at the beginning of 2024."

> "CDS has been a long time in the making"

High-volume declarants able to meet November, will be contacted by HMRC or its software developer to assist in the switch, with remaining exporters assisted from the start of 2024.

As industry responded positively to the decision, a spokesperson for BIFA noted that while the timeframe remained "quite short", industry at least now had some clarity: "CDS has been a long time in the making, and there have been many changes in the implementation timetable.

"This revision to the deadline is quite short and any business must continue to work towards transitioning to CDS, as a large proportion of BIFA members are already doing."

CDS replaces Customs Handling of Import and Export Freight (CHIEF) as the UK's exports platform, as it did for UK imports last year, and the initial intention was it would come online on 31 January this year, before being pushed back to November to allow for more testing.

One source said the decision to phase it in for exports was tied to continual outages and messaging faults after HMRC forced through the September 2022 deadline for imports.

Sources speaking at the time said industry nor the software houses had been afforded adequate time to ensure the CDS system was ready and able to handle the scale of declarations coming its way when it was switched on for imports.

Chair of the Association of Freight Software Suppliers Steve Bartlett said he and his members "fully supported" the revised timetable for the transition for exports.

He added: "This moves away from seasonal peak and allows more focus to help customers migrate to NCTS5 in November. We thank HMRC for the continued collaboration and consultation with us, to ensure a successful completion of the CDS journey for everyone."

Regional markets demand more P2F conversions

CARGO demand may be on the decline, but the first half of 2023 saw robust growth in freighter conversions to service regional airfreight markets.

Chief executive of Taby Air Maintenance Pär Gulle (below) said, based on current negotiations, he was expecting 10-12 new orders over the next 12 months for Taby's high-speed SAAB 340 and 2000 freighters, developed in partnership with Miami-based Jetstream Aviation Capital.

"We see a continued high demand for cargo conversions of the SAAB 340; we've completed three dozen to date, as well as the first SAAB 2000F due for delivery soon," said Gulle.

"Even though air cargo demand at the moment might be weaker, our view is that the market has always been buoyant, and the current dip is just that, a dip. Our projection is that the market for regional cargo aircraft – feeders – will remain high."

Analytics firm AviationValues shows that of 76 SAAB 340 transactions since 2020, Jetstream was the largest second-hand purchaser, having bought 14 in the period.

It also shows 162 of the aircraft in active service and a further 62 in storage, noting that the present market appeared to be pointing towards growing interest in converted 340Bs and the 340B+.

In a statement AviationValues noted that "the 340B+ retains some significant passenger operations in Australia and North America".

But Gulle said that in the post-pandemic decline in airfreight, bottlenecks had been causing problems throughout the aviation industry after-market, with Taby affected by issues related to sourcing of alternative suppliers as others warned of increased lead times for conversions.

Grim picture for ocean carriers painted by Q2 numbers

2023's second quarter represented a decidedly mixed bag for the world's box carriers, with the likes of CMA CGM and Cosco bucking the trend as rivals sailed into red ink.

CMA CGM was first out of the blocks, setting the pace as it reported $1.3 billion in net profit for the three months to July, with announcements of sustained profitability from Maersk ($1.29 billion) and China state-owned Cosco Shipping ($1.2 billion) hot on its heels.

XAVIER DESTRIAU
Zim

While all three carriers may have remained in the black, their performances were well short of the major gains they made last year.

Group revenues at CMA CGM plummeted 37 percent for a 73 percent reduction in ebitda, to $2.6 billion, with its liner revenue falling 48 percent, to $8.4 billion, after transporting a flat volume of 5.6 million teu, 11.5 percent up on Q1 liftings amidst a rebound in some trades.

The carrier said: "Volumes remained buoyant on the north-south lines, but transpac and Asia-Europe were hit by slowdown in household consumption and dealer inventory drawdowns."

Given the difficulties arising from uncertainty over what exactly is happening with the global economy, Maersk warned that the "robust" second quarter was not a sign of growth, and added that the best case would be for 2023 to be a year in which it broke even.

Chief executive Vincent Clerc said: "The Q2 result contributed to a strong first half of the year, where we responded to sharp changes in market conditions.

"These were prompted by destocking and a subdued growth environment following pandemic-fuelled years. As we enter the second half, we face the challenge of reduced volume growth expectations, combined with expected new vessel delivery and higher capacity in the market.

"So far, the market has absorbed the capacity with better network planning and slow steaming, yet we are on the look out for supply side risks."

Maersk's Q2 turnover fell more than 50 percent from last year's $27.7 billion, to $13 billion, for an ebit of $1.6 billion and a net profit of $1.5billion, versus the $8.6 billion hit in Q2 22. Of this, ocean contributed $8.7 billion during the quarter.

Cosco stood as the only carrier to have really bucked the trend and improved its sequential operating margin in Q2, going from 20.3 percent in Q1 to 27 percent.

Alphaliner noted this was in part down to Cosco Shipping, which includes OOCL, managing to cut operating costs by a huge 37 percent in the first six months of the year, compared with its costs in the first half of 2022.

> "The Q2 result contributed to a strong first half of the year, where we responded to sharp changes in market conditions"

The drive included a 55 percent saving in equipment and cargo transport, likely serving as the envy of its peers, as they too look to slash operating costs.

Still all these can claim to have experienced a markedly better time of year than Yang Ming and Zim, smaller carriers seemingly struggling to offset the downturn as they fell into the red – Yang Ming recorded a $4 million loss in Q2.

But it is the Israeli carrier that has fallen hardest, reporting a $213 million net loss for the three-month period, almost four times the $58 million loss recorded in Q1.

VINCENT CLERC
Maersk

Despite this, chief financial officer Xavier Destriau remains circumspect: "As the year has gone on, our view on what we hoped would be a H2 pick-up changed, and we have re-evaluated full-year expectations," he told Voice of the Independent.

That re-evaluation has seen Zim change its guidance, declaring it is now expecting full-year ebitda of $1.2-$1.6 billion, and an ebit loss of between $500-$100 million.

Commenting on the about-face, Destriau added: "The confidence we had has been replaced with conservatism as, without the peak, our hoped-for average freight rate looks unlikely to materialise – and a month ago, we took this profit warning to the market."

'Stagnant' the kindest word for today's airfreight markets

CARGO throughput across Europe's main airfreight gateways continues at well below pre-pandemic levels as stagnant appears the kindest word to describe the sector's present state.

The continent's largest gateway, Frankfurt, recorded a 2.3 percent bounce on last year, hitting 164,503 tonnes in July, but this was still some way off the 178,000 tonnes that the airport said had been the "July average over many years".

"Like the whole industry, we're impacted by continuing overall economic slowdown. This is clearly reflected in July's cargo figures," a spokesperson told Voice of the Independent.

"Regarding PAX, we see further growth this year, which boosts belly capacity, but it remains challenging, because in addition to continuing shortage of personnel at numerous service providers, operational restrictions – such as airspace closures – continue to challenge us."

The spokesperson added that volumes returning to pre-pandemic levels was dependent on economic recovery, noting "we are unable to forecast with any certainty when this is likely to happen".

Similarly, London Heathrow managed to pull off an even bigger gain, of 4.4 percent, on its July 2022 result, handling just shy of 115,000 tonnes, compared with 110,044 a year earlier, although this was still markedly (12 percent) down on its July 2019 figure of 130,589 tonnes.

While both Fraport and Heathrow could show a bump against last year, Amsterdam Schiphol could not even do this.

July cargo throughput dropped 5.5 percent, to 113,537 tonnes, compared with the 120,131 tonnes that passed through its doors in July 2022. North America proved its worst lane, down 21.2 percent year on year, to 19,278 tonnes.

Although, Schiphol did find a positive, as its Asia trade showed some uptick, a 2.1 percent spike on last year, handling 42,167 tonnes.

As for Leipzig/Halle Airport, the year-to-date has proved surprisingly at odds with the wider continental phenomenon, as its year-on-year performance has been markedly weaker than the rest, handling nine percent less in July than it did in 2022.

And January-July numbers look equally poor, down 10 percent against the same period last year but at 802,303 tonnes, it was 12 percent up on January-July 2019.

Commenting on its latest figures, a spokesperson for the German gateway told Voice of the Independent that the decline to 114,600 tonnes was one that "reflects the general global economic slowdown".

Despite the unsettled feeling within the European airfreight community, Lufthansa Cargo has sought to push ahead with the expansion of its intra-Europe network.

It said adding more services from its Frankfurt hub was part of its long-term goal "to build a European same-day and e-commerce network, and thereby establish Lufthansa Cargo as the leading European cargo airline and service partner in the market".

It added: "Complementing our B777F and belly capacity, we can now offer even shorter transport times within European and to selected medium-haul destinations."

Lufthansa now offers more than 50 weekly flights on a schedule including direct connections between Frankfurt and Istanbul, Birmingham, Dublin, Tel Aviv, Cairo, Malta, Milan, Larnaca, Athens, Copenhagen, Algiers, Madrid, Casablanca, Algiers, Tunis and Yerevan (Armenia).

A spokesperson told Voice of the Independent: "Our destinations are constantly being optimised.

"E-commerce and same-day are relevant segments in this market, but they're complemented by typical airfreight goods such as spare parts, pharmaceuticals and high-tech equipment – partly feeder shipments for long-haul and partly intra-European cargo."

Insights IN

Seafreight – comment by Mike Wackett

More congestion please

NEWS that the Panama Canal draught restrictions will stay in place for at least the next 10 months will have containership managers pulling their hair out at the continued load utilisation reductions for Asia-US east coast transits.

However, ocean carrier senior executives will grin and bear the operational disruption caused by the acute drought conditions impacting the waterway, whilst behind closed boardroom doors the execs may be quietly coveting an increase in canal transit curbs.

If carriers learnt little else in the pent-up demand years following the pandemic lockdowns, it is that most forms of supply chain congestion take out capacity and result in a spike in freight rates.

Those supply chain chokepoints may be due to labour disputes at the port, landside or vessel berthing congestion, equipment shortages or simply an unexpected surge in demand.

Indeed, at the peak of supply chain disruptions on the transpacific in the spring of last year, when over 100 containerships at any one time were at anchor, often for weeks at a time, either in the San Pedro Bay, or held 100 miles off the Los Angeles ports complex, analysts estimated that the delays were soaking up between 10 per cent and 15 per cent of global cellular capacity.

I recall that one of the earliest lessons, in preparation for my Institute of Chartered Shipbrokers exams some years ago, was on the law of supply and demand and how the product cost, be it the daily hire rate for a ship, or ocean freight rates on a particular tradelane, was impacted by shortage or by oversupply.

> 'Carriers have been on a slippery slope of falling revenues and rising operating costs'

The liner history books will one day tell us that the unique Covid lockdown phenomenon sent the supply chain totally out of kilter, to the extent that when demand did unexpectedly roar back, supply was compromised by containers and ships being in the wrong places.

Thus, the law of supply and demand came into play with a vengeance – freight rates sky-rocketed, with desperate shippers prepared to pay even higher transport costs in the form of premium fees just to guarantee equipment availability and thereafter to avoid their containers being rolled from sailing to sailing.

A year on from the first Covid lockdowns, and just when there were signs that supply chains were starting to normalise, a black swan event occurred that stymied the supply chain for months to come.

That was of course the 20,124 teu Ever Given managing to get itself wedged in the Suez Canal on the morning of Tuesday 23rd March 2021 while part of a northbound convoy. The miscreant vessel completely blocked the main artery from Asia to Europe for six days, holding up an estimated $10bn of trade every day.

The knock-on effect of this cargo blockage at North Europe's container terminals was long-lasting; they were overwhelmed by heavy exchanges of boxes on bunched-up ships, creating a vicious circle of port congestion, landside delays and haulage shortages.

Unsurprisingly, freight rates that were showing signs of easing back slightly prior to the Ever Given incident exploded once again, through the 2021 peak season and into 2022, meaning more millions and then billions of profits for carriers' shareholders.

The huge circa-1000 per cent leap in freight rates from Asia to Europe and the US, compared with pre-pandemic levels, contributed to spiralling inflation, which indirectly resulted in the next series of unexpected events that brought the supply chain to its knees again in the first half of 2022: industrial

MIKE WACKETT FICS
Sea Freight Consultant

action by dock workers striking to secure cost of living wage increases.

It was not until the late summer of 2022 that the striking dockers in North Europe were pacified with inflation-beating wage increases, thereby helping to free-up congested box terminals.

And, at roughly the same time, demand began to slump as a consequence of consumers facing a cost of living crisis, aggravated by a series of 'sledgehammer to crack a nut' interest rate hikes by central banks to combat high inflation.

Since then carriers have been on a slippery slope of falling revenues and rising operating costs, exacerbated by their gung-ho newbuild tonnage orders, made during the pandemic boom period, starting to hit the water.

It follows that ocean carrier CEOs and CFOs may not be adverse to another wave of supply chain congestion to support their under-pressure business plans.

Port of Barcelona eyes trade boost with India

PORT of Barcelona is organising a trade mission to Mumbai between 16 and 18 October as it looks to increase trade between India and Europe.

The mission, which aims to tap into the Maritime India Vision (MIV) 2030, has at its centre the India-Spain/Catalonia New Business Opportunities conference, which will take place on the first day of the trip at Mumbai's Taj Mahal Hotel.

The port told Voice of the Independent: "Barcelona is presented to Indian companies as the southern gate to access the European market and the distribution platform for the Mediterranean and North Africa.

"Port de Barcelona, one of the most productive in Europe according to an analysis by the World Bank and S&P Global, offers high-capacity interoceanic lines with America and Asia that allow it to act as an exchange hub with the markets of Central and South America, an aspect that offers very competitive alternatives to Indian logistics operators."

Running alongside the conference will be a series of technical seminars looking at the current customs procedures between the two countries, as well as efforts to innovate and create smart ports. Furthermore, training opportunities will be discussed in a programme supported by the Mumbai Chamber of Commerce, the Federation of Freight Forwarders' Associations in India, and Port of Mumbai.

"This trade mission will ease high-level institutional contacts with the goal of improving collaboration between ports," the port added.

"Port of Barcelona aims to leverage the MIV 2030, which, in the short and medium term, will have capacity to develop faster and more competitive logistics chains and gain access to European and Indian markets under very advantageous conditions."

As Spain's leading gateway, Barcelona is responsible for 23 percent of the country's maritime trade, in terms of value, boasting 100 direct services to 200 ports on five continents.

Currently, four regular shipping services connect the ports of Mumbai and Nhava Sheva with Barcelona. And with traffic of close to 2.3 million tonnes a year and 131,000 teu, India is the second commercial partner of Port of Barcelona in Asia.

US inland port development maintains momentum

THE US state of Utah is looking to draw in more ocean containers after the directors of the Utah Inland Port Authority (UIPA) unanimously decided to build a fourth inland port in Box Elder County.

In addition to easing congestion and improving cargo flows, the plan aims to leverage rail infrastructure to create new industrial spaces

"With a focus on light industrial, aerospace, composites, food manufacturing, steel-related industries and more, this project area is set to attract hi-tech advanced manufacturing jobs and create a thriving economic focal point," declared Box Elder County commissioner Stan Summers.

The UIPA has been on a roll in recent years. To alleviate congestion at their clogged-up terminals, the ports of Long Beach and Oakland entered into strategic collaboration agreements with the organisation in 2021.

Cargo owners have also looked to inland ports to avoid seeing their cargo stuck at ocean gateways. Two years ago, retail chain Canadian Tire acquired a 25 per cent stake in Ashcroft Terminal, an inland port about 300 km from Vancouver, served by both Canadian Class I railways.

In recent years, inland ports have come to be viewed as relief valves for container ports to free-up space on their congested docks, but this does not necessarily result in shorter delivery windows to consignees.

During the pandemic some clients pulled freight from gateways rather than inland ports to get their cargo earlier," noted Paul Brashier, vice-president drayage and intermodal of ITS Logistics.

When the port congestion was at its worst, forwarder Team Worldwide stepped up its transloading activity and trucked containers from ports to speed-up deliveries, reported Bob Imbriani, senior vice-president international.

"Using inland ports alleviates congestion at gateways, but the challenge is to get there. You need rail, and there are still significant problems there," he said, pointing to the Class I carriers' poor performance record of recent years.

Over and above the service levels of the rail carriers, there have been issues with chassis availability at inland ports. The shortage of chassis has been a bane for cargo owners and forwarders in the US, and the problem is worse at inland ports and rail heads, Imbriani noted.

> "This project area is set to attract hi-tech advanced manufacturing jobs and create a thriving economic focal point"

Chassis shortages are partly due to an overall shortage of equipment, and partly because chassis are sitting idle in some areas, while others can't get enough.

"There's usually less inventory at inland ports," Imbriani said. "There are no chassis used to get boxes from the port to the inland port."

Forwarders and consignees have been hit with demurrage charges by ocean carriers if they could not pick up a container from an inland port within the free window as a result of problems at the railways, Imbriani said. For moves from overseas origins to inland points in the US, the ocean carriers determine the rail and chassis providers, but they do not control the equipment, which leaves consignees in no-man's land when it comes to disputes over such charges.

"If the line delivers to door, it usually assumes responsibility; otherwise, if a shipment goes to an inland port, there is no straight responsibility," he said.

Both he and Brashier have noticed an increase in the use of inland ports as congestion eased and consignees found themselves inundated with inventory.

"Some customers are in less of a rush to pick up cargo directly from the port, so they let it go to an inland port," Imbriani said.

STAN SUMMERS
Box Elder County

There isn't a clear pattern which sectors of industry are more inclined to use inland ports than others; it comes down to the destination, the urgency of receiving the shipment and the port, he remarked.

In any case, inland ports have not lost any momentum during the pandemic, or since its repercussions abated. The UIPA is not the only body that is bent on further development of such facilities.

Several contenders in the St Louis area have signalled ambitions. America's Central Port (ACP), a 1,200-acre multimodal site for business and industry that hosts over 75 manufacturers and other businesses, has secured funding for the rehabilitation of a 50,000 sq ft building, constructed in the 1940s, for laying a 2,500 ft rail track and an expansion of its cargo dock.

In addition to service by several Class I rail carriers, ACP boasts regular barge traffic.

Some 30 miles south of St Louis, the Kaskaskia Regional Port District, which contains the 15th largest inland port in the US, is planning a $20 million terminal upgrade that includes a second rail loop and a new railyard.

On the East Coast, Georgia Port Authority (GPA) has been an avid champion of inland ports to move cargo from the docks at the port of Savannah. It is adding to this drive with a new inland port near Gainesville that will be able to handle 60,000 containers a year. Construction is slated to kick off early next year, with a view to opening for business by the summer of 2026.

More is on the horizon. GPA has acquired a 200-acre parcel of land in west central Georgia. The site is located close to a rail artery and two interstate highways.

The GPA is emphasising the sustainability benefits of using inland ports.

"Moving more cargo by rail eases interstate traffic and reduces the carbon footprint of the state's logistics industry by making the most efficient use of Georgia's logistics infrastructure," commented GPA executive director Griff Lynch in May, after the authority had obtained environmental approval for the Gainesville project.

With 60,000 boxes moving to rail and a round-trip truck route of 602 miles, the new inland port should result in around 36 million fewer truck miles a year. By 2054, this should cut 1.6 billion tons of CO2 emissions, he said.

Voice of the Independent
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