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Oil producers at COP28 under fire from shipping and airfreight

Concerns for air and ocean carriers over endeavours to reach net zero

ALTERNATIVE fuels are coming under increased scrutiny following the COP28 summit, with concerns for air and ocean carriers alike over their endeavours to reach net zero by 2050.

For ocean carriers, the climate conference – attended by political and industry leaders – also represented a chance to burnish their climate credentials, with the heads of Europe's major shipping lines acting in concert, issuing a joint statement demanding more of the IMO.

"Our collective responsibility for a sustainable future and clean practices is paramount," said Hapag-Lloyd CEO Rolf Habben Jansen.

He said a regulatory framework, with clear targets, was "crucial to accelerating introduction of alternative fuel", with carriers seeking standardisation of well-to-wake over tank-to-wake emission measurements in regulation and communication.

This would ensure fossil majors were unable to 'greenwash' fossil fuels by converting them into grey/brown hydrogen at equivalent or greater carbon cost.

Given this year's iteration of the UN-led event focusing almost exclusively on carbon, it was perhaps inevitable that carriers would arrive with oil producers in their sights, but fossil fuel players were seemingly unphased, arriving in abundance.

> "Our collective responsibility for a sustainable future and clean practices is paramount"

Indeed, with the exception of Brazil (3,081) and host state the UAE (4,409), lobbyists for the pariah sector accounted for 2,456 attendees, according to one report.

Resultantly, the push by the ocean majors to hold them in check will likely be welcomed by environmental campaigners who, reportedly, said the number of fossil fuel lobbyists was "beyond justification", signalling an attempt to push an agenda at the expense of the planet.

Another measure pushed by carriers in their statement was a greenhouse gas (GHG) pricing mechanism, or 'green balance fee'.

The idea – reflecting an International Chamber of Shipping proposal for an IMO Maritime Research Fund – would apply a levy on the cost of fossil fuels equivalent to the cost of new zero- or low-emission fuels, and direct the money toward research and development.

Maersk chief executive Vincent Clerc said: "This would close the gap on fossil and green fuel and ensure the green choice is easier to make for our customers and consumers globally".

Continued on page 3

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CONSIDER IT DONE

Box ships divert to the other canal after restrictions at Panama

CARRIERS are capitalising on the worst drought to hit Central America in more than half a century, with Cosco and Hapag-Lloyd joining those imposing Panama Canal surcharges.

But with low water levels continuing to hamper trade flows and the Panama Canal Authority upping its restrictions on the waterway, more box ship carriers are looking to divert vessels through Suez in an effort to avoid costly delays.

Maximum vessel draught permitted to now transit the canal has been reduced from 14.9 metres to 13.4 metres.

Furthermore, the number of daily transits has also been cut, to 22, with expectations that this will be reduced to 18 no later than February, well beneath its designed capacity of between 34 and 38 vessels transiting each day.

"This service has seen 21 vessels omit the Panama Canal entirely"

Amidst this, Hapag-Lloyd has said it would, from 1 January, be charging $130 per teu, with Cosco setting its own Panama Canal Low Water Surcharge of $255 per teu.

While near enough double the charge of the German carrier, it still finds itself below the $297 per teu surcharge that MSC is set to introduce by the middle of the month, indicating the continued tendency of carriers to take advantage of situations beyond their control.

First out of the gate when it came to levying surcharges due to Panama's low waters was CMA CGM, in the penultimate week of November.

The French carrier, the world's third-largest shipping line, said the series of reduced capacity measures introduced by the waterway authority this year – and forecast to continue into 2024 – were pushing up its costs.

"The lack of precipitation over the summer has forced the Panama Canal Authority to reduce the number of vessels transiting a day," it said in an advisory.

"As a consequence, by 1 January, booking windows for transiting the canal's neopanamax locks will be reduced by 30 per cent. These restrictions, combined with an increase in the canal tariff implemented earlier in the year, are taking a severe toll on [our] operations."

As costs mount for shippers, congestion at the Panama Canal is also seeing an increase, according to data seen by Voice of the Independent.

Low water levels continue to hamper trade flows and the Panama Canal Authority has increased restrictions on the waterway

Liner database eeSea reported at the time of writing that there were some 20 box ships waiting to transit, with nine of those at the Pacific entrance and 11 on the Atlantic side.

However, eeSea operations and forecasting analyst Destine Ozuygur said the total was actually closer to 30.

This was based on four vessels at anchor in Balboa, three at Manzanillo/Colon and two at Cristobal, although she did note that the build-up of vessels within port anchorages may be connected to carrier attempts to mitigate the PCA's restrictions.

One method she said that had become "increasingly popular" was to offload extra cargo in surrounding ports like Balboa, Cristobal, and Manzanillo, which she said meant they could "successfully navigate the load restrictions" while also rerouting some capacity.

Given the additional burdens moving goods via Panama was presenting carriers, some executives were looking to alternative routings.

Hapag-Lloyd CEO Rolf Habben-Jansen is one having said he expected increasing numbers of vessels plying the Asia-North America east coast trade to divert to Suez transits on their return trips to Asia – eeSea data seemed to corroborate these changes.

Ozuygur said: "The more outwardly dramatic, but less popular, measure for some eastbound vessels has been to reroute and skip the Panama Canal.

"Favouring the longer route back to Asia through Suez has been a consistent behaviour observed for vessels deployed on Ocean Alliance's AWE5 service, but no public advisories have brought to light any sort of official change on the service's proforma schedule.

"This service has seen 21 vessels omit the Panama Canal entirely since the beginning of these restrictions in late May, the latest being the Ever Frank on 20 November."

Ocean Alliance's AWE8 service has seen the second-highest level of diversions to Suez, and although that number so far stood at "just four", according to Ozuygur, she did note that it appeared other carriers were following suit, routing Asia-bound backhaul vessels via Suez.

She added: "In the past 24 hours, our analysts have also picked up on three vessels on The Alliance's EC1 service that will likely be diverting to Suez, due to the recent uptick in congestion – we are still working to confirm these cases through the carrier's long-term schedules."

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Alternatives to fossil fuels also under scrutiny

And, like the ICS proposal, which was subsequently amended, it would include investment in developing countries so as not to be seen as funnelling money from their shipping sector solely for the benefit of more developed economies.

Alternatives to fossil fuels have also come under scrutiny, with US special presidential envoy for climate John Kerry urging a "major focus on methane reduction".

Such push would lead to LNG-fuelled ships being placed under the microscope as, while their methane slippage is substantially below that of oil and gas production and land-based industry, slippage from the engine has still not been fully eliminated.

"major focus on methane reduction"

Methane's problem is that while emitted in far lower quantities than carbon, it is 30 times more effective at trapping heat and is considered as being responsible for 50 per cent of warming.

Concern over methane has pushed some carriers from using methanol dual-fuel vessels towards LNG, but with LNG facing its own question marks, forwarders will be left wondering which way to turn when selecting shipping providers.

And it is not only at sea that issues in selecting the right fuels are emerging, with aviation's seemingly sole hope, sustainable aviation fuel (SAF), still not available in the requisite levels.

One source told Voice of the Independent that carriers betting on SAF alone would prove folly, with refineries simply not producing it in quantities to have a "lasting impact," which the source added, rendered it little more than a "marketing exercise".

The source told forwarders to monitor total Environmental Social and Governance impacts and activities of carriers, and to select based on this rather than SAF to see any change.

This, though, has not hindered industry's efforts to ramp up the availability of SAF, with the International Air Transport Association (IATA) calling upon governments to play a role in ensuring the provision of greater quantities of the stuff.

"Despite unequivocal demand signals, the SAF production market is not developing fast enough," said Willie Walsh, IATA's director general.

"We need SAF everywhere in the world, and to that end the right supportive policies – policies that can stimulate production, promote competition, foster innovation, and attract financing must be put in place today."

Although recent research published by The Royal Society suggested there was strong reason to doubt whether enough SAF could ever be provided.

According to the report, to cover the 12.3 million tonnes of fuel demanded annually by airlines in the UK alone, would require some 68 per cent of British agricultural land being surrendered to use by fuel producers, albeit the report noted this was crop dependent.

JOHN KERRY
US special presidential envoy for climate

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Spotlight ON

Yuichi Sonoda

Shipping needs to adapt and find ways to mitigate the impact of rising costs

secretary general Asian Shipowners' Association

HAVING held the post in the past Yuichi Sonoda returned last year to take back the reins as the Asian Shipowners' Association (ASA) secretary general. During his previous stint, from 2010 to 2014, he was considered instrumental in a range of initiatives undertaken by the ASA, but returning, he found the logistics scene markedly changed.

With rates having been shunted to their pandemic-induced highs and now sinking below their pre-Covid levels, the market remains volatile... at best. Not content with one major conflict raging, 2023 saw the eruption of another that looks set to push into the new year, and both have had profound effects on supply chains. Together with that, the impact of climate change is having its own pronounced impact on the flow of goods around the world and, speaking to Voice of the Independent (VOTI), Sonoda says this is one of the big areas he has been left thinking about at the tail end of 2023.

"The recent announcement of an increase in Suez Canal toll fees, as of 15 January, has certainly raised concerns among Asian shipowners," Sonoda tells VOTI. "The Suez Canal is a vital artery for global trade, providing a shortcut for vessels travelling between Europe and Asia, but which contributes to CO2 reductions. Any changes in toll fees can have significant repercussions on the shipping industry."

The Suez Canal Authority announced in October that it would be bolstering the tolls for all large vessels transiting through the Egyptian waterway by 15 per cent, with many seeing it as something of a cash grab by the government. The waterway, which revolutionised the transit of goods globally, sits as one of the world's busiest and reportedly netted Egypt's treasury more than $2.5 billion in the second quarter of this year alone. But for Sonoda, the impact of this increase likely to be felt by shipowners in a multitude of ways.

"Firstly, increased toll fees could lead to higher operational costs, impacting the profitability of their shipping operations," he says. "These increased costs may be passed on to end consumers in the form of higher prices for goods transported through the canal. In this context, shipowners are required to fulfil their responsibility to communicate with customers, seeking their understanding for the increased cost in such a short period."

> "Any changes in toll fees can have significant repercussions on the shipping industry"

Perhaps more worrying, particularly given the decision's close proximity to the onset of COP 28 – which ran in the final week of November – is the potential for the fee to see shipowners and their customers completely rethink their movement of goods. This, says Sonoda, is not merely aimless worrying.

"The fee increase might urge some shipowners and customers to review their own supply chain and to explore alternative routes, such as the longer journey around the Cape of Good Hope, especially during their ballast voyages," he continues. "This could lead to longer transit times, increased fuel consumption, and potential scheduling challenges for Asian shipowners."

Any changes that may elongate a ship's journey in the name of saving monetary costs may, nonetheless, have an additional cost. With shipping estimated to account for three to four per cent of man-made carbon emissions, this is something carriers and ship owners will either want or, as is looking increasingly likely, be forced to consider in the near term. Whatever happens, Sonoda says it is important for the industry to think things through.

"The shipping industry needs to adapt and to find ways to mitigate the impact of these fee increases," he continues. "Collaboration and negotiations through dialogues between shipowners and canal authorities could be a means to address these concerns. Additionally, technological advancements and operational efficiencies could help minimise the financial impact of the increased toll fees."

Further uncertainty facing shipowners and shipping lines surrounds the announcement from the European Union in early October that it would let the Consortia Block Exemption Regulation (CBER) expire next April. Given that for nigh on 15 years, the CBER had exempted certain categories of agreements, decisions, and concerted practices between liner shipping companies from the prohibitions under EU law, the move to end the exemption was greeted with nigh-on universal condemnation from carriers. For many, such a move was expected, with the high levels of disruption and major price fluctuations that accompanied the pandemic. For Sonoda, though, the decision is ultimately problematic, with the CBER having provided shipping lines with legal certainty for cooperation, which, he says, aided in the enhancement of operational efficiencies without violating EU antitrust rules.

"Its expiration could change the landscape for shipping companies," he says. "Without the legal certainty derived from CBER, they will need to be more cautious about collaboration, potentially impacting their ability to optimise vessel-sharing agreements and other cost-saving measures. As larger carriers vie for market share, smaller and regional companies may face increased pressure. The CBER was still an essential tool to maximise the efficiency of liner shipping for the benefit of customers."

Sonoda says part of the problem stems from the decision not to renew being based on what he calls "flawed and incoherent analysis". To exemplify this point, he notes that while the EC relied on the supply chain crisis during Covid-19 as a reason to repeal the CBER, it was not appropriate to associate the disruption with existence of CBER as the disruption was not brought about by carrier behaviours, but by external forces.

"In the interest of time and brevity, the present paper submitted by both ASA and the World Shipping Council addresses only some of the many weaknesses that both organisations have identified in the EC's reasoning," Sonoda continues. Most important of which, he adds, is the negative impact it will have on SME forwarders. "SME forwarders often rely on partnerships and agreements with larger shipping lines to offer competitive rates and services to their customers. SME forwarders may have reduced bargaining power when negotiating terms in case 'oligopolisation' in the liner segment, where larger carriers only survive, has been further accelerated and have faced higher costs for transportation of goods, which might be passed to their customers."

Focus ON

Co-operation is key to a more r

SOMETHING of a clarion call went up around the pharma community during the pandemic, with an intense desire from almost everyone and anyone to get their hands well and truly among the fronds of what was seen as the magic money tree. But, with the pandemic very much in the rear-view mirror, that intense demand has dropped off. AGL Cargo's Jackson Campos says he is now seeing a lot of those adventurers who entered the market trundling off, as those with volumes seek players with experience to handling their precious commodities.

"Yes, everyone wanted to handle pharma during the pandemic, and I saw many good agents trying to," Campos tells Voice of the Independent (VOTI). "And this was possible because there was a growth in demand and a need for urgency. Now though, the market is waning in this sense and revenues for these adventurers has died off, as their major weak points have been exposed."

Those major weak points, as has become par of the course in pharmaceutical logistics, concern the handling of temperature-sensitive shipments and a tendency towards spoilage, particularly on the tarmac, with Campos noting the lack of dollies, trollers, and cool solutions for passive pharma waiting on the ground. He has, however, also noted another issue. Where before this issue of handling and damage to shipments had been a hot topic, the decrease in volumes coinciding with the end of the pandemic has somewhat cooled this chatter.

"Really, everything is very calm and the issue has become much more associated with problems at a local level only," he

JACKSON CAMPOS
AGL Cargo

continues. "In Brazil, there has been the implementation of a new system at Guarulhos, the biggest airport in Latin America, and it is resulting in struggles with both cold chain cargo and non-cold chain cargo. You are seeing cold chambers hit capacity, and this will likely result in at least some spoilage because cargoes are not going to be stored correctly. Nor does Guarulhos have a good structure for cold chain exports, with inadequate temperature-controlled options."

For Pharma.Aero board member Gergely Szorcsik, though, addressing spoilage has not lost any importance as far as he is concerned. Indeed, he tells VOTI that the industry has been actively grappling with this challenge by emphasising the role of logistics partners and setting higher expectations for carriers.

"During the peak of the pandemic, service quality experienced a drop due to elevated volumes and labour shortages," says Szorcsik. "However, in 2023, there has been a notable improvement. The number of temperature deviations and rejects (incidents) has decreased, signalling enhanced control over spoilage. Through continuous improvement plans, the service has not only recovered but has surpassed pre-pandemic key performance indicator (KPI) numbers. This progress underscores the industry's commitment to mitigating spoilage risks and ensuring the safe and reliable transportation of pharmaceutical products."

"everyone wanted to handle pharma during the pandemic"

Despite his strong defence of the work undertaken, Szorcsik and his colleagues stress they are not content to see Pharma.Aero rest on its laurels. Secretary general Frank van Gelder recognises that the passage of vital pharma commodities by air remains a "challenging endeavour", this he says is in part tied to the inherent architecture of the airfreight industry in contrast to the detailed requirements and associated risks.

"Nevertheless, substantial progress has been made and is ongoing," van Gelder tells VOTI. "Over the past five years, the airfreight industry has started to act as an ecosystem, a concept championed by Pharma.Aero from the outset. The increasing emphasis on digitalisation and substantial investments in this realm are beginning to yield positive results. The more digital information is shared and used in advanced analytics, the better we can identify and prevent risks, spoilage, and loss of valuable medical cargo."

Further to this, he highlights what he describes as the "significant and continuous investment" by the packaging industry, which was also playing a crucial role when it came to the issue of risk mitigation.

"Pharma.Aero observes a positive shift in the industry's approach, where collaboration between various stakeholders, including life science manufacturers, is fostering a sense of unity," van Gelder adds. "Recognising that the key to success lies in leadership and the human factor, the industry is moving closer to the pharmaceutical commodity. As medical technology evolves, the impact of errors becomes more profound, making collective vigilance and cooperation imperative for success."

For SME forwarders, the work being done by the likes of Pharma. Aero and the carriers has been, unsurprisingly, widely welcomed. Allan Bach Christensen, of Quick Cargo Services, says he has seen a concerted effort within the sector to address spoilage.

"The more airlines being CEIV certified and creating specific products for pharmaceutical shipments seem to have minimised the risk of mishandling," Christensen tells VOTI. "Airlines and their terminals have improved their processes, and in that regard increased their handling costs. The increased costs also allow the customers to increase requirements for handling, so this goes well hand in hand."

One carrier that positions itself at the forefront of this push to improve pharma handling standards is Etihad Cargo. This has seen the Abu Dhabi-headquartered carrier expand its pharma storage capabilities and launch what manager of Global Cool Chain Solutions Fabrice Panza describes as a "state-of-the-art" cool chain facility at Abu Dhabi Airport. That facility has doubled its capacity, allowing it to accommodate an additional 50,000 tonnes of cool chain commodities, including pharmaceuticals and life sciences products.

"Etihad Cargo sought out and achieved IATA CEIV Pharma certification to address the risks associated with maintaining the appropriate temperature range and integrity of products, Panza tells VOTI. "And the pharma hub supports the growing global healthcare and life sciences demand. We are also working more closely than ever before with partners to more efficiently manage pharma logistics, so we can create a more robust pharma ecosystem."

"We will see another tightening of the regulations, with all medical devices and accessories also to be included"

In Abu Dhabi, this has meant the carrier working closely with the Department of Health, Customs, the police, ground handling partners and freight forwarders to launch initiatives such as the Pharma Corridor 2.0 – a fully compliant origin-to-destination pharma air corridor – and dedicated long-term storage areas.

Panza adds: "We have enhanced our IATA CEIV Pharma-certified PharmaLife product, so our partners and customers can be confident their temperature-sensitive pharmaceutical products are being shipped reliably. For example, we are exploring the utilisation of artificial intelligence to improve forecasting and automation to enhance our current capacity and capabilities to support the sector's growth. We have also recently announced the launch of dedicated thermal covers, which are helping Etihad Cargo to mitigate environmental risks during the transportation of pharmaceuticals between the cool chain facility and aircraft and handover moments."

Christensen notes that the European Union's Good Distribution Practice (GDP) for the transport of pharmaceuticals has, "more or less", become the global standard with an ever-larger quantity of forwarders and logistics providers complying with these regulations and "all that this entails". And for Christensen, there is only one way that this will go.

"We will see another tightening of the regulations, with all medical devices and accessories also to be included," he continues. "This will put another wave of training and improvements throughout the markets, and some shippers may need to look different ways, when it comes to the transportation of their expensive products being used in hospitals. They will need to secure the complete supply chain in the same way as a pharmaceutical shipper."

Picking up on this theme of predicting the future, Szorcsik says that following the inventory reduction phase and the return towards a far more normal cycle, a critical focus will be on assessing the available capacity in the market. This, he says, will have a notable impact on the "equilibrium" of prices.

"Prices will largely depend on the adequacy of this capacity, potentially offering stability that contributes to reducing and maintaining inflation at a global scale, fostering a healthier global economy," he continues. "However, should challenges arise in securing sufficient capacity, a potential battle for market stability may ensue, presenting less-than-ideal scenarios. The initial

ALLAN BACH CHRISTENSEN
QCS - Quick Cargo Services

half of the year may resemble the current environment, and caution will be paramount as we progress into the second half. Monitoring the market's progress and development becomes imperative during this period, ensuring a strategic and adaptive approach to navigate potential fluctuations and uncertainties."

His colleague van Gelder also sees an impact on the shape of 2024 arising from the arrival of new therapies capable of curing severe diseases. Introduction of these new therapies also introduces what he expected to be "unprecedented complexities" to air cargo handling. Of particular concern, given many of these unique and lifesaving treatments will be tailored for specific cases, will be ensuring that their meticulous logistics needs are met.

"They will likely require management encompassing monitoring, mapping, digitalisation, precise timing, and effective troubleshooting," van Gelder adds. "Companies are compelled to develop specific logistics protocols, necessitating targeted training, dedicated SOPs and SLAs. Focus areas include security, data transparency, insurance, and risk mitigation. We need to learn to deal with short shelf life and limited therapeutic windows that will request airlift as a valid solution in this market. However, the absence of a certification programme tailored to these unique specifications underscores the need for cross-industry collaboration—an initiative strategically pursued by Pharma.Aero."

Van Gelder is not alone in considering the impact of these emergency therapies,

Pharma Logistics

obust pharma ecosystem

both Christensen and Panza are also cognisant of the impact on pharma moved by air arising from the emergence of new types of treatments, including cell and gene therapy.

Christensen says that "so many new products are being launched, and even more tested in clinical trials". But given this increasing focus on the tailor made resolutions, he notes that

FABRICE PANZA
Etihad Cargo

the diversity in population and the personalised treatments will require a new perspective on drugs and pharmaceuticals "where we have previously seen more generic trials, Covid vaccines and treatments may have shown this clearly as different populations did not react the same way to vaccines". For Panza, there is a similar sense as he notes these medicines "are on the horizon and are increasing the need for deep-frozen solutions, innovative packaging and tailored logistics solutions".

He adds: "These shipments are very small packages, often weighing less than one kilogramme of highly valuable treatments. To ensure Etihad Cargo is well-positioned to meet these requirements, we work with several packaging suppliers that are using the latest technology to develop more-efficient containers, including phase change materials, which release and absorb energy to provide cooling. The new generation of containers are equipped with dynamic tracking to provide accurate data on location and temperature."

It is not only the emergence of these new treatments Panza points to as being considered by Etihad when it comes to enhancing its pharma services. Another trend, he says he and the team have witnessed, is what he calls "Amazonisation". In essence, this amounts to the big shipping giants like Amazon branching out and expanding their verticals to include non-traditional commodities. In 2018, Amazon acquired online pharmacy PillPack, enabling customers to buy medicines directly from the shipper via Amazon's platform. Currently limited to the US, he says there may be a repeat of this in other countries, "shaking up how pharmaceuticals make their way from shipper to consumer". As to what else we can expect, Panza points to expectations that cost will continue to be both a challenge and an opportunity for pharmaceutical logistics providers in the coming year.

"Packaging accounts for 20 to 30 per cent of the cost of shipping pharmaceuticals, and shippers are looking for solutions to help reduce these costs," he continues. "Etihad Cargo is using the newest generation of containers in addition to reducing lead times to minimise the time commodities spend outside temperature-controlled facilities, providing solutions that add value to shippers.

"We will continue to enhance our temperature-controlled infrastructure, including facilities, storage and transportation solutions, to meet the evolving needs of the industry. To ensure our PharmaLife product remains a leading solution, we will focus on developing strategic partnerships with pharmaceutical and life sciences companies to offer tailored logistics solutions and support their growth. We will also invest in advanced technologies, such as real-time monitoring systems and data analytics, to ensure even greater visibility and control over the transportation process, building on the success of Pharma Corridor 2.0."

As for the impact of the reported shift away from China, Panza says that while new markets are emerging for pharmaceuticals and production is being shifted to other countries, Etihad is also seeing synergies between sectors, where the expertise and facilities used for perishables, for example, are being enhanced and adapted to support pharmaceutical growth.

Thinking like a forwarder, Campos notes that the future for pharmaceutical logistics finds itself tethered to what happens at sea.

"Everything depends on the sea market," he continues, seeing this as one of the essential and expected themes for 2023. "I mean, when sea freight prices increase, many customers shift to air and it makes the space to vanish. So, the quieter things are on the ocean front, the calmer it will be on the air side, and this will make it a much nicer market for forwarders to operate in."

Frankfurt has ambitions to become a major ecommerce air hub

CROSS-border ecommerce presents the only opportunity for air cargo to get a little Christmas cheer this year, as the likelihood of a muted peak looms larger in carrier eyes.

Among those looking to capitalise on this is UK cargo airline European Cargo, which upped its weekly A340 freighter flights from China's Chengdu to Bournemouth, on England's south coast, from six to nine.

Resultantly, with 700 tonnes now offered, capacity on this "ecommerce" route tripled in half a year after Shenzhen Sharing Express Logistic-Tech opened it up earlier this year.

Bournemouth Airport MD Steve Gill said: "This continued growth is further evidence of Bournemouth's increasing stature as an ecommerce gateway to the UK. It reflects the confidence Chinese e-tailers have in the UK ecommerce market.

"The market remains the most mature in Europe, and it is and growing recognition that Bournemouth is a cost-effective and uncongested alternative to the busy hub airports."

STEVE GILL
Bournemouth Airport

The gateway's freight division, Cargo First, said around half of the import traffic would clear customs at Bournemouth before being released to final-mile operators' distribution centres, noting these were all over the UK, the balance then largely clearing customs at Heathrow.

"Imports on the Chengdu flights are already going to a range of receiving agents both across the UK and in the London area, and this list is growing," it said.

"The increased [flight] frequency not only offers more capacity for import agents, but also a much more robust circa-daily schedule outbound offers a much more attractive proposition for exporters too".

Similar success from ecommerce is being reported across Europe, while a recent Trade Data Service report noted that it was driving increased second-half airfreight volumes.

"[However], due to value reporting thresholds, trade statistics generally do a poor job at capturing cross-border ecommerce traffic, which may account for up to a fifth of global air cargo volumes," the report added.

"We want to make Frankfurt a leading location in this segment"

"Value reporting thresholds imply that any increase in ecommerce traffic is unlikely to be captured in the data. Reporting threshold for the EU is €1,000, or 1,000 kg."

Of the major carriers, Lufthansa Cargo appears to have pegged its hopes on ecommerce as the bright spot, CEO Ashwin Bhat repeatedly underlining carrier's steady building of a same-day and ecommerce network in Europe, backed by its growing fleet of A321Fs.

ASHWIN BHAT
Lufthansa Cargo

To facilitate growth, it is aiming to establish Frankfurt Airport as a major ecommerce hub, via a subsidiary ecommerce logistics service provide and customs clearance agency.

"We want to make Frankfurt a leading location in this segment by offering holistic solutions for shipping, customs clearance and onward transport of ecommerce shipments," said Bhat, although Lufthansa Cargo is not alone in spotting the e-commerce opportunity.

Saudia Cargo, Cainiao, and Worldwide Flight Services announced they were collaborating on ecommerce, with plans to establish a dedicated area at Cainaio's Liege ehub.

Waning US retail demand, despite seasonal shopping frenzy

DEBT levels seemingly failed to deny US consumers their annual shopping extravaganza, with the Thanksgiving to Cyber Monday shopping spree surpassing industry expectations.

Some $38 billion in sales were netted over the course of the five days, equating to a 7.8 per cent bump against 2022's performance, and almost 50 per cent up on the 5.4 per cent rise industry groups, operators and observers had predicted.

On Black Friday alone, US consumers spent $9.8 billion, up 7.5 per cent year on year, but while in-store shopping rose just 1.1 per cent, online sales jumped 8.5 per cent.

This unexpected spike was largely attributed to substantive discounts, with electronics and toys seeing reductions of between 27-31 per cent, and yet being caught offguard did not seem to faze the supply chain, which seems to have experienced no fulfilment bottlenecks.

Weak demand preceding the holiday period kept rates under control, but it also left parcel carriers reducing their usual seasonal hiring requirement.

If the demand witnessed over the annual shopping marathon persists, that may create issues further down the line, with little to no understanding over how shopping momentum will unfold in the coming weeks.

The US National Retail Federation has stuck to initial projections of a 3-4 per cent increase in retail volumes for the final two months of 2023, indicating waning demand.

Carriers change tack as availability of greener fuels is questioned

UNCERTAINTIES surrounding the availability of greener fuels are forcing shipping lines to adopt a longer-term policy in their move towards meeting the aim of decarbonisation by 2050.

Addressing the Marine Fuels 360 conference, Ocean Network Express (ONE) deputy general manager of fuel Richard Ho told the audience in Singapore that the timescale for acquiring fuels had doubled as shipping moved into alternative markets.

"We used to be looking at marine fuel-buying for the near term, three to six months, and adopted and adapted accordingly," said Ho.

"The moment we go into a new marine fuel, we're no longer looking at three months, six months or even a one-year horizon. We're looking at a multi-year horizon to make sure we can procure a certain level of alternative fuels, whether it's ammonia or methanol."

Carrier representatives attending were unable to state where in the decarbonisation process they had reached, but each appeared to be deploying a range of differing strategies.

ONE has 48 neopanamaxes on order from a range of shipyards and while these are mostly ammonia- or methanol-ready, the world's sixth largest operator is also reportedly trialling biofuels on its existing fleet.

Ho noted that: "Each shipping company is in a different stage of development. They also have different stages of decarbonisation, in various ways.

"There's going to be an increase for different fuels with the growth of the global economy, but with respect to every shipping line, the demand within each organisation may differ, depending on its decarbonisation effort."

Like ONE, PIL is trialling biofuels, but indicating the differing of approaches being taken, it has opted for LNG dual-fuel for its newbuildings.

CMA CGM, having initially gone after methanol dual-fuel for its latest batch of 9,200 teu newbuildings, with concerns over the availability of methanol supply on the open market, has reportedly requested Shanghai Waigaoqiao Shipbuilding to switch these to LNG.

Stressing net-zero was not simply about burning alternatives to fossil fuels, Ho said there also needed to be a push to reducing carbon footprint in companies' overall operations.

He said: "Using e-bunker delivery notes is also a decarbonisation effort, because it reduces the manpower, and it reduces people movement. And we're looking at other areas, technology-wise.

"Whether it's wind power, biofuels... In that aspect, we're not just looking at shipping alone. We're looking at the whole supply chain."

Carriers unveil EU ETS surcharge estimates

THE world's largest ocean carriers have now released their Emissions Trading System surcharge estimates, with the implementation of the European scheme less than a month away.

OOCL and HMM were last out the block, publishing their figures on the final day of November, predicting charges of between €14 and €46 per teu on their European routings, with OOCL second, albeit distantly, to Maersk when it came to having the highest tariffs.

In a customer advisory, OOCL said: "It is inevitable that the EU ETS will generate additional costs connected to us and the whole industry."

It added that all parties in the supply chain should be "prepared to share this cost," noting its surcharges would be "subject to monthly reviews", so as to correspond with the latest EU allowance per tonne of CO2 emitted price (EUA) and additional ETS-related costs.

Taking effect from 1 January, the EU's ETS will open as the world's first and largest carbon trading market.

For its part, CMA CGM told customers its ETS surcharge was based on the present €80 EUA, meaning that while its Asia-North Europe and Asia-Mediterranean rates had remained the same, for Europe-North America services the surcharge had actually decreased by €3.

"surcharge amounts will be reviewed on a quarterly basis"

But, with the carrier noting the "surcharge amounts will be reviewed on a quarterly basis", the volatile EUA price brings another layer of complexity to the surcharge.

All of which is making it hard for the industry to predict how much it will cost, with the current EUA of €80 not set to be surrendered until Q3 2025, leaving a high probability that the price will change, which means carrier surcharge estimates can vary considerably.

Indeed, Maersk has applied a €70 per teu surcharge on Asia-North Europe shipments, despite the other leading carriers having it set at between €12 and €28.

Having provided a comprehensive advisory on the application of EU ETS surcharges, the Danish shipping behemoth warned that "cost of compliance is expected to be significant and will keep increasing with the phased implementation".

And, similar to its bunker surcharge mechanism, Maersk said that the emission surcharge would be updated on a quarterly basis.

On the issues of volatility and the inability to provide a definitive figure, managing director of Oceanscore Albrecht Grell said that "shipping is so awfully efficient that this cost won't make much of a difference".

Chief executive of Sea Intelligence Consulting Lars Jensen seemed to concur with Grell's sentiment, noting costs associated with the EU ETS would only present as a "mild nuisance".

Mild nuisance may also best describe the fact that, despite being fewer than four weeks away, some aspects of the ETS have yet to be finalised, including what has become an increasingly contentious issue surrounding non-EU ports.

LARS JENSEN
Sea Intelligence Consulting

These include some in the Mediterranean, which are expected to take advantage of not being afflicted by ETS charges to win transhipment traffic from their Eurozone competitors.

Due for publishing on New Year's Eve, the list of non-EU gateways considered transhipment ports will be reviewed every two years, although questions will linger over how EU regulators will work to level the playing field.

Russian Rail volumes continue to hit the buffers

CHINESE volumes continue to offer Russian rail freight one of its few lifelines since the invasion of Ukraine, with the opening of the Nizhneleninskoye-Tongjiang bridge also bringing improved fortunes.

A little over 12 months since the crossing became operational, it is already accounting for some 21 per cent of China-Russia flows, with a total of 2.5m tonnes having crossed since last November, of which containerised freight has made up some 10,000 tonnes.

For Russia's main rail freight carrier, Russian Railways, the boost brought by the bridge – which had been plagued by development hell following a seven-year wait between the completion of the Chinese and Russian section – will be a welcome salve.

Indeed, with total China-Russia volumes up 22 per cent year on year for the Russian carrier, the 21 per cent boost brought by the crossing was said to have "played a pivotal role", but in its latest earnings call, Russian Railways painted a fairly bleak picture.

Given the collapse brought on by its war on Ukraine and the associated sanctions packages imposed on Russia by the EU, it could only this year record marginal gains of just 0.1 per cent year on year, indicating continued struggles to source new markets.

This has left the carrier reliant on its eastward orientation, having struck up a series of MoUs and firmer agreements with operators in Turkmenistan and Kazakhstan, as well a series of new India and UAE services.

It has also received approval to start construction on another China-Russia bridge, to cut 2,000km from present routes, with sources noting that Russia's rail carriers were banking on this reorientation.

Asked whether there was much hope of banking volumes comparable with those lost via sanctions, the same sources told Voice of the Independent they were sceptical of this becoming anything beyond a fantasy.

DP World staff left open to fraud after cyber-attack

DP World Australia staff have been left vulnerable to fraud following a cyber-attack, which the port operator confirmed had compromised personal employee data.

The attack occurred on 10 November, affecting DP World Australia operations in Melbourne, Sydney, Brisbane and Fremantle ports, and while it resulted in significant delays, no ransom demands were issued, and the cargo backlogs have since been cleared.

However, three weeks on, the terminal operator revealed that employees' personal data had been stolen in the attack.

Speaking to ABC, EVP of DP World Australia Nicolaj Noes (below) said: "For some of our colleagues, it was their telephone numbers; for some, it was their address; and then for a very few, there was a little bit more, a copy of a driver's licence, etc."

Chief executive of cyber risk management company Dynarisk Andrew Martin said the stolen data could see bank accounts, credit cards, and loans being opened under victim's names.

Martin told Voice of the Independent: "Losses can range from, say, fraudulent food delivery orders to entire pension savings being transferred. They can, for example, attempt to contact your mobile provider and carry out a sim swap to access two-step verification tokens.

He warned: "If they can intercept verification SMS messages, then the next step would be to break into a bank account, email, cloud storage services, etc."

"It's a very small part of our community that has been impacted"

Questions are now circulating as to whether employees affected by the cyber-attacks have grounds for legal action, with one UK firm representing BBC employees that had data stolen after a cyber-attack on payroll support service Zellis in June

Cybersecurity analysts pointed to DP World Australia's failure to fix a critical IT vulnerability known as CitrixBleed as the most likely route into the company's systems.

This failure came despite an update having been available for more than a month, with Noes admitting he would have "done some things differently" in hindsight, while DP World said it was providing resources through external providers to support affected employees.

Noes added: "It's a very small part of our community that has been impacted, and we're working with those affected on an individual basis."

Insights IN

Seafreight – comment by Mike Wackett

A forwarder's Christmas list: stable rates and a good service

MIKE WACKETT
Sea Freight Consultant, FICS

"All I want for Christmas is a stable rate and a regular service," said a forwarder friend the other day as we were enjoying a pre-festivities drink and catch-up.

"I spend so much of my time these days checking the latest rate schedules from carriers and trying to match up their blanked sailing announcements with our client purchase orders that I have precious little time left to canvass for new business," he bemoaned into his pint of ale.

Indeed, my friend had seen rates on shipments from China to the UK skyrocket in 2021 and 2022 only to collapse to below pre-pandemic levels this year.

"What with equipment guarantee fees, guaranteed shipment fees and congestion surcharges, some of our clients were having to pay up to $15,000 to ship a 40ft from Shanghai to Felixstowe last year, and on occasions boxes ended up stuck in Bremerhaven or Antwerp for weeks after being overcarried," he said.

And even when the overlanded boxes were eventually relayed back into the UK they were then often stranded on the congested quay for weeks, a consequence of haulage and warehousing shortages, which of course led to more costs to shippers, in terms of demurrage and detention, as well as the inevitable empty shelves at retailers.

Unfortunately, the massive spike in ocean freight rates and chronic supply chain disruptions were a double-whammy for some importers of low-value high-volume products, such as the huge garden furniture market.

Garden furniture importers that were not left floundering by the accelerating extra costs of transporting their product from China were sunk without trace when the garden furniture that should have arrived in the spring turned up at the end of the summer season, when consumers were preparing their gardens for the winter.

Forwarders are quite used to rate changes and service changes in liner networks, and how they adapt and think on their feet distinguishes the men from the boys, or in many cases, the canny women from the girls!

However, the experience of the past few years has tested the skills of the best of the best in the forwarding sector, and more stability and predictability in the container sector would, I am sure, be most welcome.

Interestingly, my forwarder friend does not blame the carriers for most of what happened in the post-pandemic years; he, like myself, both came through the liner ranks before our careers took different paths, so he appreciates how difficult it is on the other side of the fence.

"They were staring into the abyss when the shutdowns happened in March 2020, and all they were looking to do was survive, and nobody could have predicted how it would all turn out," argued my friend.

> "I have to admit that when the lines started to earn the big money, it did bring out the worst in them, service plunging to lows I've never experienced before"

"Rates shot up purely because of supply and demand, ie, there was a totally unexpected surge in demand when supply, containers and ships were all in the wrong places.

"However, I have to admit that when the lines started to earn the big money, it did bring out the worst in them, with customer service plunging to lows I've never experienced before, because obviously they no longer needed sales staff or account managers to fill their ships.

"OK, so now we have returned to some form of normalisation, it would be good to know what my rate will be next month, let alone in three months' time; and while they are at it, it would also be helpful to have a schedule that doesn't change every five minutes," he said.

"Can we make that a new year's resolution please?" he asked, as we walked over to Brick Lane for a curry supper.

Airlines juggle freighters as peak season disappoints

THE peak season has been decidedly lacklustre, the days when airlines would fly passenger aircraft purely to carry cargo are a distant memory. The freighter market has gone from a dearth of capacity to oversupply, which has forced carriers to try to shed cargo planes or postpone deliveries.

After meteoric growth that saw revenues double between 2019 and last year, and spurred a massive expansion of its fleet, Cargojet is looking for buyers for four B757 freighters. Having consolidated flights in response to weak demand early in the year, Canada's largest freighter operator had been looking for charter and lease opportunities for the aircraft, but finally decided to put them on the market.

The pursuit of growth opportunities in the past years entailed taking on quite a bit of cost, and the new situation, characterised by high costs and downward pricing pressure, calls for a stronger focus on cost control, said chief strategy officer Jamie Porteous.

Cargojet has already cut back. Taking advantage of rampant travel demand, it sold three B777-300s that had been acquired for conversion, but is proceeding with plans to turn four B777-200s into all-cargo planes, though. The first of these is supposed to be delivered in the first quarter of 2024, but delays related to the certification of the conversion have pushed this back to Q3, according to Porteous.

Air Canada shelved plans to add two 777 cargo aircraft to its fleet. Management signed a new deal with Boeing in November, under which it will acquire 18 787-10 passenger planes, but scrapped its order for the two 777 freighters.

MATTHIEU CASEY
Air Canada

Air Transport Services Group is also scaling back under the impact of the market slowdown. In November, the company ousted CEO Rich Corrado and decided to park seven B767s and postpone their conversion into freighters until a recovery in the market.

Air Canada's freighter contingent has grown to seven B767 cargo planes this year, comprising two factory-built and five converted 767-300 freighters. Despite the slower market, the freighters are playing a major part in the airline's strategy, which is built on leveraging its network. While the transatlantic market has been inundated with capacity and the airline's transpacific schedule is still reduced, flows between Europe, the Middle East and Africa on one side, and the Americas on the other, have been strong, according to Matthieu Casey, managing director, commercial, for cargo.

He stated that Air Canada had seen less decline in its cargo business than its major North American and European rivals, which he attributed to the network focus and the role played by the freighters in this, particularly their growing presence at Latin American airports.

Air Canada has also had some success with its freighters in the charter market, he reported. This tallies with Cargojet's results, which show an increase of around 30 per cent in charter revenues.

Air Canada is set to receive the final three 767 freighters on order in 2024. Barring problems with the conversion process, all three should be delivered before the end of the coming year, Casey said.

Like Air Canada, LATAM Cargo took delivery of another 767 freighter in November – its third this year – and it has three more on order. The aircraft has been ideal to supplement its belly capacity and serve long, thin routes, said cargo CEO Andres Bianchi. After its initial focus on

NABIL SULTAN
Emirates SkyCargo

moving perishables out of Latin America in the peak harvest season, the latest arrival will be deployed on longer routes to North America and Europe.

The additional freighters due in 2024 will not augment LATAM's freighter capacity, though. They will replace three older 767 cargo planes that will be sold, Bianchi said.

Freighter replacements are going to be a growing theme in the coming years, after carriers held on to ageing freighter aircraft while demand and yields were going strong. Atlas Air signed an order for two 777-200 freighters in late November, as it was taking delivery of the third out of four 777 cargo planes ordered in 2021.

"They come at a time when retirements of older widebody freighters will significantly increase and when the introduction of new widebody freighter capacity will be limited," commented Atlas CEO Michael Steen. "We have a deep pipeline of prospective customers interested in these 777 freighters, and we're confident in our ability to place them under long-term contracts."

The recent additions to the company's fleet were signed up by MSC.

DHL is a case in point for the incipient changing of the guard in the global widebody freighter fleet. Earlier this year it placed an order for nine converted 777-200 cargo planes, which are due for delivery between 2024 and early 2027. This supplements 28

new 777-200 freighters that the integrator ordered between 2018 and 2022. To large extent these are set to replace older 747 freighters.

Emirates ordered five 777 freighters last year and is converting ten 777-300 passenger planes into all-cargo configuration. Beyond these looms a decision on its long-term freighter fleet plans, which is expected to be made around 2027, as the cargo division aims to double its freight capacity in the next decade.

Emirates SkyCargo chief Nabil Sultan told Bloomberg News in November he was seeing consistent growth and that the industry had gone past the bottom of the market.

A significant rebound seems unlikely though, judging from the outlook from Xeneta on the coming year. The freight rate benchmarking and intelligence platform predicts 1-2 per cent growth in the business, while supply is expected to rise 2-4 per cent.

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