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Red Sea crisis driving up costs for shippers

Forwarders and shippers forced to consider alternative routings

EFFORTS to deter the onslaught of attacks against commercial shipping in the Red Sea have failed to gain momentum, forcing forwarders and shippers to consider alternative routings.

Yemen-based, Iranian-backed Houthi militias have been targeting vessels moving through the waterway for nigh-on two months, warning attacks will continue until increased aid volumes are permitted into the besieged Palestinian enclave of Gaza.

While efforts have been launched to deter further attacks, carriers have displayed little confidence in their success, Maersk backtracking on plans to resume its Red Sea services.

Having just days earlier said it would recommence services running through the waterway, the Denmark-headquartered carrier said it would be re-suspending services after Houthi militants attacked its 15,000-teu Hangzhou boxship.

In an update to customers, it said: "We have made the decision to pause all transits through the Red Sea and the Gulf of Aden until further notice."

The Hangzhou attacks began with a series of missile strikes, the first of which hit the vessel before the US navy managed to intercept further strikes, thereafter the ship found itself under siege by four small boats.

> "We have made the decision to pause all transits through the Red Sea and the Gulf of Aden until further notice"

The aim was to land militants aboard the Hangzhou and take control of it, however, the ship's security detail combined with US naval helicopters to repel the attack.

Per reports, three of the four vessels used in the attack were sunk, with 10 militants killed, but for many the capacity for the militants to make the attack underscored a purported failure of the US and its western partners to convince other parties to its initiative.

That initiative, Operation Prosperity Guardian, launched on 19 December and, per US claims comprised 20 participant countries, was set to protect commercial shipping in the Red Sea.

However, almost half of the parties said to have been involved refused to publicly declare participation in the initiative, with sources claiming there was mounting fear that they could be drawn into a western war in the Middle East.

For forwarders and shippers, failure to secure the waterway, which sees some 15 per cent of global trade pass through it, has left them facing a host of undesirable options.

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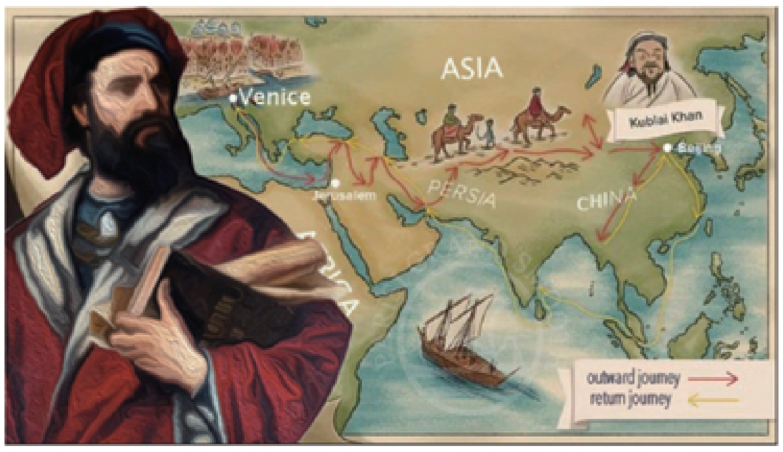
"The Voyages of Marco Polo" and "Bridging Asia and the World"

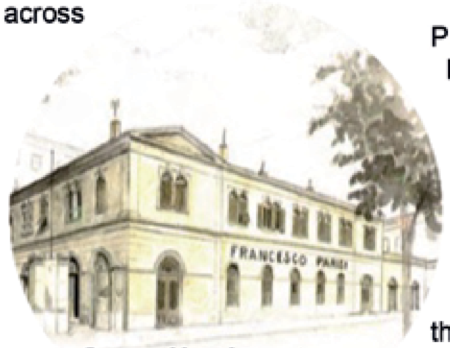
by Parisi - PGS GROUP

How has a Trieste-based Shipping group expanded its footprint in Asia?

The Francesco Parisi group of companies is not as antique and storytelling as **"The Voyages of Marco Polo"**, the famous Venetian traveler, but there are similarities. The Parisi Group of companies was founded in 1807 in Trieste, so 536 years after Marco Polo's first voyage from Venice to Asia, the Parisi Group sailed its first ship just 170 KM away from Venice at Trieste port.

But only in 2003 did the group set foot in Asia, with its first office in Hong Kong SAR. The rapid growth came without surprise, and Parisi Grand Smooth Logistics Ltd – PGS Group now has over ***800 employees*** across Asia with ***35 office locations***.





Group Headquarters - Trieste, Italy

The group CEO, **Dr. Francesco Parisi**, is now in their eighth generation as a family business, managing several group assets and companies.

Dr. Francesco Parisi recently said about PGS Asia:

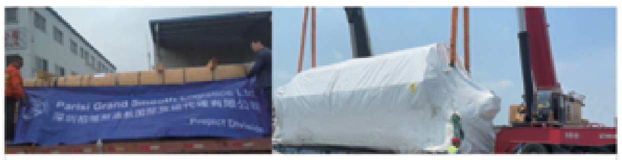
"PGS Group Asia now has offices in all its vital Asian economy hubs – their attention to detail and consistency are critical factors for their success."

One of the latest established offices in Asia is Tokyo, namely **PGS Logistics Japan Co., Ltd.** Japan is a unique market but a vital economy for the group and PGS partners.

Mr. Katsuki Isomichi, a logistics veteran in Japan, the appointed MD for **PGS Japan**, said: ***"PGS Japan can serve small or large companies in Japan, handle small or large projects – our focus is on service and perfection."***

Another new branch office started its operations recently in Indonesia.

PT PGS Indonesia, a wholly owned fore ign investment, set its ***"sails"*** in January of 2024.The Indonesian shipping market has enormous potential for the group and its partners.



PGS Project Division completed over 500 OOG project in 2023

PGS Group Asia has several subsidiaries, such as **PGS Global Express**, a boutique freight forwarding agency in China, to serve customers as "one contact window" for courier, express, and E-commerce solutions.

PGS Warehouse Management Ltd, with warehouses in **China**, **Hong Kong**, **Singapore**, and Thailand with a storage area of +20,000m², handles mainly logistics and CFS services for the group companies and its partners.

Another subsidiary, **PGS CBEL**, was initially established as a cross-border e-commerce logistics provider. However, it enlarged its service to ***"solutions"*** primarily for companies that require one-stop services in Asia, Europe, and North America.

PGS CBEL Europe trade manager **Mr. Hae Lai** explains that ***"PGS CBEL can support its customers, particularly regarding B2B and B2C shipping requirements. Our customers are Amazon sellers or companies requiring an overseas warehousing service for B2B and B2C, for instance, Renewable Energy products logistics with order fulfillment pick &pack services. PGS offers weekly LCL service from China, Vietnam, etc, to all Amazon or other fulfillment warehouses in the UK, Europe, and North America."***

International Air and Ocean freight forwarding is still the group's core business, and PGS is one of the leading NVOs(number of Teus) from Asia to Latin America. **Ms. Sarah Guan**, head of FCL and Project Asia to Latin America commented recently: ***"PGS has been active in the Asia-Latam Trade for almost 20 years. We have a deep market knowledge and understand the customers' requirements and needs. We do not see shipping lines as our competitors or enemies – we have a close relationship with most shipping lines. Due to our number of customers, the variety of industries we serve, and the reliable and high-quality add-on services we provide, the shipping lines treat us as VIP partners. Also, the project work from Asia to Latin America is huge, and the PGS projects team closed over 500 OOG jobs from Asia to Latin America in 2023."***

PGS has reached record years in terms of sales in 2021 and 2022 with approx. 600 million USD annually, primarily due to the high ocean and air rates, but in 2023, the group is still growing in the number of Teus and Jobs **Mr. Tak Chu**, PGS Asia Managing Director, mentioned recently that PGS's expansion plan would remain in Asia; ***"we have no intention of opening up offices on other continents – The Asia Pacific region has so much potential for us to grow, and we instead work with partners in the rest of the world."***

PGS Warehouse Management with warehouses and logistics services across Asia

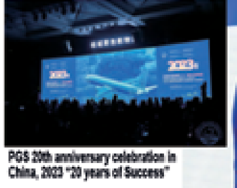
India is another fast-growing economy, and **PGS Global Forwarding India Pvt Ltd** India recently recruited a high-profile project manager. PGS India has completed large projects in Guyana, Suriname, Africa, and Intra Asia. In addition, **PGS India** is a licensed broker and IATA agent and serves global brands, such as LG India Jindal Stainleses, TATA Steel, and Kalpataru Power, locally.

What is next for the PGS-Parisi group Asia?

"We are not a perfect company, but we constantly try to improve our service – find the balance between digital/IT solutions and proactive customer service - Our customers have our full attention!

The shipping and logistics world is fragile, and geo-political and environmental issues can suddenly influence the logistic flow and costs. We must act fast, implement new services and solutions, and be quick. In September 2023, PGS launched a sea/air service from China via the US to Manaus due to the low water levels on the Amazon River and limited ocean services, which are still in high demand."

These are some recent comments by **Mr. Helmut Horvath**, PGS Asia group Director for Sales & Marketing.



PGS 20th anniversary celebration in China, 2023 "20 years of Success"

PGS Asia Group Management during the 20th Anniversary celebration
Left: Mr. Helmut Horvath, Director for Sales & Marketing
Centre: Dr. Francesco Parisi, Group CEO
Right: Mr. Tak Chu, PGS Asia, Managing Director

You can meet PGS Asia representatives at the WCA in Dubai and Intermodal in Sao Paulo.
Contact: **inquiry@parisigs.com**

www.pgs-log.com

Rate spikes are expected to climb further

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The first of these is to simply accept the heavily inflated rates carriers are charging, or will be charging when a new raft of surcharges and general rate increases kick in, alongside lengthy delays that come with carriers using the Cape of Good Hope in place of the Red Sea.

Of the major carriers, CMA CGM is the only one still using the Red Sea, and per a source it is only an "occasional vessel… only when there is a French warship on hand to offer security".

The source added that they were seeing a "whole host" of new acronyms and mechanisms being deployed by carriers are they look to impose surcharges, the source noting that these include established general rates increases and peak season surcharges.

"But they also include new ones, like Contingency Surcharges, Contingency Adjustment Charges, and Emergency Contingency Surcharges," they continued.

"Unless you accept, you don't get your freight moved. CMA from has implemented on all 'floating freight' which means anything in transit on exports. Maersk also said by making a booking, contractually, you accept the surcharges regardless of contract or spot rate."

Such rates spikes are only expected to climb further as regulators begin removing some of the restraints they had sought to impose upon carriers.

Per the US Shipping Act, carriers are required to give 30 days' notice before imposing any surcharges of general rates increases (GRIs), but the Federal Maritime Commission has waived this for Asia-US services being rerouted around the Cape of Good hope due to the crisis.

Amidst all this, forwarders said they have received ever-increasing numbers of enquiries from shippers looking for alternative transport modes.

Many of these enquiries have been coming from shippers sending time-sensitive goods, and many more have involved sending time-sensitive shipments with short shelf lives, including foodstuffs, seeking to avoid delays via ships and the heightened costs of moving goods by air.

Unsurprisingly, many of these queries have focused on the potential for bringing goods from China into Europe, via Russia, by rail.

> "Unless you accept, you don't get your freight moved"

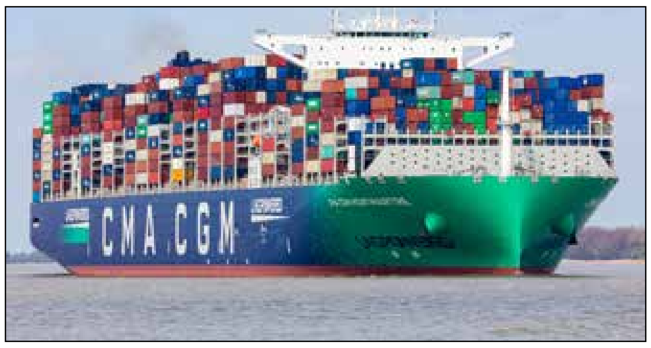
One forwarder said they had received "quite a few enquiries about rail", although they noted insurers had advised against this, telling them "do it [use rail] and you will not be covered", other sources concurred that insurers were unlikely to permit a war-risk clause in any policy.

Another forwarder that routinely uses rail said insurers would only provide such a clause with "a massive premium", but added this was "not really an impediment".

They said: "This is the case for most goods moving at the moment, and arguably rail through Russia is much safer than sending goods by sea. Ukraine is not going to launch an attack on goods bound for Europe, they would be biting the hand that feeds.

"And, given the services are largely supplied by Chinese operators on Chinese infrastructure, the Russians are not going to attack them either."

Despite the upticks in enquiries, very few appear to be translating into actual volumes being placed on railcars, with the forwarder expecting this to remain the case until the market realised the situation in the Red Sea "is not going away any time soon".



CMA CGM is the only carrier still using the Red Sea with an "occasional vessel"

Cross-border rail delays driving US-Mexico shippers to eye new routes

LOGISTICS operators are seeking alternative routes from Mexico into the US as disruption continues to plague cross-border rail services

Crossings remained closed for over a week after disruption hit on 18 December, with the Customs & Border Protection Agency closing rail crossings at Eagle Pass and Laredo in Texas after inspectors were shifted to handle an influx of migrants headed for the border.

Criticising the closures, chief executive of the Association of American Railroads Ian Jefferies (right) described them "ill-advised", adding they "did nothing to bolster law enforcement capacity".

Similarly condemning the move, US National Feed & Grain Association and North American Export Grain Association issued a joint statement in which they urged both the US and Mexican governments to avoid a repeat of the closures.

Only adding to the disruption, was the decision of the Texas state governor to impose truck inspections by his Department of Public Safety.

All of which has compounded problems for logistics providers looking to cater to rapidly increasing demand on the routing, driven by the wave of factory openings spurred by the rise of near-shoring, as US manufacturers look to reduce their dependence on Chinese exports.

Where some looked to trucking as an alternative to the problems seen in rail, the governor's move is pushing many toward far more expensive airfreight.

It seems shippers are now asking their logistics partners to prepare contingency plans, others are even seeing the need to examine a more permanent solution, with suggestions that the land border crossing is ditched in favour of sending goods by sea across the Gulf of Mexico.

Sources confirmed that such conversations were taking place.

One noted that this could even provide a boost for customers' environmental targets, adding that "from a sustainability standpoint, it's better to use a combination of water and rail rather than all-rail".

Spotlight ON

Adam Komorowski

Ukraine, Gaza and the Red Sea: how conflict is 'bleeding into the logistics scene'

RUSSIA'S war against Ukraine has fundamentally upended the flow of global trade. Sanctions imposed by western governments in an effort, short of engaging the former Cold War Superpower military, forced not only Vladimir Putin to rethink the functioning of the Russian economy, but supply chain managers to rethink how, and where, they send goods.

As the war edges closer to its third year, there appear no signs that it will let up soon. Depending on who one speaks to, the stalemate (or perhaps more accurately, quagmire) can be considered the penultimate step before a final victory.

Vital though for Ukraine was the rapid severing of Russian supply chains, but as the conflict ekes along it has become increasingly important that its own supply lines, both military and civilian, were altered, strengthened, and continually kept intact. For managing director of EAS International Adam Komorowski, the first two years of the conflict could be summed up as "turbulent" for those logistics operators servicing the country. Komorowski heads up the company's Poland operation and, as such, as found himself at the forefront of servicing demand coming from Ukraine.

"A year on from when we last spoke [this marks Voice of the Independent's (VOTI) third conversation with Komorowski], and I would say that we can now say the present situation is best summed up as 'no significant change,'" he tells VOTI. "Supply chains were well-established in 2023, and we are now operating within those realities; the war continues, nothing new has happened and the flows of goods, particularly via airfreight, are bedded in."

Through that bedding-in process, Komorowski notes two significant changes to the reality of serving Poland's neighbour. The first of which is that Rzeszow-Jasionka Airport, less than 100 miles from the Poland-Ukraine border, has become a pivotal cargo hub for goods headed east. It is, Komorowski says, "now a major hub", and has simplified some of the difficulties EAS and other logistics providers were contending with last year as a consequence of the spiking freight demand the war was fostering. Added to this, he continues, is that when one enters the gateway to visit customers at the airport, the airport itself has changed.

> "When you enter the airport, you realise you are somewhere very strange"

"When you enter the airport, you realise you are somewhere very strange," he explains. "It looks very different to almost any other airport a supply chain operative is likely to visit, because unlike others, the airport is secured by Patriot missiles, with military installations ready to protect the airport. Nowhere else have I been where military installations are comparable in their visibility, you have these Patriot missiles standing there on the tarmac. This brings the realisation that something is going on here that is totally different."

While the missiles may be the most striking image, he notes that after seeing them you begin to spot all the other accoutrements of militarisation – "Humvees patrolling, fighter jets, all under the US flag". It makes for what Komorowski describes as a "strange and scary impression".

"On one side you're meeting customers, and yet on the other side is there is a war," he says. "And when you consider the companies based in the region, there is a lot of industry related to the aviation market with production units here. So, for one side of that border this is strategic for the supply chain industry, with dedicated spare parts, and yet for other side it is deeply involved with the conflict. A support hub for the war in Ukraine."

Asked to précis how the war has changed his work, Komorowski says it has become a situation in which the conflict is "bleeding into the logistics scene", but this, he adds, is not always sought after. For some companies, the idea of being in any way involved in the conflict is anathema, but others, he says, are actively looking to provide airfreight, handling, sea freight, or storage services in support of the Ukrainian efforts to expel the invader.

"So, yes, the war is bleeding into the logistics scene," he says. "Some companies are taking advantage of this, and others are putting a wall up against it."

Despite the rapid growth in cargo activity at Rzeszow-Jasionka, Komorowski does not see this being a long-term change in the post-war years. He notes that there are little signs of increased investment that would dramatically increase logistics at the airport after the war. Rather, he believes, it will revert to its role as a supporting hub and regional Polish airport rather than having any future as a major international gateway.

"It seems likely that Kiev would be the natural airport when the war is over," he says. "The only question is what Ukrainian infrastructure looks like at that point, as only then would you be able to determine how much longer capacity at Rzeszow-Jasionka is needed. But even then, one would assume that Ukrainian airports and infrastructure will be prioritised for expansion and additional investment."

Of course, Komorowski and his contemporaries are no longer facing one conflict. The Hamas attack against Israel on 7 October and the resulting Israeli siege and invasion of Gaza has added further war. Although markedly more removed from Europe, geographically, the war in Gaza is creating similar difficulties for the logistics sector. And that reality has stepped up a notch in the wake of Houthi attacks on global shipping passing through the Red Sea.

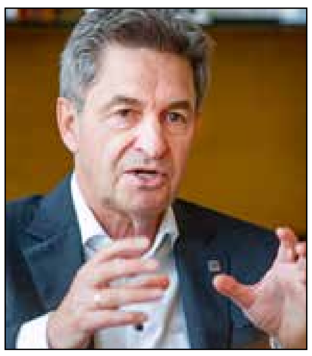
"This is going to be a really touchy point for shippers across the world," he says. "How will this situation impact them? Some have just stopped exporting, because to take the diversions that carriers have imposed to protect vessels is simply too long for the goods in transit, particularly medicines and fresh foodstuffs, and the costs are too high for customers. So, while we may have got used to working with the situation in the market created by the Ukrainian war, this Red Sea crisis is now the big issue for us."

Rzeszow-Jasionka Airport has become a pivotal cargo hub for goods headed east

Focus ON

Logistics and the double-edge

AS far as technology is concerned, last year was one predominated by the rise of Artificial Intelligence (AI) and concerns over its associated risks. Two separate letters from top-ranking researchers and chief executives, including Elon Musk, were issued in March and May urging caution and warning that AI posed as much risk to humanity as pandemics and nuclear weapons. The message was loud and clear, humanity was progressing too fast, and with wild abandon, on something that many believe has the potential to one day usurp humanity.



GÜNTHER JOCHER
Group7

Such concern has not gone unnoticed. Policymakers on both sides of the Atlantic are in the midst of a drafting frenzy. The European Union is finalising what looks set to be the first piece of legislation comprehensively regulating the technology, while in the US, President Biden is pushing through a number of initiatives geared towards encouraging a more responsible approach to development and production of AI systems. But this shows that artificial intelligence is something of a double-edged sword, as such regulation would not be necessary without the technology offering humanity something useful.

For the logistics sphere, those benefits are becoming more and more apparent. MD of Group7 Günther Jocher is certainly not blind to the threats pointed out by the likes of Musk. Speaking to Voice of the Independent (VOTI), Jocher says "I think it [AI] is a certain risk", but conversely, he has concerns that if the industry does not engage with it there are some very pressing, immediate concerns that the likes of Europe and the US are going to have to face and face far sooner than the rise of Skynet.

> **"New technologies and solutions are needed to compensate for the shortage of skilled workers"**

"Demographic change, especially in western industrialised countries, means that a disproportionately large number of employees will be retiring in the coming years," says Jocher. "New technologies and solutions are needed to compensate for the shortage of skilled workers. Automated processes and AI can relieve workers and increase productivity. At Group7 we use AI on a daily basis, but we are by no means planning to replace humans with machines. We use AI to close the gap on that labour shortage. AI can also help SMEs to continue and focus on their growth, rather than being held back by lack of suitable personnel."

Part of Jocher's calm when it comes to using the technology is that he sees it as "more of less" dependent upon human input. He says that any AI-based system requires data and training, the more data and training provided the better the system can function. As an example, he says that Group7 uses AI to gather and analyse data along the entire supply chain. Based on this, the system learns certain algorithms and can predict patterns because of historical data from the system.

"We use two AI-based tools, which we developed and programmed in-house," he continues. "One is our 'ControlTower' programme, which in simple terms analyses order patterns from customers and consolidates these intelligently to greatly improve effectiveness, whilst reducing the number of single transports and also saving CO2 emissions in the process. The second tool is our ChatBot. Both these tools have had direct cost-saving effects and increased productivity since their initialization. So, on the one hand, yes you have to invest into the technology and development, but on the other hand you have immediate cost-saving effects on labour, time, and transport as well. For SMEs that can be reason enough to invest into AI."

Nor is Jocher alone in seeing the fear around AI being somewhat overplayed. FEI Cargo's Abhijeet Pratap Nair recognises that the "fear surrounding AI and its potential impact on humanity is not entirely illegitimate," but he stresses that it is a complex issue that involves ethical, societal, and existential considerations. For Nair, though, he sees it as "essential" for work to be done so as to differentiate between legitimate concerns and misconceptions about AI.

"The concern about AI posing an existential risk to humanity is often based on scenarios depicted in science fiction," Nair tells VOTI. "While experts emphasise the need for ethical guidelines and oversight in AI development, the idea of AI autonomously posing an existential threat remains theoretical and highly debated."

And much like Jocher, he says AI's intelligence is "impressive in many ways" but notes that it is important to understand its limitations.

"AI operates based on patterns and data it's been trained on. It doesn't possess consciousness or independent thought," Nair adds. "Its 'intelligence' is a result of its ability to process vast amounts of information and recognise patterns within that data. The comprehension of AI is limited to the information it's been trained on. Its knowledge and understanding are based on the data it has been fed, and it lacks intuition, real-world experiences, or understanding beyond its training data. AI can't infer information outside its training or make creative leaps beyond the scope of its programming."

One area Nair does see cause for concern is in AI's potential displacement of the workforce. Describing it as a "valid concern," he notes that history has shown the tendency of advances in technology rendering jobs redundant, but again he sees this as a double-edged sword that brings as much reward as it does threat.

"Automation and AI can indeed replace some repetitive or routine tasks," he continues. "However, historically, technological advancements have also created new job opportunities and transformed industries. AI might shift the nature of work rather than eliminate it entirely. Businesses adopting AI to streamline operations or reduce costs might not necessarily see it as a tool for replacing human labour but rather as a means to improve efficiency, innovation, and competitiveness. Nonetheless, businesses should also be responsible in their approach, considering the wider societal implications of AI adoption."

Jocher concurs, as far as fear of humans being replaced by machines goes. Noting that AI offers SMEs particularly strong advantages.

"I think it's a certain risk, yes," he says. "But on the other hand, it will free up personnel in the SMEs to build an even stronger relationship to customers. For example, our ChatBot is a function that our clients can directly converse with and request for example real-time inventory reports or an analysis of if they will be running into any bottlenecks based on their current transports and inventory. This frees up valuable resources in multiple departments because nobody has to actively create a request, or the report, etc. Our employees can therefore focus more on problem-solving concepts or on giving the customer that extra bit of attention."

Traditionally, AI implementation might have been seen as expensive, but, like Jocher, Nair believes SMEs need to become more au fait with the solutions out

CELINE HOURCADE
Change Horizon

Technology

ed sword that is AI

ABHIJEET PRATAP NAIR
FEI Cargo

there, noting that many are now specifically tailored for smaller businesses that are more affordable.

"Cloud-based services, subscription models, and AI-as-a-Service platforms have made it more accessible for SMEs to adopt AI without huge upfront costs," he continues. "We are one company that is investing big time to ensure that AI works for us so that we can offer our customers, partners great service. AI can significantly enhance efficiency by automating repetitive tasks, streamlining processes, and enabling better decision-making through data analysis. This can free up our professional team time to focus on higher-value tasks and innovation. While there might be an initial investment, AI can result in cost savings in the long run by reducing human error, optimizing operations, and preventing potential issues before they escalate. It can also help in predictive maintenance, avoiding expensive downtime for equipment."

Of course, if the aim is to free up staff to do the "personal", well, this is the area in which SMEs thrive and is typically how they differentiate themselves from their multinational competitors. Does freeing up humans at bigger firms threaten this differential? Nair does not think so.

"It presents both challenges and opportunities for SMEs," he says. "SMEs often excel in providing personalised services and establishing closer relationships with customers due to their agility and personal touch. While AI might enhance larger companies' capabilities in personalisation, SMEs can continue to differentiate themselves by offering more authentic and tailored experiences. SMEs inherently possess the ability to adapt quickly to changes. They can leverage AI selectively to optimise their operations without losing the personal touch that sets them apart. SMEs can focus on niche markets or specialized services where personalization and human touch are highly valued. But I would like to say that rather than seeing AI as a threat, SMEs can invest in upskilling their workforce to leverage AI effectively, fostering a culture of innovation and adaptation."

Predominating or not, AI is not the only technology game in town. And Jocher is keen to get this message out, stressing that "AI isn't up all the air," when it comes to developing new technologies. Indeed, he actually sees AI as itself a facilitator of new technological development.

He says that "it can help out by supporting on tasks that usually are more time consuming and I think there is a certain domino effect of new technologies being created and of new potentials by using AI as a supportive tool." Among the technologies continuing to find space within the logistics discussion are autonomous vehicles and drones, blockchain, internet of things (IoT), predictive analytics and big data, and work on sustainable practices. Of particular pertinence in this moment remains the latter, with not a single day passing without news stories referencing humanity's failure to address the massive, unsustainable, and detrimental effect it is having on the planet.

> "SMEs can continue to differentiate themselves by offering more authentic and tailored experiences"

Carriers of the air and ocean variety both seemed to up the ante, or least up the amount of press attention they gave this issue. Targets for greater sustainable aviation fuel (SAF) usage were pumped out by a raft of carriers, while at sea there was heightened chatter surrounding the building of LNG- and methanol-fuelled vessels. Forwarders, however, have also reported cynically, noting that a lot of these "green pushes" are little more than "brand management" that are intended to appease the PR needs of big shippers without engendering any real change.

"Some exceptionally ESG type companies who make it part of their marketing to be clean – think Patagonia – are demanding greener supply chains," says one forwarder. "However, the average importer has zero concern in this space. I think it will only come onto the radar of these forwarders and shippers if (when) countries start implementing some sort of carbon border adjustment mechanism. If an importer sees the importing costs increase (substantially) as a result of this then they will certainly become interested in low(er) emission cargo movement."

Even if one takes a more optimistic view of what the carriers and larger firms are doing, there is an increasing belief that the ambitions are not based in reality. Managing director of Change Horizon Celine Hourcade is one of those to have poured cold water over some of these ambitions, noting that airlines looking to reach net-zero while still doubling traffic year-on-year was little more than "wishful thinking". One source said that the industry's Environmental Social and Governance (ESG) focus had become so myopically focused on SAF as a magic bullet that it was drawing attention from what was really needed – echoing others who have said that there is a tendency within the industry to think technology alone without any change in behaviour can resolve all (logistics') life's problems.

"SAF is certainly an important part, but currently has a limited impact since refineries cannot produce the amount of SAF which would be needed to have a lasting impact, which renders it predominantly a marketing exercise from my perspective," they say. "What's important in light of introduction of ESG regulations on both sides of the Atlantic is capacity to monitor a company's total ESG impact and activities in a manner that fulfils audit requirements and has a direct impact on investment decisions by equity firms and banks."

On the ocean side, a report has also warned that carriers investing in shipping biofuels may turn out to be something of a misguided endeavour. And one carrier, Maersk, has gone so far as to seemingly bet its entire net-zero success on switching to green methanol. The move caught some by surprise, one source saying the carrier had "put all its eggs in one basket", following the news that parent company AP Møller-Maersk had reached a long-term offtake agreement for annual volumes of 500 kilotonnes of the fuel for the 12 large methanol-enabled container vessels it has on order. The first consignment of the fuel is due for arrival in 2026, while its first methanol-powered container ship, offering capacity of 16,000 TEUs, is due to enter service in the first quarter of this year, before the rest arrive by the end of 2025.

Nair, unlike others, believes even the chatter around sustainability is having net benefits; and benefits which are directly attributable to important technological developments. He says that it is this focus that has allowed technologies enabling more eco-friendly practices, such as alternative fuels, optimisation algorithms for fuel-efficient routing, and electric vehicles, to have gained traction. And this, he adds has a business benefit: "By embracing a blend of these technological advancements, we are trying to enhance our competitiveness, improve service offerings, and adapt to the evolving demands of the global supply chain."

‘Rate restoration’ by carriers set to see rates hit Covid-era highs

RATE spikes driven by Red Sea attacks look set to spread beyond Asia-Europe routings, with a series of new pricing mechanisms set to take effect on transatlantic and transpacific trades.

Carriers got the green light in the first week of the new year to bypass the 30-day notice period mandated by the Federal Maritime Commission and announcing a raft of general rate increases (GRIs) and surcharges for Asia-US shipments being rerouted around Africa to avoid the Red Sea.

And with transatlantic and transpacific shipments still obligated to provide that notice period, carriers have announced what look set to be massive spikes in costs.

CMA CGM announced in the last days of 2023 a “rate restoration initiative” for the trade of $1,000 per 40-foot from Europe to the US, Canada and Mexico, from 21 January, with Maersk announcing a $750 surcharge per 40-foot on North Europe to Canada and the US.

For Maersk, the rate will take effect on 5 February, and it told customers it was necessary “due to the dynamic market situation causing disruptions on global networks”.

"due to the dynamic market situation causing disruptions on global networks"

The rise in rates will come as something of a salve for the North Europe-US east coast routes, which have been well below their Covid-induced peaks and markedly down on what were described as “robust” pre-pandemic rates of $2,000-plus.

Looking to Xeneta’s XSI reading for the first week of January, the route was averaging just $1,464 per 40-foot, compared with $6,412 a year earlier and the $2,000 2019 figure.

Imposition of the GRIs and surcharges comes on top of those carriers had already announced, with an expectation that together they will have an immediate impact on container spot rates, which are now expected to spike, despite demand being weak on the route.

Nor is the transpacific routing immune to the “freight rates hike contagion”; Drewry’s WCI Asia-west coast reading up 30 per cent on the last week of December.

Averages on the route as this issue went to print indicated that carriers were quoting $2,726 per 40-foot, which leaves it 39 per cent higher than for the same period a year ago, and this is only expected to spike further amidst Panama Canal draught restrictions.

As if it was not bad enough for forwarders and shippers looking to get goods into Europe, carriers declared force majeure on bill of lading contracts.

Resultantly, this led to their announcing numerous surcharges for cargo already in transit, including for transit disruption and emergency contingencies, which consignees will be required to pay prior to the release of containers at the destination port.

Additionally, the lines announced new FAK (freight all kinds) rates from Asia to Europe, with CMA CGM advising it will charge $6,000 to ship a 40-foot box from Asia to North Europe.

Look at Drewry’s WCI Asia-North Europe component and it becomes clear just how big an impact the attacks by the Houthi militias are having, with this component up 115 per cent week on week.

Taking a longer view, the climb is marginally lower, at 91 per cent year-on year, but still the average quote ranges around $3,577 per 40-foot.

Similarly, Drewry’s WCI spot for Asia services destined for Mediterranean ports is up 114 per cent compared with last week and 43 per cent year on year, with an average spot rate of $4,178 per 40-foot.

What is more is that this does not take into account the fact that indices are playing catch-up against a scenario of huge daily price hikes.

Expectations are that these will, no doubt, reflect the new market rates in due course, with forwarders concerned that the market is witnessing a repeat of painful carrier practices that defined the Covid era.

Shipping groups call on UN to intervene in Red Sea crisis

INDUSTRY and political leaders are demanding that the United Nations step in to address the continuing attacks against Red Sea shipping that are driving freight rates ever higher.

A joint statement from the governments of Australia, Bahrain, Belgium, Canada, Denmark, Germany, Italy, Japan, Netherlands, New Zealand, Singapore, the UK, and the US warned the Houthi rebels directly against further attacks.

The statement warned that the attacks “threaten innocent lives from all over the world and constitute a significant international problem that demands collective action”.

As this issue went to press, more than 20 vessels had fallen victim to attacks via drones, missiles and Yemen-based, Iran-backed Houthi militias using small boats in an attempt to get aboard ships.

Furthermore, the statement noted the attacks included the “historic first use of anti-ship ballistic missiles” against commercial shipping.

It added that this amounted to a “direct threat to the freedom of navigation that serves as the bedrock of global trade in one of the world’s most critical waterways”, with the US telling the UN Security Council this was made possible by sanction-breaching support from Iran.

Bimco, the International Chamber of Shipping and World Shipping Council welcomed the push to get the UN to intervene and deter further attacks.

In a joint statement they said: “We call on all nations and international organisations to protect seafarers and international trade and support the welfare of the global commons by bringing all pressure to bear on the aggressors, so these intolerable attacks cease.”

Hiring ‘too many, too fast’ backfires for tech firms

LOGISTICS’ tech firms have again demonstrated the harsh reality of the “go fast and break things” mantra, a host of them having announced a slew of redundancies as the year kicks off.

The likes of Uber Freight, Flexe and EV Cargo all announced that they would be letting staff go, with the latter pointing to the “international economic climate” and its “various well-documented challenges” as responsible for the decision.

While Uber Freight and EV Cargo did not provide details of the number of job cuts, they would be making, nor when they would be made, Flexe chief executive and co-founder Karl Siebrecht told The Seattle Times that 99 people, or one-third of its staff, would be losing their jobs.

Describing it as a “difficult decision”, Siebrecht nonetheless said it had been done with the aim of enhancing the company’s “operational efficiency and long-term success”, adding that Flexe would support its departing employees.

Targeting long-term success or not, the moves made by the firms reflects a trend that has dominated the tech start-up scene since the pandemic began to fade, with many having accused these companies of hiring too many too fast.

It's a turning point for air cargo, says KAL chief Cho

KOREAN Air Lines chair and chief executive Walter Cho Won-tae has warned the air cargo sector to expect reduced earnings in 2024, following the post-pandemic normalisation.

In his new year message yesterday, Cho said that the coming 12 months would represent something of "a profound turning point" for the industry, adding that he expected to see innovation "sprout in aviation".

"Although the great crisis has passed, the road ahead is not smooth, geopolitical risks –conflicts, supply chain instability, recession and inflation – are likely to continue," he added.

"In addition, there'll be fiercer competition for market share, and the cargo business, which was a cash cow during the Covid-19 days, will return to pre-pandemic levels," added Cho as he urged KAL staff to "return to fundamentals".

"Although the great crisis has passed, the road ahead is not smooth"

His comments came amidst the Korean flag-carrier's efforts to acquire compatriot peer Asiana Airlines, which Cho pledged to complete this year.

Meeting that pledge, however, may be out of his hands as antitrust authorities across numerous jurisdictions, including Europe, Japan, and the US, continued their reviews, which have already delayed the process for the better part of three years.

Asiana fell victims to Covid-induced financial difficulties after the pandemic forced the grounding of global air travel.

In an effort to save the carrier, South Korea's government pushed for the merger with KAL, but it was the European Commission's competition demands that forced Asiana's directors to vote in favour of divesting the cargo arm in November.

While this may have made it possible to continue running services into Europe, observers have suggested finding a South Korean buyer will be far harder.

"Although it has taken much longer than expected, launching an integrated airline will be a huge growth engine, if we achieve economies of scale schedules can be rearranged reasonably and surplus aircraft can be deployed to new destinations," Cho added.

Data from CH-Aviation suggest should it go through, the proposed KRW1.8 trillion ($1.37bn) merger would see KAL take a 63.9 per cent stake in Asiana, its aircraft and infrastructure.

WALTER CHO WON-TAE
Korean Air Lines

That would leave the South Korean carrier with a fleet of close to 250 aircraft (121 active), comprising KAL's existing fleet of four B747-400Fs, seven B747-8Fs and 12 B777-200LRFs, with Asiana's 79 aircraft (77 active), including 10 B747-400Fs and one B767-300F.

VAT u-turn a relief for Bangladesh shippers and manufacturers

IN a boost for domestic shippers as global economic problems linger, Bangladesh authorities have withdrawn value added tax (VAT) on port services for export-oriented industries.

The move follows the imposition of the country's Finance Act, which last July ended the "zero-rate VAT" on transport-related services, leading Chittagong Port Authority to begin collecting 15 per cent VAT on port services.

This resulted in a major hit on garment exporters.

One garment manufacturer, Abul Kalam Azad, said the imposition of 15 per cent VAT on port services had "lowered our competitiveness" with other global manufacturers.

Thanking the National Board of Revenue (NBR) for the decision to withdraw the additional tax burden, Azad said that allowing goods to be produced at a low price meant they could in turn be exported at a reduced price, leaving the country in a far more competitive position.

Following imposition of VAT, 45 per cent of containerised imports, mainly raw materials, were hit by the tax and, while garments took the biggest hit, exports generally suffered.

Resultantly, the Bangladesh Garment Manufacturers and Exporters Association commenced negotiations to lift the VAT on port services, its president, Faruque Hassan, and delegation meeting with the NBR in October in an effort that ultimately led to its withdrawal.

It will come as welcome relief for port operators, which have struggled in recent years from significant drop-offs in container and ship handling.

Indeed, 2023 marked the second consecutive year of declining imports and exports, data showing that Chittagong port handling some 140,000 teu fewer than a year previously, with a six per cent drop in the number of ships coming to port.

Further to this, the country's inland container depots handled 877,689 teu of containers in 2023, against 983,452 teu in 2022, amounting to something approaching an 11 per cent dip.

Insights IN

Seafreight – comment by Mike Wackett

Houthis and Mother Nature put a spoke in supply chains

MIKE WACKETT
Sea Freight Consultant, FICS

2023 was a good year for shippers; container freight rates normalised and more, supply chain congestion eased considerably and ocean carriers started to treat exporters, importers, BCOs and forwarders as valued customers again.

However, 2024 is looking challenging, to say the least, for the cohorts that keep global trade ticking; the Red Sea crisis and Panama Canal draught restrictions conspiring to screw up the best-laid plans of shippers' supply chains.

Notwithstanding significant delays to voyage times, as a consequence of vessels being forced to sail around the Cape of Good Hope, due to Houthi militants taking pot shots at containerships with spurious links to Israel, and transits of the Panama Canal also being subject to restrictions, ocean freight costs have skyrocketed.

Ocean carriers have rolled out a myriad of contingency surcharges for cargo already on the water, while forward container freight rates have gone through the roof as a supply chain fear factor sentiment infects the markets.

As an influential American maritime consultant put it the other day: "It seems that Mother Nature and the Houthis have teamed up to create a supportive environment for ocean carrier rate increases through 2024."

Prior to the Red Sea disruption, the outlook was looking increasingly bleak for container shipping lines this year: growth was predicted to be sluggish, with anaemic demand expected in global economies; against which another 3.1m teu of newbuild tonnage is scheduled to hit the water this year in an already oversupplied industry.

Analyst forecasts for liner profits were frightening, if you were sitting in Copenhagen, Geneva, Hamburg or Singapore, with for example, Drewry suggesting that cumulative full-year losses could reach $15bn in 2024, with that figure appearing conservative as the market stood at the start of December.

Indeed, the fourth quarter and full-year operational numbers reported by Cosco subsidiary OOCL, ahead of the main liner reporting season, confirm just how difficult trading had become for carriers heavily exposed to east-west trades; the industry having transitioned from boom, through normalisation into a slump in the second half of 2023.

Carriers, particularly those more exposed to weak markets, which also had significant charter hire commitments or large orderbooks, were staring down the barrel at several quarters of substantial losses.

But like the early Covid lockdown period, when carriers laid up a quarter of their ships to mitigate the huge losses from a slump in demand, supply chain disruption, it turns out, is the silver lining for shipping lines.

Indeed, transit congestion and operational contingency surcharges were unleashed, like a genie out of the bottle, for cargo already in transit, as carriers invoked bill of lading force majeure clauses as they re-routed ships around the South African coast.

> **Ocean carriers have rolled out a myriad of contingency surcharges for cargo already on the water**

But it wasn't only exports from Asia that felt the pain of the arbitrarily calculated surcharges, in certain cases European exporters to Asia were also hit with surcharges for shipments loaded on ships back in November.

Moreover, at the same time carriers anticipated the forthcoming tight supply issues, especially relating to equipment that was tied up on extended round-trip voyages, and took the opportunity to announce massive hikes in their base rates, even if the trade was not directly impacted by the Red Sea crisis.

As VOTI goes to press, the number of containerships that have already been, or are planned to be, diverted around the Cape of Good Hope and were originally scheduled to transit the Suez Canal, is approaching 500, estimated to be loaded with some six million teu of cargo.

With so many ships and equipment out of kilter, even if the Houthis stopped using commercial shipping passing through the Bab-el-Mandeb straits as target practice and Suez Canal transits resumed tomorrow, lessons learned from the six-day blockage of the Suez Canal in March 2021 by the infamous Ever Given tell us that supply chains take months to return to normal following significant disruption.

Shippers look to the skies to avoid ocean chaos

AIRFREIGHT is set for a spike in demand as shippers turn to the skies to bypass the chaos unfolding in the Red Sea.

According to data from a range of indices, the impact of the crisis brought about by Yemen-based, Iran-backed Houthi militias is not yet visible in airfreight rates, but chief airfreight officer for Xeneta Niall van de Wouw said the impact was coming.

"The Red Sea delays are not reflected in rates just yet, but it is to be expected," van de Wouw told Voice of the Independent (VOTI), noting that the first week of a year is "typically dormant".

He added: "But shippers are switching to air – it's happening. It will take a while for the goods to get into the hands of forwarders. People are definitely switching from sea to air".

Although he was less convinced over claims that there was a migration to sea-air.

His comment came in response to claims from the TAC Index of such a migration being the case, as it noted signs of increasing sea-air transports on Europe-destined services.

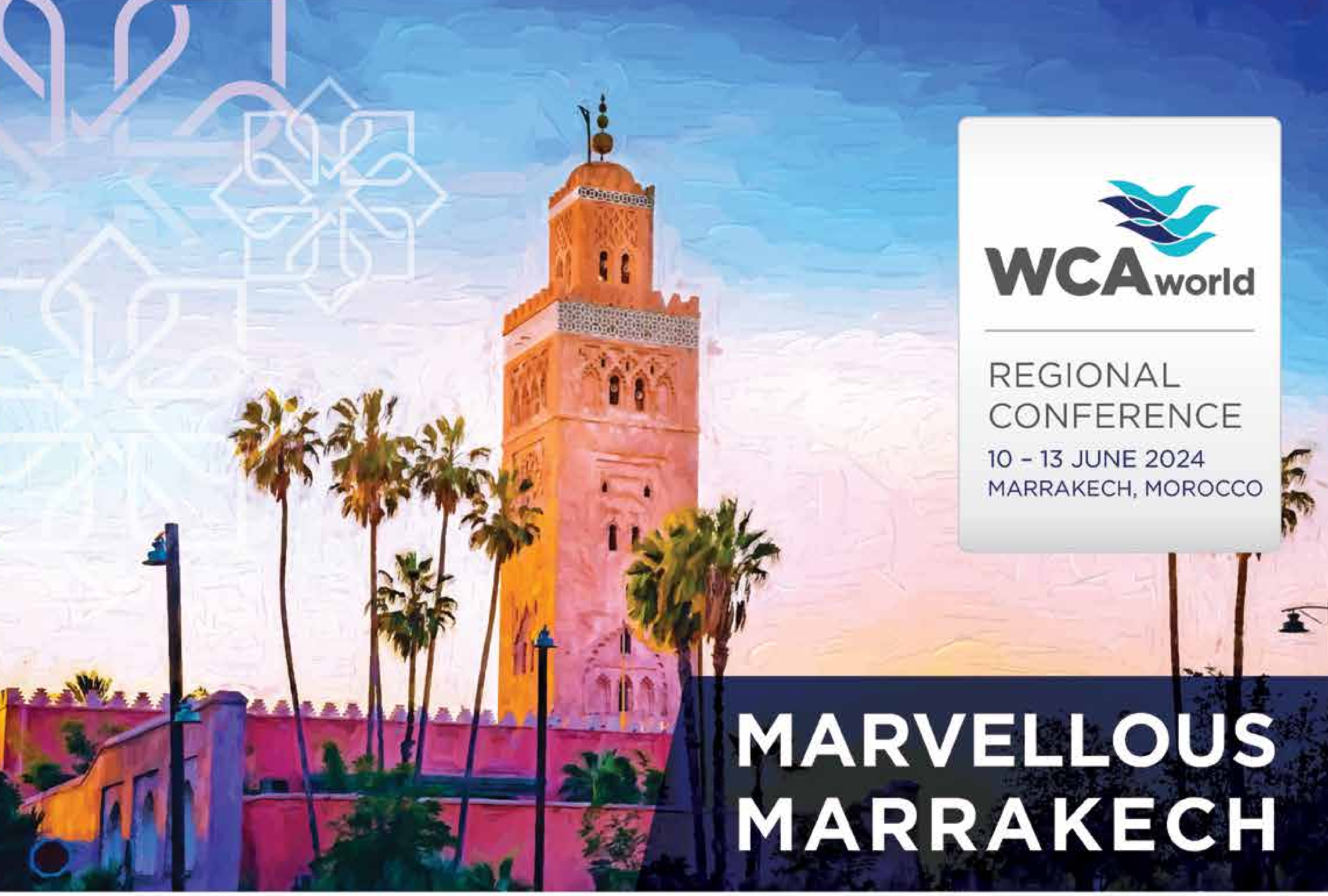
According to TAC: "Though rates to Europe are edging up, there are signs of some shippers switching to combined sea-air transport options, using sea lanes from Asia to the Middle East and then on, by air, to Europe to meet delivery deadlines.

NIALL VAN DE WOUW
Xeneta

"Some sources expect to see more of that in the coming weeks, as many factories have only just started to spool-up again since new year."

But van de Wouw said the purported switch to sea-air was not reflective of discussions he had held with shippers, which he said seemed to be "fully switching to air", even with forwarders offering "all sorts of alternatives" to ocean services.

A forwarder agreed that the switch to airfreight was happening, but noted that some of the shippers with which they liaised were taking a "more surgical" approach, while others had gone "all-in" with air.



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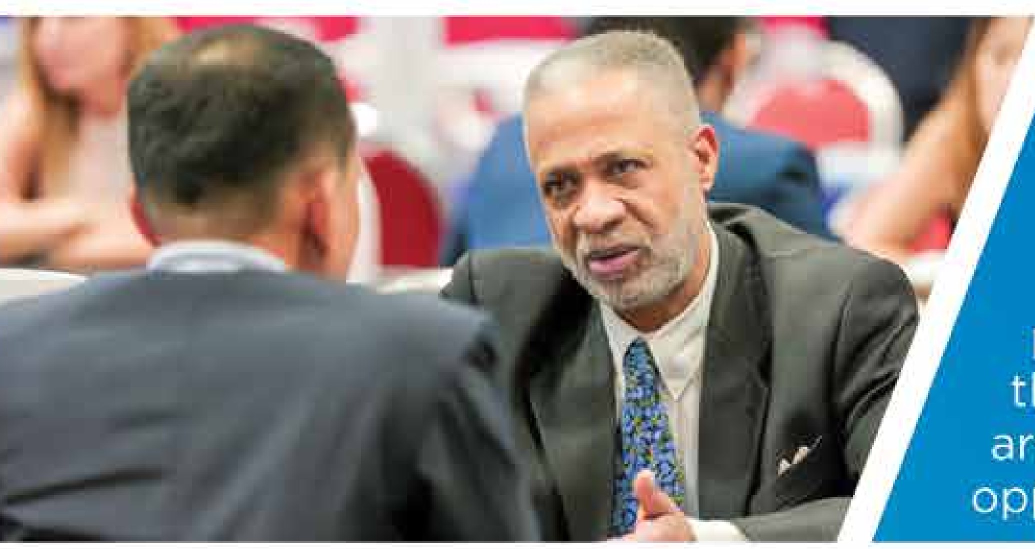

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Canadian supply chain strategy takes shape in haze of open questions

LIKE its counterpart in the US, the Canadian government has decided that the country needs a national supply chain strategy, overseen by a national body. The newly announced National Supply Chain Office (NSCO) has a designated head and some money to spend, but its role and setup are still very much shrouded in fog.

Shortly after the Biden administration established a White House Council on Supply Chain Resilience as part of a raft of measures to strengthen US supply chains, Ottawa announced that it was setting up a body to secure supply chains. The NSCO is supposed to develop and implement a national supply chain strategy that will help the government respond to significant supply chain disruptions and facilitate the flow of data to guide policies and decisions. In addition, its remit includes support for data sharing between industry and government bodies, facilitation of strategic policy, to provide overarching leadership and co-ordination and the conduct of external research.

The establishment of such a body was one of the recommendations tabled by a national supply chain task force made up of industry stakeholders that had examined supply chain vulnerabilities and potential solutions in 2022.

The task force had proposed 21 measures to strengthen supply chains. These emphasised, among other things, the need to ease port congestion, address labour shortages, protect border crossings and trade corridors, data sharing and stress testing of measures as well as the importance of an overarching national strategy.

On 1 December, Canadian Transport Minister Pablo Rodriguez officially announced the launch of the NSCO, which is led by Assistant Deputy Transport Minister Robert Dick. He started his job with C$27.2 million (US$20.5 million) in funding from Ottawa's 2023 budget.

That money should go some way towards finding some quick fixes for trouble spots. Bruce Rodgers, executive director of the Canadian International Freight Forwarders Association (CIFFA), noted that Dick's initial communication with industry has focused primarily on addressing urgent issues.

While this could come in handy, it does not address the primary issues.

"We are looking for long-range strategies. Quick wins are not going to get us there," Rodgers commented. "We desperately need a strategy."

He pointed to the planned addition of a new container terminal at the port of Vancouver and expansion projects at the ports of Montreal and Saint John, stressing the need for landside infrastructure and surface carrier capacity to match these developments.

> "We are looking for long-range strategies. Quick wins are not going to get us there"

"The government has put a lot of funding into national trade corridors, but this has been spending without a strategy behind it," he added.

Another area where the NSCO should make a difference is in the advancement of standards, especially with regard to the flow of data. Data should be available to all stakeholders in a consistent format.

"Now data are available, but in a format unique to the carrier, and not consistently across the board," Rodgers observed, adding that "people in the industry are not aligned either".

While the NSCO has a leader and some money, much else remains in the dark.

"What has been done outside the establishment of this office? What is the structure? What interaction will it have with the other government departments," Rodgers asked. "Data sharing and collection has been discussed for years. What's the role of this office to make that happen?"

Considering that the task force presented its findings in October 2022, the lack of clarity on the NSCO's structure and role after some 14 months is not promising.

Nor is it encouraging that two key government agencies – Transport Canada

BRUCE RODGERS
CIFFA

and the Customs and Border Services Agency – have not been able to align their requirements for advance submissions of airfreight data. As a result, forwarders have to prepare two different sets of the same data for the same purpose, Rodgers noted.

In comparison the US government's drive to bolster supply chain resilience is on firmer track, both in terms of defining roles and objectives and overarching backing from the top via the Supply Chain Council, that ropes in nearly all members of the cabinet.

Nevertheless, Rodgers welcomed the initiative and applauded the newly minted head of the NSCO for his efforts to reach out and engage stakeholders across supply chains.

To begin with, it is important that industry stakeholders are involved in the development of a national supply chain strategy, rather than let government develop the playbook in isolation. Moreover, this should result in a more balanced distribution of funding, he remarked.

The past experience with federal money allocated to trade corridors suggests that "the loudest person in the room gets the funding", he said. With all stakeholders at the table, they can call each other out and prevent that from happening, he added.

"We're cautiously optimistic that something will come out of this, but until we see some results out of this, I'm still on the fence," he commented.

Zim re-routes after Malaysia bans calls

ZIM has cancelled all its services to Malaysia after prime minister Datuk Seri Anwar Ibrahim announced in December that the country's ports were not to service the Israeli carrier.

In cancelling these services, Zim has replaced its ZMP South-east Asia to eastern Mediterranean loop headhaul call at Malaysia's Port Klang for Colombo, while also adding a call at Vietnam's Cai Mep gateway, which will also now serve as the starting point for its Asia-America Baltimore Express loop.

However, where it controls the vessels deployed on these services, Zim is facing the trickier task of rerouting the vessels on its Asia-West Africa FAX service, which it operates in conjunction with Cosco and ONE. According to reports, Zim has skipped Port Klang in favour of Singapore as a means of mitigating the issue.

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