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Airfreight more adept at adapting to volatility

Airfreight volumes posted a steady start-of-year take off

MULTIPLE shocks since the start of the decade have forced carriers to adapt, but it appears airfreight has shown itself most adept at rolling with the punches.

In the midst of attacks against commercial shipping in the Red Sea, coming together with the build-up to Chinese New Year, airfreight volumes posted a steady start-of-year take off, up by a "surprise" 10 per cent, according to Xeneta's recent analysis.

Xeneta's chief airfreight officer, Niall van de Wouw, said: "We saw a relatively strong January, from a volume perspective, but the market fundamentals have not changed.

"This is not consumers buying more, it is likely linked to Red Sea disruption as well as the upcoming lunar new year. We don't see this reflected in rates, but that's not surprising for January because there's not the same pressure on capacity."

Indeed, given the raft of available capacity, Xeneta found general air cargo spot rates had in fact declined 12 per cent month-on-month in January to average out at $2.27 per kilogram.

Furthermore, the Baltic Airfreight Index also noted year-on-year rate dips as capacity, core pricing and fuel returned to pre-pandemic levels; it indicated a 16 per cent and 26 per cent decline on Hong Kong-Europe and Shanghai-Europe rates, respectively.

> "There's been fevered speculation that Red Sea trouble could spark a surge in rates"

Against pre-pandemic levels, the picture looks markedly better though, with rates on those same trades up 46 per cent and 21 per cent respectively.

Added to all of this, a BAI commentary, paired with its rates announcement, declared that "apart from that general trend, there are a lot of moving pieces to sift through as we consider the potential trajectory for rates this year".

And BAI's Neil Wilson said: "There's been fevered speculation that Red Sea trouble could spark a surge in rates, and there was indeed a rise in late January, although nothing huge.

"January was dominated by speculation about an immediate surge in air cargo rates that – contrary to predictions – took some time to start arriving. Expectations of rising rates were driven mostly by the attacks on commercial shipping in the Red Sea.

"That led to large-scale diversion of vessels away from the Suez Canal around the Cape of Good Hope – and a massive surge in ocean shipping rates."

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2024 set to be a 'reasonable' year for air cargo

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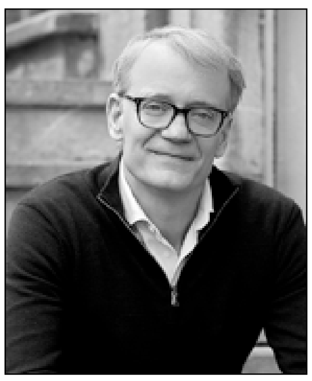
Nor is the picture the same everywhere, with Xeneta indicating climbing spots on certain trades, particularly those running north-east Asia to Europe, which were up to $3.42 per kilogram in the week ending 28 January.

Suggestion is that this has been driven by the recent phenomenon of retail giants Shein and Temu, which appear to have made up the majority share of the rising demand.



NIALL VAN DE WOUW
Xeneta

Describing their dominant contribution as "unheard of" for single companies, van de Wouw noted that it had become "impossible" to discuss airfreight without mentioning these fast-fashion retailers, with a forwarder confirming to Voice of the Independent their impact.

Van de Wouw added that he had seen accounts where 50 to 70 per cent of volume was from Shein and Temu alone.

Director of Cathay Cargo Tom Owen said that while last year "overall" had proved "fairly challenging" for traditional air cargo, e-commerce had proved the "exception", and that he expected this momentum to continue.

He said: "We're confident 2024 will be a reasonable year for air cargo, led by e-commerce, a large amount of which is sourced from the southern part of the Chinese mainland."

Pressed, he suggested e-commerce could end up accounting for as much as 60 per cent of the carrier's total tonnage for 2024, with van de Wouw noting China, despite the seeming western move away from it, will remain "the most important [e-commerce] global supplier".

Chief commercial officer for aviation software company Awery Tristan Koch said he was also seeing signs of airfreight proving its adaptability in the midst of chaos.

"the air cargo industry will not be complaining about starting the new year on a positive note"

Koch told Voice of the Independent: "Airfreight is becoming much more adept at adapting to volatility – whether ash clouds or pandemics. And, as an industry, it is moving away from setting rates for seasons, which makes air cargo more agile and nimble.

"We are certainly seeing this in the industry now. With the Houthi Red Sea attacks, but this shift is not solely a reaction to changes in ocean freight, it is indicative of a broader trend."

In his TAC Index blog, van de Wouw highlighted areas of looming volatility, including the pending US elections, issues on the main box ship canals – Panama and Suez, conflicts in the Black Sea and Middle East and pending interest rate adjustments in western economies.

He noted that all these factors would likely alter the global economy and demand patterns in the air cargo markets.

"The market remains extremely difficult to predict. Let's wait and see what happens in February, when we might see air and ocean volumes, as well as rates, fall back if more stability returns to the market," he added.

TOM OWEN
Cathay Cargo

"But January was a strong, slow month and, after a difficult 2023, the air cargo industry will not be complaining about starting the new year on a positive note."

A first for Full Well in Thailand

WCAWORLD member Full Well Freight has become the first forwarder licensed to operate in Thailand's new free trade zone (FTZ) in the Bangkok Metropolitan Region.

Opened on 10 January, the Bangkok Port Free Zone, located on Chao Praya River, boasts some 24,000 square metres of warehousing space and a container yard and forms part of the country's national strategy, spearheaded through its Trade competition Act.

WCAworld chief executive Dan March said: "We were delighted to hear that one of our members, Full Well Freight, had been given the first license to operate in this new Free Zone.

"It is a great facility that will help members grow their business in Thailand and Southeast Asia.'

Having access to the FTZ will allow Full Well to make use of not only the box yard, but dedicated warehousing space.

Per an announcement, the facility will primarily cater to goods consolidation, domestic distribution management and re-export to third countries, and is expected to both reduce storage times and shipping costs.

This, the announcement added, was down to the FTZ "being more conveniently located to the major shipping lines", which will shorten transit times with use of air, rail, and road.

Port Authority of Bangkok said: "Although a new service model for Port Authority Thailand, we have a strong intention to develop the area to support today's economy. So, we are open for collaboration with both private and public sectors."

It added that it was working "under the belief, with common goals, we can collaborate and make it stronger".

Alongside inaugurating the FTZ, the ceremony witnessed the signing of an MoU between the Port Authority of Thailand and Sahathai Terminal and Port Authority of Thailand and Boxman, on behalf of Oknha Mong Port in Cambodia.

The MoU is aimed at strengthening support for international logistics, and transportation of goods as well as answer the needs of exporters and importers in Thailand and beyond.

WCAworld members shine at BIFA awards

WCAWORLD members showed their quality in this year's British International Freight Association Awards, knocking up three wins and featuring across numerous categories in an event hosted by "Queen of the Pit Lane" Suzi Perry.

Beating off a field stuffed with talent, WCA member Peterson saw Christopher Carter bag the Young Freight Forwarder of the Year title, with judges expressing how impressed they'd been by Carter's industry commitment.

BIFA's DG, Steve Parker, stressed how strong a field this year's awards had been, with a total of 29 forwarding outfits shortlisted, including 12 WCAworld members.

Parker said: "Once again, BIFA was delighted with the number and range of entries received, it was great to meet in person to celebrate excellence across the forwarding industry, with awards now in their 35th year, and justifiably regarded as the most prestigious in the sector."

Among those Carter himself faced were Emily Howard of Westbound Logistics and Nicola Hall of Edge Worldwide Logistics, EGLN and WCA members, respectively.

Other WCAworld winners included Seafast Logistics, which picked up the honours in the Specialist Services category, repeating their success a year earlier, while Hemisphere Freight Services walked away with the award in the Project Forwarding category.

In so doing, Hemisphere showed the depth of talent in the WCAworld networks, pipping fellow members Brunel Shipping & Liner Services (WCA/Lognet) and Ucargo (EGLN) to the prize.

Hemisphere also narrowly lost out to Woodland Global for the Ocean Services Award, with another WCA member, World Cargo Logistics, also just falling short this time around.

WCAworld members also found themselves finalists in the Extra Mile Award (Cargo Overseas); Staff Development (Unsworth); while in the European Logistics category, Brunel European and Espace Europe just lost out to Atlantic Pacific Global Logistics.

Hemisphere Freight Services walked away with the award in the Project Forwarding category

Port peace at last, down under, but it comes at a cost

AUSTRALIADockworkers in Australia have ended almost four months of industrial action across DP World terminals after reaching an agreement with the port operator.

Represented by the Maritime Union of Australia (MUA), the striking workers announced that a four-year agreement had been reached to end action estimated to have cost the country's economy some A$86 million (US$56 million) a week.

Less than 24 hours after stating that the strikes would persist until 10 February, the MUA declared "all protected industrial action has been withdrawn".

Assistant national secretary of the MUA Adrian Evans added: "The past fortnight has shown how quickly a fair and sustainable deal can be resolved once both the workforce and the employer are fully engaged in the negotiation process.

> "We are now focused on moving forward"

"Wharfies are amongst the hardest working, most productive and most flexible workforces in the Australian economic landscape."

Under the agreement, replacing one which had expired in September, dockers will benefit from enhanced safety measures, effective fatigue management, guarantees of job security and work-life balance, fair compensation and more.

Vice president at DP World Oceania Nicolaj Noes described the news as "testament" to the operator's "commitment, to our workforce and providing uninterrupted services".

Noes added: "We are now focused on moving forward, restoring the supply chain operations and working collaboratively with our employees to rebuild confidence among our customers and make a positive impact on the national economy."

While the news has been welcomed, after four months and two days of downed tools expectations are that container backlogs across the affected ports will take weeks to clear.

Industry bodies are warning of both continuing delays but increased costs, all of which are likely to continue well into March, with the Australian Industry Group noting that despite welcoming the settlement, it will result in long-term cost for industry and consumers.

It said: "The agreement involves a series of wage increases well above the current inflation rate, which is on the downturn, and will inevitably lead to increased costs and charges."

NICOLAJ NOES
DP World Oceania

Furthermore, head of international freight and logistics at Freight and Trade Alliance Tom Jensen said that the deal was still to be voted on by employees and subsequently approved by the Fair Work Commission (FWC), which he said "generally" takes about 45 days.

He added: "But the length of the agreement being for four years, as opposed to the mooted two to three years, is a good sign that both negotiating parties are satisfied with the terms."

New pharma services from Turkish Cargo just what the doctor ordered

TURKISH Cargo has launched a wave of new pharma products in response to increasing customer enquiries for more flexible shipping solutions.

Announcing the inauguration of its TK Pharma Standard, TK Pharma Extra and TK Pharma Advanced services, the Turkish flag-carrier's chief cargo officer, Ali Türk, described the push from customers as "indicative of the trust the airline has achieved in recent years".

He said: "We're proud to be a trusted solution partner, which has helped us achieve market share of seven per cent in the global air transport of pharma and medical products.

"We are making innovative investments for the purpose of not only solidifying such trust, but also adapting to the dynamics of the ever-growing healthcare industry. With the new offers, we're committed to providing more assurance, transparency, and better visibility."

Breaking down the new products, Türk said TK Pharma Standard enabled temperature-sensitive cargo to be shipped in compliance with the industry requirements.

This includes assured handling expertise – shippers having frequently castigated carriers and airports across the world for poor handling practices – as well as dedicated temperature-controlled storage, high priority for loading and 24/7 customer services across the Turkish network.

Catering for products with stricter temperature and time requirements, TK Pharma Extra adds to this, using departure-destination monitoring, passive packaging, and more.

TK Pharma Advanced was developed on the premise that it offers what the carrier claims to be "near-zero risk against temperature deviation", via use of active temperature-controlled or hybrid/advanced passive containers.

ALI TÜRK,
Turkish Airlines

In a statement, Turkish noted: "The cargo is carried at a fixed temperature between -70°C and +30°C, depending on the requests of the customers.

"The dedicated and expert team established for TK Pharma Advanced not only manages the transportation processes, but also provides the customers with a consultancy service, in terms of container leasing."

Spotlight ON

Eduardo Joia

Brazil: a country reborn to become a Latin logistics hub

time-critical cargoes and process improvement director

"I believe in Brazil," AGL's time-critical cargoes and process improvement director Eduardo Joia tells Voice of the Independent. "Brazil's economy is improving, and I believe it will continue to rise."

Last year, the country saw Brazil's economic growth beat expectations, with a strong end of year as President Lula da Silva continues to defy those same expectations. Looking ahead, the popular Lula, who took office a little over a year ago, has forecast growth of some two percent over the course of 2024.

Exports have proved particularly buoyant in the momentum behind the country – beef and cosmetics among the stellar performers of the past 12 months. Brazil also witnessed a spike in automotive manufacturers moving in. US heavyweight GM Motors announced mid-January that it would invest more than $1.4 billion over the next five years as it looks to ramp up its electric vehicle production capabilities, with reports that the likes of Volkswagen are set to follow suit. However, the car sector took something of a hit last year as a consequence of the collapsing Argentinian market.

"When we talk about Brazil, we, of course, have to consider our neighbours," continues Joia. "You have economic crisis in Argentina, and then in both Colombia and Venezuela you have these civil crises brewing."

> "What we need to do from the logistics standpoint is to improve the internal road connections linking our ports to the wider country and beyond"

Crises or not, amidst the ongoing China-US tensions, South America is being seen as one of the obvious destinations for the re-shoring/near-shoring trend that is gripping western economies of late. And that trend is filtering into the logistics scene, with a multitude of logistics heavyweights pumping resources into the continent. One of the big multinationals having recently injected a half-a-billion dollars' worth of funding into the region. And, on the wave of this increased interest, Joia is keen to stress the benefits of his home country as the obvious candidate for a South American logistics hub.

"Considering what is happening with our neighbours, it exemplifies why Brazil makes sense for supply chains servicing South America," he continues. "Brazil is easier than most of the others. You have Chile, probably, as the second best and, at one stage, Chile was ahead of Brazil, but given its improving economy, I would say Brazil has jumped ahead of it and is one of the regional leaders."

Despite his cheerleading, Joia is not naïve to the realities of running logistics in Brazil. He stresses that there are "still many things to improve". And while buoyed by the recent, and fortuitous, upsurge in the economy, he knows that it is not where it needs to be yet. Like other countries, it has found itself contending with inflationary pressures but in recent reports Lula has expressed optimism that this too is heading in the right direction.

"Should we get the economy right – and I am optimistic that we will – that will provide the conditions to help supply chains," Joia continues. "Remember, Brazil is a huge country, and it is a country with the right conditions and capabilities to meet the needs of the world. We have everything here, we have good climate, geology, water – both fresh and salt water – and weather. What we need to do from the logistics standpoint is to improve the internal road connections linking our ports to the wider country and beyond. As a forwarder, this is the hardest bit of our job, getting deliveries to our ports runs smoothly, but moving them beyond continues to present problems. And yet, with all the optimism we presently have, I remain convinced that we will be in a good place within the next few years."

Speaking of Brazil as a country reborn in some way reflects Joia's own recent experience. Just a week before he spoke to VOTI he started his role at AGL. He joined the WCA forwarder following seven years with his previous employer, where he had been pivotal in growing the company from a relatively small outfit of 15 employees to one boasting more than 200.

"That growth from 15 to 200, wow," he adds. "When I started, we had no processes in place, we had 15 (very good) people, and they were all handling everything. My role involved the introduction of an array of systems and processes – I created the CRM – and developed the dedicated commercial team. And that focus on people and process has become my driving interest and is something I have brought with me to AGL. The next two to three months will be busy, getting used to the role and the way things work but AGL is an exciting proposition."

With the hum of growth around the country, Joia is hoping to be part of a collective effort that will see AGL, which he describes as already being "so huge in Brazil", jumping to the next level. In this endeavour, he says he has brought both his experience and his recognition within the aerospace and the critical sectors.

"What I mean by 'critical' is perhaps a little more of a diffuse idea than usual," he says. "It can be time critical, but it can also be cargo that is large or expensive and as such requires additional care and attention. Characteristically for me though, it amounts to aerospace, automotive, and perishables.

"Aerospace is my background. I have a network covering the suppliers, maintenance, and commercial sales side. And at AGL we are ready, of course, and have processes in place for a few clients already, but are ready to grow that to run 24/7. When it comes to aerospace, most clients are in the US, France, Germany and the UK. And we are now starting the project to expand our links to South, Central, and North America."

All of which, in a sense of circularity, brings Joia's appointment back around to those areas in which the country is either growing, or looking to grow itself.

Focus ON

Forwarders are looking for sol

GLOBALISATION has defined the post-Cold War era and was the main driver of the rise of China. But, in an increasingly fractious geopolitical climate, and the rise of multipolarity, the defining model of world trade may be entering something of a death spiral. Prognosticating on the end of the globalisation is by no means new, with seismic economic shocks across the decades having prophesised as much. Taking a look at the numbers, however, it becomes clear something is happening. In the annual US-China Business Council survey, 35 per cent of respondents said they had cut or paused Chinese investments, up from 22 per cent in 2022, with 73 per cent citing increased costs and uncertainties over US tensions. Similarly, a poll conducted by the US Department of Commerce's Office of Textiles and Apparel found that 61 per cent of American businesses no longer considered China their primary supplier.

So, where is it all going?

Well, as is by now common knowledge, the likes of India and Mexico are looking set to be the big winners. In no small part, the positive momentum behind the latter is in part the result of its proximity to the US. Over the course of 2023, the news was awash with stories of US firms either setting up in, or relocating to, Mexico. This process of regionalisation is only aided by a Mexican legislature receptive to the increasing number of US businesses tapping the country up for manufacturing output. Indeed, in the final quarter of the year, the government pushed a law that has promised major tax incentives for not just US, but for international companies to consider it their new home. Among the economic stimuli has been a pledge for an 86 per cent tax deduction against companies producing electric vehicles there, while business machinery and equipment used in the research and development of domestic goods will benefit from an 89 per cent cut in taxes due.

SVILEN RANGELOV
Dronamics

Svilen Rangelov, co-Founder and CEO of Dronamics, tells Voice of the Independent (VOTI) that movements towards regionalisation is something he and his team are seeing more and more — after all, he notes, trade is the backbone of the global economy and the need to build resilient supply chains is becoming an increasing priority for businesses.

"This requires rethinking traditional models and means"

"This requires rethinking traditional models and means, and adopting innovations that can bring efficiencies to offset the redundancies that resilience requires, such as long-range cargo drones like ours that can provide regional middle-mile connectivity that is faster, cheaper and greener," continues Rangelov. "The regions that will win the most from this trend, will ultimately be the ones that test, adopt and appropriately regulate new technology with clear benefits to businesses and consumers."

Compounding the sense of global division, the world's largest economy has legislatively indicated its intention to regain its reputation as a manufacturing heavyweight. Dubbed "Bidenomics", the centrepiece in this administrative and legislative manoeuvring is the Inflation Reduction Act (IRA), which seems intent on ramping up US electric vehicle production. Per the Act, US-manufactured electric vehicles using any Chinese-made battery components will lose their eligibility for full subsidies offered by the IRA's $370 billion climate component. Interestingly, there seemed no penalty for companies relocating away from China and yet not returning to the US.

Furthermore, the Act also created the White House Council on Supply Chain Resilience, which could see more sectors face increasing costs should they opt to continue for building products in the world's leading manufacturing destination to then sell into the world's largest consumer market. As far as the US administration goes, it is very much a case of spurring the local at the expense of the international, a press release announcing the formation of the Council stressing its intention to lower the costs for American families and ensure they get products "they need when they need them" while supporting good-paying, domestic union jobs.

For some, the move by Biden is considered only likely to delay the onset of cleaner vehicles; others have been more effusive, considering it a spur to domestic car manufacturing and a way to re-energise US enthusiasm for green transport. Supply chain expert, John Manners-Bell, writing in his book The Death of Globalization, described the IRA as landmark legislation but a protectionist policy, and likely one that prove uniformly counter-productive, that would affect every one of the US' trading partners, with the possible exception of Mexico.

Returning to the issue of Mexico, that spurring demand for Mexican production capacity is not one unique to US firms. It seems Chinese companies are also recognising that they too may want to consider regional divestment, with reports claiming that Chinese companies have been second only to the US in terms of inward investment into Mexico. In October of last year, construction equipment manufacturer Lingong Machinery Group announced plans to build a factory in Nuevo León, a Mexican state bordering the US and its second largest recipient of foreign direct investment after Mexico City. According to reports, the planned factory would result in some $5 billion in investment, while within the same 24-hour period solar-panel manufacturer Trina Solar announced a $1 billion investment into the state.

Nicolette van der Jagt, director general of Clecat, the European Association for Forwarding, Transport, Logistics and Customs Services, tells VOTI that as far as freight forwarders go, they are already seeing signs of the impact of these shifting trade patterns. It is the case, der Jagt says, that "in general" protectionist policies and measures in certain parts of the world, together with sanctions regimes against the likes of Russia, are changing the flows of cargo around the globe.

"Buyers and producers are spreading risks over more countries which means that supply chains are spread over more countries," says der Jagt. "We have seen various impactful shocks in global supply chains with none of them being predicted – these include events like the Ever Given, economic protectionism emerging as a consequence of the China-US trade war, health crises like the pandemic, or political events like the war in Ukraine and now the Red Sea conflict. All of which have caused companies to think about the dependence of their supply chains and resilience. Companies are diversifying suppliers, whether this is via the increase of sourcing countries, and building up strategic inventories. These are the trends, but we do not see 'a breakdown of globalisation', rather a transformation. Where this will be heading will depend on the upcoming elections in the US and as well as other geopolitical developments."

"We have seen various impactful shocks in global supply chains with none of them being predicted"

It is not all rosy for Mexico though.

Supply chain operators in the central American powerhouse found themselves tussling with the governmentally enforced relocation of one of the country's main airfreight gateways over the past 12 months – a move that went anything but smoothly. Nor is the difficulties in the logistics sphere confined to aviation. Speaking to Investment Monitor, one forwarder noted bottlenecks had been plaguing ports as a consequence of ill-equipped infrastructure. This, the forwarder added, would necessitate urgent government intervention to ensure the country could keep up with demands, noting it was not just the ports themselves but the roads leading to them that required immediate attention. But, as a warning shop to other sourcing destinations, notwithstanding the disruption, cargo throughput at Mexican airports has continued to outpace others, with something of a bumper performance over the course of 2023.

Unsurprisingly, China and the World Trade Organisation have made clear their own concerns over the potential for western withdrawals – underscoring the sense that for all of China's growth, and its nurturing of relations with countries across the world, its economy remains dependent on access to the European and US markets. Addressing Central Economic Work Conference in Beijing late last year, China's leadership announced intentions to strengthen supply chain resilience in an effort to stave off further losses of international shippers amidst increased competition from India and Mexico. The news coming amidst November export figures indicating negligible year-on-year growth following six months of shrinkage, and hot on the heels of Biden announcing the launch of his Supply Chain Council

Just days after the Chinese leadership made their anxieties public, director general of the WTO the intergovernmental entity designed to facilitate and regulate international trade flows, Ngozi Okonjo-Iweala echoed the noise coming from Beijing, urging countries, and in particular the policy makers in Washington, not to abandon globalisation.

NGOZI OKONJO-IWEALA
World Trade Organization

"If countries let it go down the road of large-scale reshoring, it would just be giving up the productivity gains that come with specialisation, scale and trade," Okonjo-Iweala warned attendees at the China International Supply Chain Expo in Beijing. "There would be increase in supply concentration, and that would make supplies less resilient."

Noting national security necessitated some reshoring or near-shoring, Okonjo-Iweala said a move to widespread repatriation would prove counterproductive for global prosperity. For forwarders, the noise and the signals coming from Washington, however, reflect the reality of a world situated in a moment of precarity. De Jagt, however, contends that while the past decade has been characterised by a trend towards nearshoring, one which she says has been of significant benefit to central and eastern European countries, that the trend has not accelerated since the pandemic. As such, she appears to consider the moment we are seeing now as something that has been in the running for a long time – potentially coinciding with the seeming abandonment of putting the "investor first" and instead looking to ensure that the market companies operate in are well cared for, and therefore, that the profit companies make in turn "makes something". In addition,

Sourcing

lutions that avoid crises

reshoring does not appear to be uniformly applicable across western economies – perhaps explaining growth of India's manufacturing potential, despite suggestions that the likes of Hungary or Portugal would be best suited for European sourcing practices befitting a "re-shored" world.

"Data does not indicate reshoring of production chains to Europe," continues der Jagt. "Importantly, policies in Europe now tend to prioritise own and geopolitical objectives over efficiency. Such as dependencies on semiconductors; this, however, will take time. There may also be an impact of EU non-trade instruments that impact trade such as CBAM and the Corporate Sustainability Reporting and Due Diligence Directives. Also, this is now too early to say. In general, we can see that companies spread their supply chains across multiple countries, it means an increase in trade. At the same time trade becomes more complex and more disputed and will probably also again become more expensive."

NICOLETTE VAN DER JAGT
Clecat

For de Jagt, the more interesting element in the changes in sourcing practice is the apparent indication of waning US influence. Speaking to the notion of multipolarity, de Jagt notes the likes of Southeast Asia, India, and Brazil, are all becoming larger players on the international stage. And, in the case of India, many are seeing it as the country most likely to rival the US – although, to get there is has to sustain a growth rate of 8 per cent per year over a five-year period to 2028. De Jagt says "we already see that the US has become less dominant and we see dominance spread over multiple countries such as those in Southeast Asia, India, Brazil, and others," this sense of diminishing US-dominance must, of course, be read in the context of US influence having started from a very high base, and little indication that it will give this up easily. Should Biden win a second term, his focus on legislation may see that dominance maintained for a while still.

"Data does not indicate reshoring of production chains to Europe"

AGL Cargo's Jackson Campos tells VOTI that amidst the politicking, freight forwarders are looking for solutions to avoid crises and avoid delays emerging from shifting trade patterns. Included in this effort has been AGL's ongoing searching for new routes and new types of vessels to service the demands of their customers.

He says: "One example of the shifts we are witnessing concerns the interchange of cargoes. In the past, this would have been simply shipped in a container by an AGL Cargo customer," but with the ongoing chaos and, particularly, the equipment shortages that are affecting the global container markets, Campos says AGL has adapted, "we are now placing these goods onto ro-ro vessels, this allows us to bypass both the lack of space and lack of equipment that we are experiencing on certain routes".

Considering the trade ramifications of the geopolitical shocks seemingly plaguing the planet at present, Campos considers the decisions being taken in the US halls of power as nothing if not expected, particularly when one considers that the sitting administration took power in the midst of the first global pandemic in a century.

"Countries like the US are trying to internalise their production to avoid the problems in supply chains that they, and others, experienced over the course of the Covid-19 pandemic," says Campos. "Currently the Middle East is facing problems with the Red Sea crisis, with their key container gateways losing out as the big carriers divert their vessels around Africa's Cape of Good Hope to avoid the ongoing attacks being launched against commercial shipping there.

"Even though I believe we could have learned more from the supply crisis caused by the pandemic, I also believe that we are far more ready than we ever had been to confront other crises like that, which may arise."

Methanol speeds ahead of rivals as the green fuel favourite

METHANOL appears to be putting blue sea between it and its main alternative fuel competitor, ammonia, following news of Maersk's first ship-to-ship methanol bunkering.

Taking place with the 16,200 teu Ana Maersk at South Korea's port of Ulsan, the bunkering opens the prospect of bunkering methanol at ports unequipped with necessary quayside infrastructure, described by one commentator as a "milestone for its mainstream adoption".

President of the Ulsan Port Authority Kim Jae-gyun said the bunkering success would see the port "reborn" as a hub for the supply of new fuels.

"Following the success of the world's first green methanol PTS bunkering for containerships in July last year, Ulsan has succeeded in green methanol STS bunkering for a very large containership," added Kim.

The success came in the wake of an MoU signed in late January between X-Press Feeders and Evergreen for methanol-dual-fuel feeder services for Evergreen European shipments.

Spot rates will ease after CNY, but stay above pre-Covid levels

ASIA-Europe ocean container spot rates have continued their downward trajectory into February, with prices also easing on transpacific routings.

The downturn is nothing to shout about yet, say industry experts, with spots significantly higher than last year and, with surcharges implemented in response to the Red Sea crisis, have helped bring carriers back into the black after a loss-making final three months of 2023.

Now the question is will lines hold onto their gains as the year progresses, particularly given chronic overcapacity, as the industry settles into the longer Cape of Good Hope routings.

UK-based furniture importer and retailer Ian Bellis said: "We are definitely noticing a consistent decrease in rates, almost every day. Surprisingly, the usual pre-Chinese New Year (CNY) demand seems to be lacking this year."

Although, he noted many bulk item importers had been forced to dramatically scale back production in the midst of incessant rate rises, and uncertainty on where they would rest.

"Fortunately, we haven't encountered any equipment shortages, and our containers are smoothly getting loaded onto vessels without any issues. It appears that the current route around Africa has become more routine now," Bellis added.

> "We are definitely noticing a consistent decrease in rates, almost every day"

Vespucci Maritime's Lars Jensen shared the belief that the peak of pricing, brought about as a consequence of the Houthi-led attacks against commercial shipping, had been hit.

He added: "Vessels that needed extra-long detours around Africa have now completed those journeys. The empty container shortfall that could be expected in China likely reached an apex in terms of magnitude in mid-January.

"As such, the momentum for rates to spike even further on account of fear of 'worse to come' has waned."

For the week ending 2 February, Xeneta's XSI Asia-North Europe component recorded a week-on-week decline of two per cent, amounting to an average of $4,733 per 40 foot, with Drewry's Asia-Mediterranean reading down eight per cent, for an average of $5,848.

Looking to the transpacific, Asia-US west coast spots climbed two per cent, to average $4,421 per 40 foot, with US east coast readings unchanged on a week earlier, at $6,165 per 40 foot.

But stepping back to consider the state of play against the same period last year, the impact of the Red Sea crisis looks sizeable, with US east coast spots up 115 per cent year on year, according to Drewry's WCI index.

And on the US east coast, the situation is only marginally less severe, up 91 per cent on the same period of 2023.

All of which is expected to make its mark on the looming negotiations in the transpacific contract season, with Jensen stating that he expects spot rates to decline after the Chinese New Year, albeit "not back to pre-crisis levels".

Jensen added that there would undoubtedly be upward momentum on new contract rates so as to account for both the round-Africa services.

Added to which, Jensen pointed to a "sudden strengthening of the supply/demand balance in favour of the carriers", as an influence on contracts; for transatlantic services, however, the efforts by carriers to push up rates have been less successful.

Xeneta's XSI for the week ending 2 February indicated that spots on the routing were flat, at a sub-economic average of $1,448 per 40 foot.

LARS JENSEN
Vespucci Maritime

Maersk u-turn creates turbulence in the world of shipping alliances

HAPAG-Lloyd's departure from THE Alliance (THEA) has led to little noise from what one commentator described as its "jilted partners", ONE and Yang Ming.

And, given the absence of THEA from Japanese carrier ONE's third quarter (October to December) results, it seems that the remaining members of the alliance are keeping their options open for when Hapag sets sail solo with its two million teu of capacity.

The German carrier's move caught the industry by surprise, with further shocks after it announced 2025 would see it enter a vessel-sharing partnership with Maersk.

With the Danish carrier having ruffled many forwarders feathers after an aggressive pursuit of developing as an integrated logistics provider, Hapag-Lloyd CEO Rolf Habben Jansen was keen to reassure forwarders that it had "no intention" of following a similar path.

He said: "This does not represent a change of strategic direction for Hapag-Lloyd. We remain fully focused on liner shipping and the closely connected terminal and inland operations."

"We remain fully focused on liner shipping and the closely connected terminal and inland operations"

For Maersk, the deal represents a significant u-turn, having previously said its integrator strategy "did not fit" with vessel sharing, and yet the news comes a little under a year on from the break-up of the 2M Alliance featuring Maersk and MSC.

Named the Gemini Cooperation, the agreement between Maersk and Hapag-Lloyd will comprise 26 mainline services, supported by a network of shuttle services.

It will cover seven trades: Asia-US west coast; Asia-US east coast; Asia-Middle East; Asia-Mediterranean; Asia-North Europe; Middle East/India-Europe; and transatlantic; deploying some 290 vessels with a combined capacity of 3.4m TEU, 60 per cent coming from Maersk.

Given that MSC said it was its 2M partner Maersk that instigated the split and, in the interim, its CEO having told investors repeatedly it was not joining another alliance, questions are swirling.

Seemingly, Vincent Clerc's mind has somehow been persuaded to change course, noting in the wake of the announcement that Hapag-Lloyd represented "the ideal partner on our strategic journey" and would "raise the bar for reliability in the industry".

From Hapag-Lloyd's position, it said the decision to step away from THEA had been based upon a desire to improve its schedule reliability.

The carrier went on to note that "while we have improved in customer satisfaction, we have not made the progress we hoped for on the reliability of our operations," although Jansen did save space to praise the "long-standing, trusted and successful partnership" of THEA.

As far as THEA's remaining members go, ONE boasts the largest fleet, with 1.8m TEU and an orderbook for a further 540,000 TEU to come online in the coming years.

Of the others, HMM, has a capacity of 783,000 TEU together with an orderbook of 265,000 TEU, followed by Yang Ming, with a fleet of 708,000 TEU and an orderbook of 77,000 TEU, leaving many to wonder how it will compete.

One commentator said it "seems unlikely" that THEA could compete with MSC, the Ocean Alliance and the new Gemini Cooperation without recruiting another partner.

Container market intelligence firm eeSea's January Schedule Reliability Scorecard analysis already had THEA pegged a "distant fourth" behind the 2M Alliance, non-alliance lines and the Ocean Alliance, with data from the firm pointing to THEA as rooted to the foot of the reliability rankings "pre, during and post-pandemic".

It gets even worse when one looks at comparisons of THEA members with their contemporaries – and perhaps helps explain Hapag's decision – with Maersk consistently rated top and Hapag having dropped from sixth to eighth last year.

Next highest THEA member is Yang Ming at tenth, with ONE at eleventh and HMM coming in at 12th.

eeSea founder and chief executive Simon Sundboell said "a carrier can only control the vessels it operates", but it seems the Gemini partners are shifting gears, with the carriers targeting what sources described as an "ambitious" target of 90 per cent on-time reliability.

Hapag, together with the THEA partners, has been exposed to some negative sentiment around the divorce and they have collectively affirmed their "unwavering commitment" to the vessel-sharing alliance for the rest of the year.

But when that year is up, Vespucci Maritime's Lars Jensen said, the remaining THEA partners, ONE, Yang Ming and HMM, would be left "in a very vulnerable position, unable to field a network matching those of the Ocean Alliance, MSC or Gemini".

He added: "The pressure is then on these carriers to either lure a new partner from the Ocean Alliance or re-invent a new service concept."

Drewry's Simon Heaney commented: "This leaves a large gap in THE Alliance offering… this will undoubtedly come as a surprise to them as the agreement was extended for 10 years when HMM joined in April 2020."

ROLF HABBEN JANSEN
Hapag-Lloyd

Insights IN

Seafreight – comment by Mike Wackett

Cape diversions a blessing in disguise for carriers

MIKE WACKETT
Sea Freight Consultant, FICS

IT'S almost two months since the attacks on commercial shipping by Iran-backed Houthi rebels caused container vessels to be re-routed around the Cape of Good Hope, instead of transiting the Suez Canal.

It turns out that the diversions and extended voyage times have proved a blessing in disguise for ocean carriers and their shareholders, who were otherwise facing several quarters of losses as a consequence of a chronic oversupply of tonnage in the liner industry.

But, thanks to the Houthis, container shipping lines were able to reset liner shipping negative fundamentals to the upside; declaring force majeure on their contracts of carriage and unleashing a tsunami of surcharges and rate hikes on vulnerable shipper customers.

The acceptance of the enormous freight increases were driven by fear: shippers are still scarred from the Covid disruptions and were understandably concerned that there would be a repeat of equipment shortages, rolled cargo and severe port congestion that seriously jammed up supply chains previously.

There was a feeling of déjà vu, with carriers offering premium equipment and space guarantees at sky-high rates and restricting lower-paying contract customers to only 30 per cent of their allocations.

> 'ocean carriers have largely been able to adjust their networks to mitigate the impact of the diversions'

However, despite the fears of significant disruptions to their services, and thanks to a surplus of ships, ocean carriers have largely been able to adjust their networks to mitigate the impact of the diversions, while equipment shortages have been short-lived and resilient shippers have adapted their supply chains to the longer transit times.

Recently a large-volume UK-based furniture importer and retailer told me that, although he had been worried about the impact of the diversions on his supply chain, his product was still getting through.

He said concerns over equipment shortages and bookings being rolled were overblown and had proved unfounded.

"It appears that the current route around Africa has become more routine now," said the importer.

Importers of lower-value high-cube product suffered the most previously from the supply chain crunch and massive spikes in freight rates.

Some analysts argue that the massive leap in freight costs for a 40ft container from Shanghai to Rotterdam made little difference to the price of a pair of trainers; however, the same cannot be said of products at the other end of the volume and value scale, and there are ex-directors of retail firms forced into bankruptcy in 2022 that survived to tell the tale.

There are two major differences to the liner shipping chaos of 2021 and early 2022: consumer demand is weak, unlike the Covid-19 pandemic boom period; and ocean carriers have an abundance of spare tonnage, with waves of newbuild ships slipping out of the yards every week.

Indeed, carriers are expecting to receive 478 containerships this year, with a capacity of 3.1m teu, representing a huge supply growth of 10 per cent – and a record 300,000 teu of has already been delivered last month.

This compares with best-case global demand growth of an anaemic 3-4 per cent for 2024, with economists cautioning that geopolitical events could dampen these predictions.

Arguably, without the advent of the Houthi militants taking pot shots at commercial shipping in the Red Sea and forcing container shipping lines to re-route their ships from Asia to Europe around the Cape, ocean carriers would have been staring into the abyss of several negative quarters.

The first batch of financial results for the final quarter of last year, released by carriers that publish their results, confirmed the parlous position of the container lines prior to the Red Sea crisis, with a huge cumulative loss for the quarter expected to be recorded.

Nevertheless, carrier outlooks have now improved dramatically, swinging Q1 forecasts back into the black.

Meanwhile, the carriers' customers accept that they must pay more for the diversions – it's just that they would like some transparency from the shipping lines on the real extra cost of the diversions.

LCL shipments switching to rail as Red Sea attacks persist

LESS than container load (LCL) bookings are surging on China-Europe rail freight services as ongoing attacks against Red Sea shipping drive cargo to other modes.

One operator told Voice of the Independent they had seen a 30 per cent spike in their LCL volumes compared with the same period a year ago, with overall rail freight enquiries for China-Europe services up 40 per cent over the months of December and January.

A spokesperson for the company told VOTI: "Less-than-containerload rail freight has experienced a sharp increase in volumes, 30 per cent in January compared with last year.

> "Less-than-containerload rail freight has experienced a sharp increase"

"For full containerloads, we have received many enquiries, but this has not yet translated into a substantial increase in new business. But it is important to note rail freight costs, currently around $6,000-7,000 are close to the increased rates of ocean, about $5,000."

They noted that this wealth of new business was down to the Red Sea crisis, with shippers finally opting to consider the use of rail as an alternative to ocean services.

However, with war in Ukraine, the option of migrating to rail tracks has been hampered by the continuing sanctions imposed by western governments, preventing the use of routings through Russia for companies based in these jurisdictions.

Efforts to find alternative rail routings have so far backfired, as a consequence of much longer transit times and major increases in the cost of using non-Russia routes.

"For SMEs based in Asia or other developing regions, the blocktrain service from China to Europe remains a feasible option," the spokesperson continued.

"Taking Xi'an as an example, last year China-Europe Express from Xi'an saw a total of 5,351 departures, a 15.3 per cent year-on-year increase, maintaining its top position in China, and the Xi'an Railway Company plans to increase departures to over 7,000 trains in 2024."

In the build-up to Chinese New Year, rail spot rates show no sign in subsiding, pushing ever upwards, even if booking prices vary wildly, depending upon suppliers.

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Beluga readies for commercial operations

A new winged beast of burden is ready to enter the commercial scene for outsize airfreight loads. Having obtained its operating certificate late last year, Airbus's Beluga aircraft received the blessing of the US authorities at the end of January to operate in the world's biggest airfreight market.

This came two years after the establishment of Airbus Beluga Transport (AIBT to manage and market the fleet of Belugas the plane-maker had used until 2021 to move large aircraft parts and helicopters between its facilities in France, Germany and Spain. Now, six new-generation BelugaXLs are in action and Airbus management decided to market the aircraft in the commercial arena.

AIBT has set up its operational base at Francazal airport, near Toulouse with two dedicated parking spots for Belugas. Having operated flights on the network between its European stations in recent weeks to test internal procedures, management has signalled that it intends to start flying to the US this month. Managing director Benoit Lemonnier said that the goal is to run three long-haul missions a month this year.

AIBT starts with a fleet of three Belugas, A fourth is due for induction this year, leaving one more to enter commercial service at some point in the future.

The Beluga enters the outsize airfreight market at a time when available capacity is tight, owing to the ban on the Volga-Dnepr fleet of Antonov 124s and Ilyushin 76s in western markets. This has been an issue for project forwarders with outsize loads on their hands.

"The outsize market is quite busy, although now it's not as much as at the back end of last year"

"Antonov availability is a very big factor," remarked Ritesh Nair, global sales director, projects at Rhenus Project Logistics. Recently the forwarder had a large load to move, but the wait time for an AN-124 was 2-3 weeks, so it was decided to strip down the load to fit on a B747 freighter, he recalled.

Large freighters have been in high demand, reported Dan Morgan-Evans, group cargo director at Air Charter Service.

"The outsize market is quite busy, although now it's not as much as at the back end of last year," he said, adding that charter rates for the AN-124 are quite high – often double what they were before the outbreak of the Ukraine-Russia war. "It depends what mission it is," he added.

The Beluga is not a straightforward alternative to the AN-124 or the IL-76, though. There are important differences.

To begin with, its payload is considerably lower, as the plane was designed to move large rather than heavy loads. While space is ample, at 53,000 cu ft, payload is 47 tonnes, a far cry from the 140 tonnes the AN-124 can lift.

Nair said the Beluga can lift 50 tons, but the loader it uses, although one of the strongest on the scene, can only lift 35 tons, so you would need a crane to load heavier pieces.

Moreover, the Beluga's loading equipment is quite heavy, which constrains payload, Morgan-Evans noted.

"It needs a lot more planning in advance. There are a lot more moving parts involved in how you are going to load it," he remarked.

And the plane's range is rather limited, compared with the AN-124 and IL-76, Nair pointed out. This means it needs multiple refuelling stops on longer missions.

He reckons that the Beluga would make sense for Rhenus for the right type of cargo moving in regions like intra-Europe or intra-Asia. "For Europe to US, we have to see if it's feasible with the number of stops needed," he reflected.

"We hope that these issues won't become stumbling blocks," he commented. "It's too early to answer these questions. What it can carry in the market remains to be seen."

Air Charter Service is also in wait-and-see mode. In comparison with the Antonov and Ilyushin models, there are drawbacks, Morgan-Evans remarked, citing their ramps, door systems and rear openings, and the internal crane on the IL-76, which make them highly versatile aircraft. Moreover, they have longer range than the Beluga.

That said, comparing the planes is beside the point, both Morgan-Evans and Nair emphasised.

"The Beluga is not a game-changer in the market. It is not trying to replace the 747 or the Antonov. It is for volume cargo. For something like a rail car frame it is the perfect solution," Nair commented, adding that for the oil and energy business, the aircraft appears to be less suitable.

BENOIT LEMONNIER AIBT

Daniel Ivy, director of global air operations at Crane Worldwide Logistics shares their assessment.

"Introducing the Beluga is welcome news, presenting an additional option for consideration. Nevertheless, it cannot be a comprehensive substitute for the AN-124 or IL-76. These aircraft were designed to transport large, heavy equipment to remote and challenging locations, allowing for direct tarmac loading and unloading with minimal support equipment. The required specialised equipment is often brought in with the aircraft, equipped with onboard cranes or winching systems to facilitate loading," he observed.

"In contrast, the Beluga necessitates the assistance of ground handling agents and conventional high-loaders for unloading shipments. Depending on the airport location, this requirement may pose limitations. While acknowledging the positive aspects of the Beluga, it is crucial to recognise that its operational nuances make it a valuable option rather than a replacement for the capabilities offered by the AN-124 or IL-76. We eagerly anticipate aligning a shipment with the Beluga's capabilities for its inaugural use in our operations," he continued.

Nair sees ample opportunities for the Beluga in the market.

"I think they [AIBT] will be busy. There will be enough cargo to meet their operations. The aircraft is going to be a solution for many industries," he said.

Air Charter Service has had a few enquiries about the plane already, Morgan-Evans reported.

"It will have its place in the market," he predicted.

LIT 'the right terminal in the right place', says Port America

THE US port of New Orleans has slammed a consultancy report as "illegitimate" after it described its plan for the Louisiana International Terminal (LIT) as a "strategic mistake".

Formed by residents of New Orleans Violet area, "The Committee to Stop the Destruction of St Bernard" has been attempting to block US terminal operator Port America's proposed $1.8 billion LIT development, having last year launched a lawsuit against it.

In a further effort, the residents group commissioned port analyst Vickerman & Associates to interrogate the proposals, with the findings published last month.

Responding to the report, which included suggesting LIT would be better located near the mouth of the Mississippi, Port America slammed its "lack of research, facts, key data, and engagement with any parties involved in the state's thriving 50-year container business".

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