Voice of the Independent

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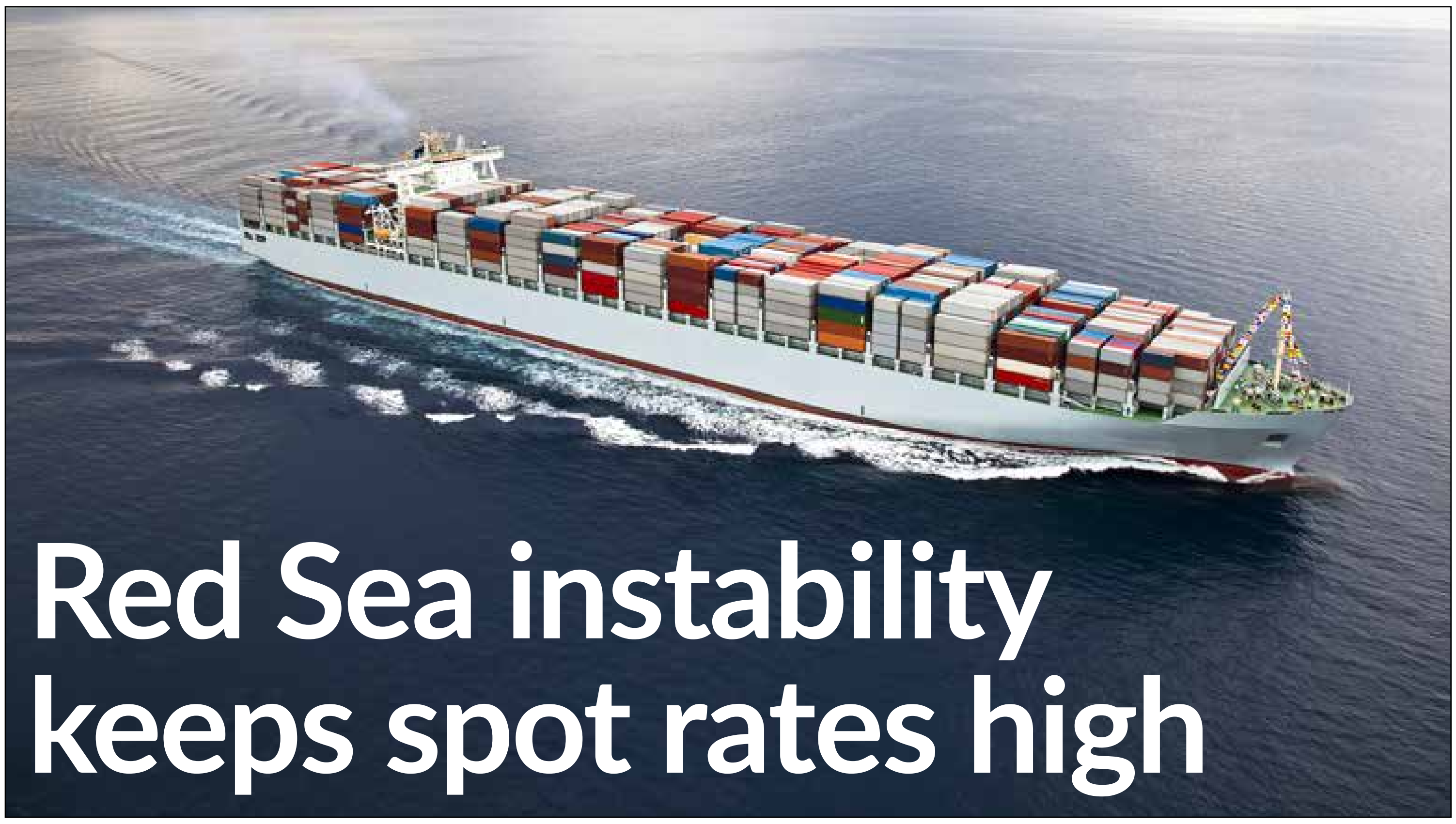

Red Sea instability keeps spot rates high

Negotiators shy away from new transpac contracts as rates stay high

SHIPPING'S contract season began in earnest at the start of the month as carriers, forwarders and procurement managers assembled at California's Long Beach Convention Center for S&P's Global TPM23 conference.

But for those hoping to walk away with new transpacific contracts that would commence in May, such hopes appear to have been dashed.

Based on feedback from attendees, it seems just a handful of shippers, forwarders and NVOCCs came away from the event with deals hammered out, as some seemed set to wait out the Red Sea crisis in the hope of spot rates falling as a consequence.

Others decried what one forwarder described as a "ridiculous response from a carrier" to his company's quotation request.

"We came here with the objective of trying to get the basis for a new annual contract, but it seems that the spike in spot rates connected to the Red Sea disruption has given the lines a new baseline for tenders," one California-based broker said.

> "Red Sea disruption has given the lines a new baseline for tenders"

Another, speaking after the event, simply stated that "despite our best efforts we were unable to come to terms at TPM".

Such an outcome from the event was none too surprising, with expectations in the build-up to the event there would be "extreme reluctance" to agree to carrier requests for any significant rate increases supported by the present surge in pricing tied to the situation in the Red Sea.

Since attacks began on commercial vessels transiting the Red Sea, spot rates between Asia and the US east coast have surged 133 per cent.

On average, those hitting the spot market are paying more than $5,770 per 40 foot, and the rate rise on the Asia-US west coast rotation has been even higher, up 170 per cent in the three-month period, for an average price of $4,433 per 40 foot.

That spike cannot be attributed as a direct consequence of the Houthi attacks that have forced vessels bound for the US east coast to divert around southern Africa.

However, the suggestion is that the west coast rate rise is a "contagion impact", with tighter supply coming as a result of vessels having to take longer routings, while there have also been fears that the current disruption could result in another Ever Given-scale event.

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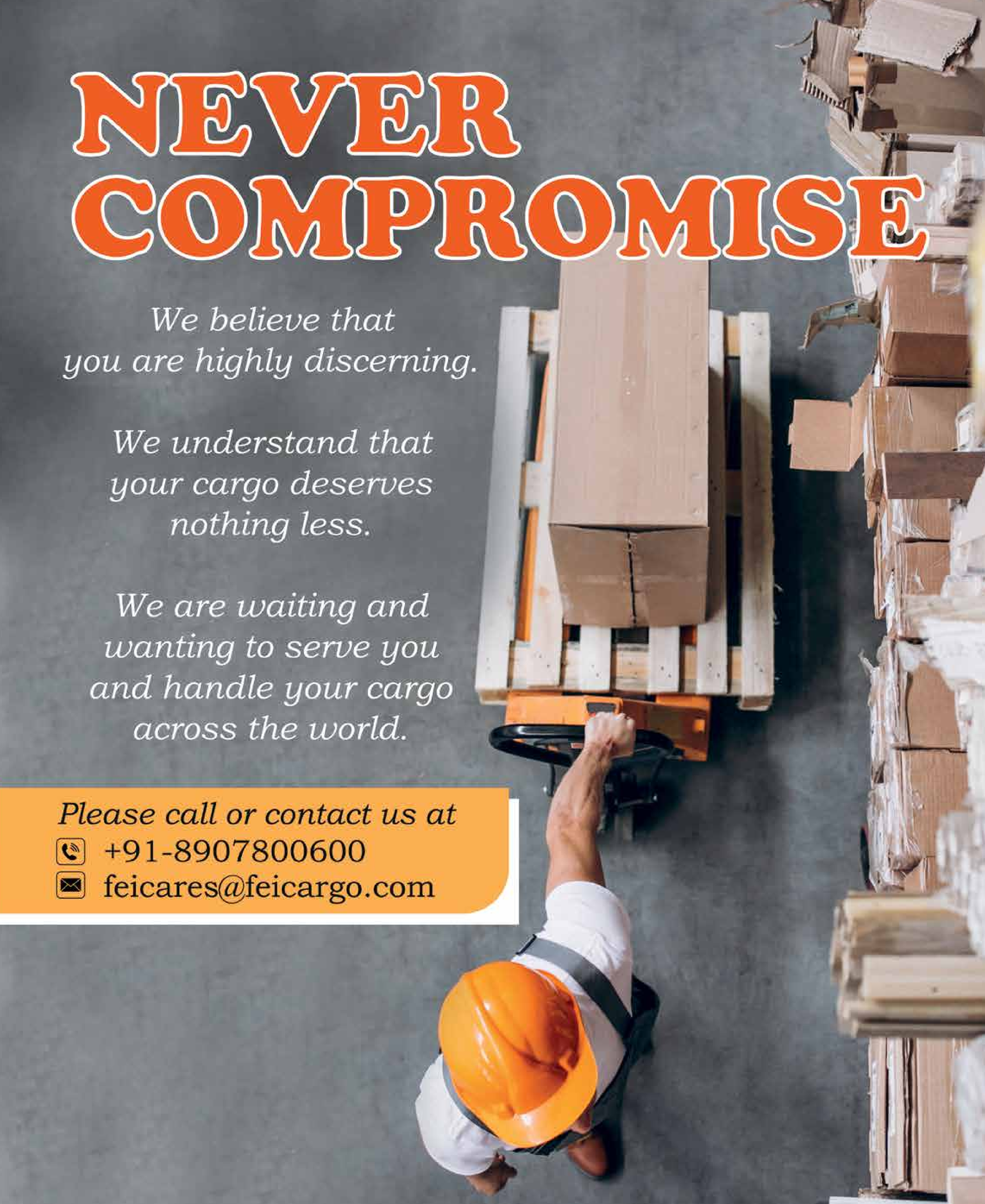
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Box lines file legal action against fines for 'collusion'

BOX lines are having their day(s) in court and verdicts do not appear to be coming in their favour, with the US and South Korea moving to address questionable practices.

While the US Federal Maritime Commission has issued a ruling on detention and demurrage practices – following a string of complaints over the past 12 months for behaviour during the pandemic – carriers operating in South Korea were looking to overturn major fines.

carriers operating in South Korea were looking to overturn major fines

In South Korea, more than 20 carriers, including Cosco, HMM and Maersk Sealand had filed individual lawsuits challenging a fine imposed for colluding to fix prices on certain tradelanes.

The Korea Fair Trade Commission (KFTC) issued fines totalling $81 million in January 2022 against 23 liner operators, including 14 South Korean firms as well as Evergreen, Cosco, Maersk Sealand, Yang Ming, HMM, SM Line and others.

It followed complaints from timber traders in mid-2018 concerning apparent simultaneous freight rate increases between 2003 and 2018 that were not exempted by the Fair Trade Act.

Evergreen has already seen its $2.72 million fine reversed by the Seoul High Court, with the outcome having been hailed by the South Korean shipping industry and seen as boding well for the remaining suits that have been filed.

Together with the Chinese government, the Korea Shipowners' Association (KSA) had slammed the fine. Executive vice president Yang Chang-ho said: "The South Korean shipping industry has been carrying out joint acts without any violations for the past 40 years, in accordance with the Shipping Act.

"But the Fair Trade Commission mistakenly judged it to be an unfair joint act just because of procedural flaws."

If they were hoping for an easy time of it, carriers have potentially been left upset, with the KFTC having already appealed the decision to the reverse Evergreen's fine, setting the stage for a protracted legal battle, while KMTC and Sinokor are set to see their suits heard in June.

The KFTC said: "The judgment of the Seoul High Court is limited to Evergreen, not the judgment against the container carriers that engaged in joint acts."

South Korea's Ministry of Oceans and Fisheries (MOF) also appeared to have been left less than pleased with the fines, having moved to exempt such joint actions from the Fair Trade Act while the KFTC's investigation was ongoing.

However, the intervention came too late in the day and the KFTC made it clear that any changes would not, nor could not, be deployed retroactively.

In South Korea, more than 20 carriers, including Cosco, HMM and Maersk Sealand had filed individual lawsuits

Record attendance for WCAworld Dubai conference and awards

DUBAI played host to a packed WCAworld Worldwide Conference last month, as more than 4,500 network members from 180 countries convened in the Gulf state.

The conference's 13th iteration proved anything but unlucky, marking the largest gathering of freight forwarders in the world, engaging in some 70,000 one-to-one meetings over the course of the week-long event.

Chief executive Dan March said: "Continuous growth in attendance to our annual conference is testament to how much business is created by bringing members into one room together and affording them a setting in which they enhance their business and forge vital new relationships within the WCAworld network."

Running alongside the meetings, the conference also included a packed programme and WCAworld Academy's Good Distribution Practice (GDP) Certified Training Course.

With 33 members from across the WCA's dedicated pharma and general networks attending, manager of WCAworld Academy Leah McKenna told Voice of the Independent it was indicative of the surge in interest for pharmaceutical logistics prompted by the pandemic.

McKenna noted: "Given the number we're getting, and given they've increased with each event we've hosted, we see that as a sign that these training sessions are well-received.

"And forwarders have shown themselves only too willing to meet that demand for pharma logistics. But what we wanted to do was to make sure our members that were moving either medical products or medical devices were doing it in the correct and compliant way."

The agenda also included panel discussion on pharma and dangerous goods transport, as well as the importance of correct insurance and the threats forwarders faced on a day-to-day basis.

And, of course, the conference would not be complete without its annual four-course gala dinner attended by 4,100 members, which also hosted the WCA Top Partners of the Year awards, presented by March and WCAworld founder and chair David Yokeum.

Yokeum and March were on stage to present Fiata president, and long-time WCAworld member, Turgut Erkeskin of General Transport with the Hall of Fame award.

Walking away with Top Agent 2023 was Emirates Logistics, which also bagged the regional gong for the Middle East; 1UP Cargo South Africa took the Africa award; with Best Services International Freight and Unsworth scooping awards for Asia and Europe, respectively.

Dart prevailed against a host of talent in the India Sub-Continent category, while Worldwide Logistic Partner won out against its competitors in North America.

Continued from page 1

The outlook alone presents the case for higher rates

Commodity broker at Freight Investor Services Kieran Walsh said he expected to see "continued firmness" on the transpacific.

This he put down to the combination of Red Sea instability and resilient US consumer demand, adding that an all-round improved global macroeconomic outlook "continues to make the case for elevated rates in the medium term".

In fact, he said, "even without the Red Sea instability and the Panama Canal restrictions", the macroeconomic outlook alone presented the case for high rates.

Moreover, despite carriers having plugged the gaps in their services emanating from the longer voyage times around the Cape of Good hope by turning to the charter market for extra capacity, VOTI understands there is now no open tonnage available.

All sectors are now effectively "sold out", not just in the immediate future, but for the next few quarters, with Vespucci Maritime chief executive Lars Jensen warning shippers to heed this.

"From a risk management perspective, shippers should be aware that even though we have sufficient capacity to go around Africa at the present time, there is no additional redundancy if yet another crisis emerges to soak up more capacity," he said.

The situation experienced by forwarders and shippers at this year's TPM stands in marked contrast to just a year earlier.

Indeed, some said they could smell the desperation coming from carriers when the 2023 contract talks began 12 months ago, amid a realisation among executives in the container shipping sector that the financial glory days brought by the pandemic had well and truly ended.

Compared with that, this year's event was one of transpacific carrier account managers being fairly relaxed with what they came away from the show.

Those account managers did not appear to be going all-out to sign new contracts at TPM – rather, they were content to lay the foundations for future negotiations as, and when, the market normalised.

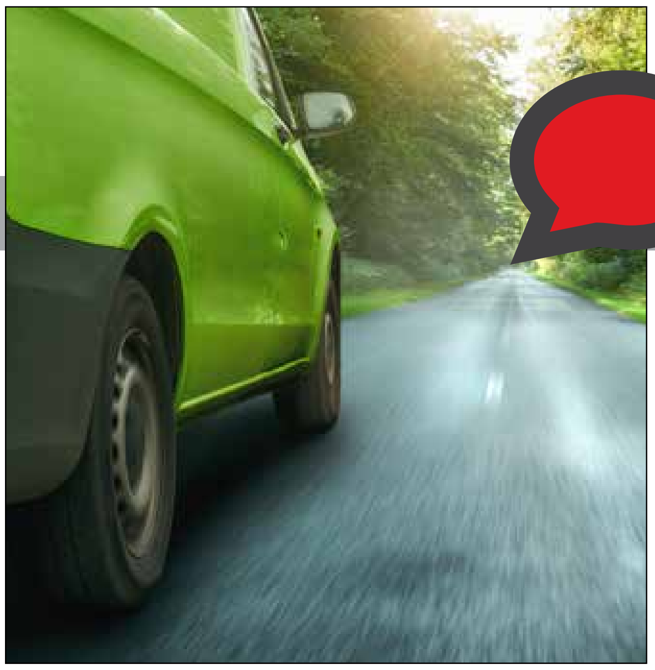
Until then, the sense was they were "comfortable" to continue shipping a higher percentage of spot cargo on the route, according to a carrier sales executive.

"We have been given guidelines and absolute limits on how far we can go below spot, and that has been a sticking point here. But we will give feedback and, hopefully, we can get some deals under our belts in the coming weeks," said the executive.

Spotlight ON

International Road Transport Union

New EU ‘green rules’ will give logistics SMEs a boost



FOLLOWING protracted debate, at the tail end of 2023 the EU announced a new mechanism for reporting greenhouse gas emissions (GHGs). While this news went largely under the radar, by the International Road Transport Union (IRU) it was roundly welcomed, with the UN-affiliated group particularly keen to tout what it claims will be prove a big boost for the small and medium-sized operators in the logistics sector.

Speaking to Voice of the Independent (VOTI), an IRU spokesperson, says when it comes to European road haulage, SMEs make up 80 percent, or 800,000, of the one million transport companies operating across the continent. So, when the EU announced plans to implement a standardised GHG reporting system, it was imperative that it considered the reality of the sector and some of the additional burdens this would place on the bulk of those running it.

> "In most cases, SMEs do not possess the necessary expertise or tools to collect data as well as calculate and disclose their GHG emissions"

“In most cases, SMEs do not possess the necessary expertise or tools to collect data as well as calculate and disclose their GHG emissions” the spokesperson tells VOTI. “Both larger and smaller transport operators have razor-thin margins. The obligation to buy vehicles that are potentially not suited to their types of operations, and are two to three times more expensive, would unavoidably place some players at a competitive disadvantage.”

In fairness to European authorities, they were not inherently blind to these issues. Indeed, the original proposals included provisions requiring only those companies already calculating and disclosing their GHGs (as well as those legally bound) to do so. On paper, this suggested that those SMEs not already calculating and disclosing would not fall under the scope of the pending regulations, known as CountEmissions EU.

“However, in many cases, SMEs are subcontracted by larger companies that could be then obliged to report their GHG emissions stemming from their operations,” continues the spokesperson. “For this reason, the IRU called for additional flexibility in cases when companies are subcontracted. This would mean subcontracted companies are allowed to use secondary data (or default values) contained in databases/datasets, even if the larger companies themselves decide to use primary data.”

The efforts of the IRU seem to have paid off, with the European Parliament’s Committee on Transport and Environment having included the provision sought by the transport union. The European Council going on to adopt this as its general approach in December indicated every belief that it will be endorsed by the European Parliament in early April. Given that the IRU has seemingly won this battle, one would think it may turn its attention elsewhere, but the spokesperson stresses that it would continue to push that, while SMEs are encouraged to decarbonise, they should not be forced into this with “mandatory purchasing targets” for zero-emission vehicles, as some fear may happen.

> "The purchase of zero-emission vehicles should be supported by financial incentives"

“The purchase of zero-emission vehicles should be supported by financial incentives for the uptake of new technologies and by creating enabling conditions, including the infrastructure, to run such vehicles,” says the spokesperson. “Any proposal that forces transport operators to purchase certain types of vehicles should be firmly rejected, as it would amount to a state-controlled economy.”

Nor does the spokesperson see any need for such an aggressive approach by governments. They note that as a sector, there are voluntary efforts being made to ‘green’ their fleets. In part, this seems to be engendered by customer demand, with cargo owners increasingly aware of their environmental impact – and increasingly being called upon by their own customers to do better.

“Policymakers should not impose mandatory purchasing targets on private operators,” the spokesperson continues. “Instead, they should encourage the uptake of low- and zero-emission vehicles via a wide range of incentives. Incentives should also be provided in a non-discriminatory manner; fleet operators should be able to access the same incentives regardless of their size. Private companies should be allowed to make investments that fit their business models, and it is up to the manufacturers to market vehicles that are clean, competitive and attractive.”

Furthermore, they believe, rather than focusing on the make-up of individual companies’ fleets, authorities need to be creating what they describe as “enabling conditions” conducive to those fleet changes. At present, they note that these are “missing”, reflecting comments made by others to VOTI over the years.

“There is currently a significant lack of alternative fuels infrastructure across the EU, and the Alternative Fuels Infrastructure Regulation will only become applicable this year,” says the spokesperson. “In addition, despite the EU action plan for grids, which was unveiled in November 2023, a renewed focus on grid capacity and infrastructure is necessary, as it remains unclear how they will expand at a sufficient rate to support current and future ZEV ramp-up”, while others have noted that the infrastructure currently in place typically focuses on main roads, despite road haulage being heavily dependent on smaller roads leading to manufacturing sites and warehouses.

The spokesperson adds: “What is required is a dense network of alternative fuel infrastructure – electric recharging and hydrogen refuelling – across the entire European Union. Road transport operators will not invest in vehicles if there are no guarantees regarding sufficient infrastructure.”

Considering the level of change required, VOTI asked the IRU whether forwarders needed to be changing their expectations as far as the cost of shipping good by road was concerned. The spokesperson says that while costs “will continue to evolve” – and that this may mean price rises in line with increased fees, additional taxes, and the higher vehicle- and fuel-related costs transport companies are working with – there may be some positive changes on this front.

“Some of these may be offset by incentives,” they add. “Costs may also be positively impacted by greater efficiencies as the sector decarbonises over the long term, especially if governments put a focus on logistics and vehicle efficiency as part of broader decarbonisation efforts by the sector.”

Focus ON

Aid &

The tricky logistics of deliveri where and when it's needed

AMIDST an acceleration of geopolitical unrest, with war now raging in Africa, Europe, and the Middle East, forwarders have found themselves experiencing what one described as “unprecedented” demand from humanitarian aid organisations looking for logistics support to get provisions to those most in need. Government and humanitarian services director at Air Charter Service (ACS) Ben Dinsdale tells Voice of the Independent (VOTI) that it has not only been conflict-related disasters that have been pushing more and more non-governmental organisations (NGOs) and charities to seek out support.

“Over the past year we saw an unprecedented number of requests in response to numerous humanitarian disasters,” says Dinsdale. “That demand has been due to the number and variety of disasters – earthquakes, flooding, and wildfires, as well as the ongoing conflict-related humanitarian disasters.”

The United Nations Office for the Coordination of Humanitarian Affairs (OCHA), noted that in 2023, a total of 363.2 million people around the world had been identified as in need, with the financial requirements for providing for these people having climbed 10 percent on 2022, which itself had seen record demand for humanitarian assistance.

Perhaps to no one’s surprise, Russia’s invasion of Ukraine played a particularly pronounced role in escalating the demand for aid. And it seemed states were ready to mobilise, with OCHA reporting that “record amounts” were pledged to support the humanitarian effort and mitigate the wider issues of global economic and food security emanating from the crisis. Prior to the Russian assault, 10 percent of the world’s wheat was supplied by Ukraine, with much of that destined for African markets where food insecurity remains a persistent hurdle.

BEN DINSDALE
Air Charter Service

Just a month into the conflict, Fiata found itself approached by a UK-based media organisation working with the Humanitarian Logistics Association on a programme to deliver aid to people fleeing Ukraine into neighbouring countries. A spokesperson for the forwarding association tells VOTI that the organisation was seeking warehouse, logistics space and other operational capacity on or near the borders of the various countries that border Ukraine to help manage the aid shipments flowing to the region.

“In response, Fiata issued a call for aid support to its association members in the region (Hungary, Romania, Slovakia, Moldova and Poland), asking them if any of their corporate members would be able to provide warehouse and logistics space/ operational capacity to help facilitate managing the storage and distribution of aid shipments,” the spokesperson continues. “Fiata received feedback from its member countries, who had reached out to their respective freight forwarder and logistics company members who were able to provide warehousing space, and their offers of aid were sent to the World Food Programme, which dealt with the distribution of warehousing space in the region.”

Nor has this been the organisation’s only significant contribution to corralling its membership in support of humanitarian needs. In June 2022, it also received a request from the federal government of Canada to assist in coordinating the delivery of a large donation of PPE (gowns, gloves, masks, shields) to authorised agencies like the World Health Organisation and Doctors Without Borders. The spokesperson noted that the “quantities were in the realm of millions of units, and were purposed only for donation, not resale”.

Similarly, WCA members showed their speed at responding to these major international crises at the beginning of last year, after one of the largest earthquakes in a generation struck Syria and Turkey, leading to the deaths of some 60,000 people and leaving a further 120,000 injured. Given the geopolitical sensitivities surrounding the region, forwarders and their transport partners were not only contending with the massive damage wrought by the natural disaster, but also with a host of bureaucratic hurdles stemming from within Syria, Turkey, and from the wider world.

> "Over the past year we saw an unprecedented number of requests in response to numerous humanitarian disasters"

Chief executive of Genel Transport Turgut Erkeskin told Voice of the Independent at the time that Genel was working with a number of other logistics companies on what became a truly international effort. Erkeskin noted that this coalition was not only needed to support those immediately affected by the earthquake, but also “for those who were taking part in the rescue effort who were finding themselves equally in need”. He added that they were “working with the many local and international bodies that wish to send supplies and we are helping them to find capacity on trucks, ships, and aircraft”.

If 2022’s year in humanitarian aid was marked by the response to the Ukraine invasion and a vast mobilisation of capital to support Ukrainians in need, the situation at the close of 2023, according to OCHA, was far less positive.

“The first two quarters of 2023 saw higher absolute funding recorded, compared with the same time in 2022,” says the UN body in its end-of-year report. “However, this positive trend did not continue as the year progressed, leading to rising concerns relating to covering even the most urgent and prioritised needs in crises around the globe.

> "To specialise in this sector, forwarders must invest in developing a deep understanding of the unique challenges and regulatory environments"

“Funding received, as of 24 November 2023, against requirements amounted to $19.9 billion. This is 35 percent [of what was needed], leaving a gap of almost $36.8 billion. Total humanitarian funding has reached only $27 billion, significantly less than the $41 billion recorded last year. Despite efforts to diversify and expand the sources of humanitarian funding, the outlook for 2024 is of serious concern, especially in light of growing needs.”

Dinsdale says ACS is always mindful that cost remains ever-present for customers in the humanitarian aid sector. This, he adds, means that the need to show value for money to donors makes the humanitarian charter market a highly competitive one.

“As a company ACS utilises our size and global coverage to ensure that we can support forwarders and aid organisations wherever they are, and wherever the disaster has taken place,” he continues.

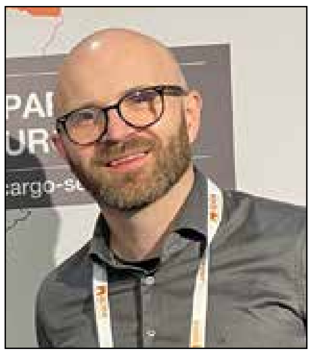
Despite the increasing concern emanating from international bodies over funding shortfalls related to humanitarian aid, forwarders are continuing to do their part. Chief commercial officer and regional managing director for Central Eastern Europe at Quick Cargo Service (QCS) Lubos Lukac says as a forwarder QCS has also “indeed experienced a significant increase” in demand from humanitarian aid organisations servicing a range of global crises, from natural disasters to conflicts and pandemics.

“QCS commitment to reliability, speed, and the ability to navigate complex logistical challenges has made us a preferred partner for organisations striving to move aid efficiently to areas where there is a need,” Lukac tells VOTI. “Our ability to adapt to the dynamic requirements of these missions, coupled with our global network, has positioned us well to respond to this increased demand.”

Servicing the humanitarian aid sector, Lukac says, demands a unique set of capabilities from forwarders. Paramount in this is the ability to respond to requests “swiftly and efficiently”. Much like for other customers, timing is key to the whole enterprise, but he stresses that aid agencies really do expect a rapid deployment of services, often under tight deadlines, to ensure that aid reaches those in need as quickly as possible.

“This necessitates having a robust global logistics network, capable of handling cargo of varying sizes and sensitivities, and the ability to navigate, and sometimes circumvent, bureaucratic red tape that can delay shipments,” he continues. “QCS can work with the best partners in the world and is not tied to bad organisations overseas like many multinationals. We work with the best.”

Furthermore, he says



LUBOS LUKAC
Quick Cargo Service (QCS)

customers’ high expectations also extend to the levels of transparency and communication that are involved in any work, as well as a capability to be flexible, noting that forwarders active in this sector need to be able to adapt to constantly shifting realities on the ground. This, he says, makes the sector one that is markedly distinct from other markets that QCS services.

“Other market timelines might be more predictable and requirements less fluid,” he adds. “To specialise in this sector, forwarders must invest in developing a deep understanding of the unique challenges and regulatory environments of countries prone to humanitarian crises. Building strong relationships with carriers, local authorities, and aid organisations, along with training teams to operate effectively under pressure are all also crucial steps towards specialisation.”

Dinsdale concurs, noting that for aid organisations situations are often “dynamic and ever-changing”. From their logistics partners’ point of view, this means that they need to be able to quickly change things, whether that be destination airports, the payloads and cargo – “so, flexibility from operators is a real plus too”.

“We ensure that information is obtained as quickly as possible from the destination country on airport suitability and state of repair, permit requirements and aircraft availabilities,” he notes. “We then use this throughout all our offices worldwide and relay the information out to our clients to help their decision-making processes. Every single charter flight is

humanitarian logistics

ng aid

important, and in the case of humanitarian logistics, where ultimately people's lives are affected, this importance is crystallised, so our number-one requirement is reliability."

Comparing working in humanitarian aid to other verticals that forwarders and their logistics partners operate in, one source says the most obvious comparison was with project cargo, which is "anything but uniform". And Dinsdale agrees with this, stating that "each humanitarian disaster poses its own set of additional hurdles, from permits to handling equipment issues, war risk insurance to royalties. A common trait of all ACS brokers is our problem-solving skill, and by sharing our knowledge and experience we will work with the client to get the job done".

> "each humanitarian disaster poses its own set of additional hurdles"

Indeed, returning to the earthquake that struck Syria and Turkey last year, insurance issues proved to be a veritable thorn in the side of logistics operators' efforts to service their customers' needs. One airline executive says that while there is always an expectation of a premium being applied for carriers delivering to sanctioned countries, insurance companies took advantage of the chaos and demand thrown up by the quake. Termed "hull insurance" industry insiders said at the time that some carriers had been quoted premiums as high as $60,000 to land their aircraft in Syria, with the airline executive stating that "no costs" had been applied to service Turkey.

"Since sanctions were imposed on Syria, insurers have added what they call a 'war premium' of $10,000 per flight for services into the country," they added. "We of course, expect premiums to be put on sanctioned countries – these typically come in at around $2,000-$5,000 – but with the surge in demand that followed the earthquake, we were being quoted $50,000 or more for insurance."

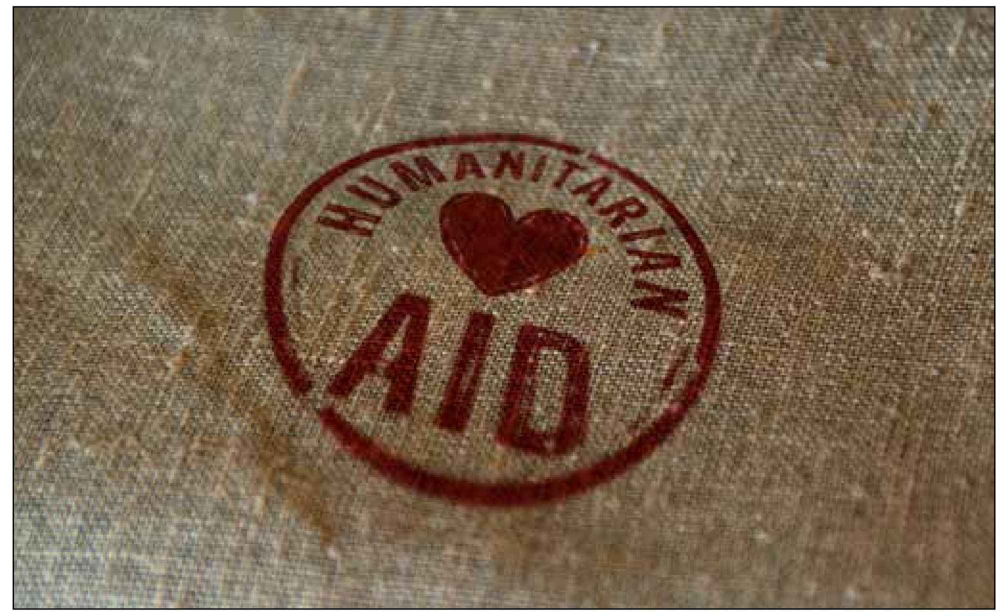
More surprising, however, was that over the course of the crisis, insurers never sought to justify the huge spikes in premiums, the executive noting that the sanctions regime imposed on Syria had simply "resulted in few carriers servicing Syria prior to the earthquake".

"All of a sudden, there is an emergency and interest in flying to Syria, insurers made us jump through hoops for cover, took about 10 days, and then they hit us with the cost," they added. "Considering this was an emergency, it meant aid was not being delivered in a timely manner, and then when we receive the cost this gets passed onto the customer or agency chartering the aircraft, which reduces the levels of aid that can be afforded."

TURGUT ERKESKIN
Genel Transport

Agreeing with Dinsdale and the airline executive, Lukac says that one of the most significant challenges that those supporting humanitarian aid operations is the higher insurance costs associated with transporting goods to conflict zones or disaster-stricken areas. Although, while not commenting specifically on the situation that unfolded at the start of last year in Syria, he stresses that in some instances these premiums are, to an extent, justifiable.

"These regions carry a higher risk of cargo loss or damage, thus necessitating higher premiums," he says and, as with others, he notes that bureaucracy is something those active in providing the logistics for humanitarian operations need to get used. But more than "obtaining landing permits", he singles out dealing with an absence of infrastructure, or an absence of visibility on what infrastructure is available, as a reality in this sector that forwarders would otherwise typically not be contending with.



"Access to infrastructure like airports and roads in these areas can be significantly more challenging," continues Lukac. "Many of these regions might have damaged infrastructure, or local authorities may impose strict controls on incoming aid. This requires forwarders to have not only excellent negotiation skills, but also the ability to quickly find alternative solutions, such as identifying other landing sites or modes of transport.

"Ultimately, humanitarian aid logistics comes down to recognising that as a forwarder, you are dealing with more unknowns than might possibly be the case. And that the number of stakeholders involved in any one shipment may be more diverse.

"There are multiple stakeholders you'll be coordinating with, including international organisations, government bodies, and NGOs, and all this adds another layer of complexity," adds Lukac. "This often requires a dedicated team that specialises in understanding and managing these relationships, ensuring that aid is delivered efficiently and in compliance with all regulations. At QCS, we're constantly refining our processes and expanding our network to better serve the humanitarian aid sector, recognising the critical importance of our role in these efforts. Our dedicated teams are trained to navigate these hurdles, ensuring that we can deliver aid where and when it's needed most."

Practical tips for reducing emissions

WITH the number of natural disasters seemingly having multiplied in recent decades, the impact of unsustainable supply chains practices has been making itself felt across the globe.

The Intergovernmental Panel on Climate Change (IPCC) says there is "growing evidence" that the rise in global surface temperatures over the past decade has directly led to not only the increased number, but also the increased frequency and duration of these disasters.

Those disasters though, in term engender a swift and necessary response, provoking questions over how logistics operators can reduce the environmental impact of these responses.

In an effort to address these concerns, the International Federation of the Red Cross (IFRC) produced a report aimed at helping logistics providers improve the green credentials of not only their standard operations, but their operations linked to humanitarian aid.

The "Green Logistics Guide" provides recommendations linked to premises, procurement, supply chain planning, travel and fleet make-up, and waste.

Recognising that it is "not possible" to become "100 per cent sustainable" when catering to disaster responses, that often times depend on air travel, the guide instead offers practical tips for reducing emissions at the operating level away from disaster sites.

Importantly for SMEs, and those working on razor-thin margins, the tips need little in the way of financial investment, rather it is about shifting behavioural practices.

And some of these can also be done at disaster sites – including training staff in eco-friendly driving practices, including shutting off engines when idling, necessary use of air condition, and avoidance of "sudden" acceleration.

Operational excellence ‘crucial’ for success in e-commerce boom

IATA’s head of e-commerce has warned air cargo stakeholders to prep for a “tsunami of e-commerce growth” in the sector.

Speaking during the association’s World Cargo Symposium this month, Andre Majeres said that 20 percent of parcelled items had been purchased online, with that figure expected to exceed 33 percent by 2027, noting that even these expectations could be exceeded.

“Who are we to predict the growth? We had not foreseen this steady growth would grow faster and faster,” Majeres continued.

“This means we have a tsunami of new parcels to process. When the tsunami is going to hit your operations, are you ready?” adding that in the eight years to 2022, e-commerce parcel volumes had increased four-fold.

Despite the challenges this will bring the logistics sector, surging growth in the e-commerce markets has brought what one logistics operator described as “tremendous opportunities”.

Sales officer at e-commerce logistics platform Box C, Craig Strickland said that for those wishing to take hold of the opportunity, operational excellence would be “crucial” for any success, particularly given the swift delivery expectations of online shoppers.

“You must be sure your processes are fit; they must be extremely fast, and extremely strong,” Strickland noted.

He added this also meant it was “vitally important” that any budding e-commerce logistics operators ensure their “whole team is changing their mindset” and that management recognised the “need to invest”.

Hong Kong has been particularly hot on this – flag carrier Cathay Pacific estimates that 50 percent of its volumes are e-commerce and its airport has invested heavily in catering to this.

Red Sea risks drive shippers to seek out sea-air alternatives

BANGKOK, Colombo and Dubai have all recorded sizeable spikes in airfreight volumes since the start of 2024, as the Red Sea Crisis forces shippers to look for alternative routes to market.

Of those seeing this modal shift from sea to air, it was Dubai which recorded the largest swing, as its airfreight volumes shot up 146 per cent during the closing weeks of February, with Colombo’s climbing 80 per cent and Bangkok’s grew 30 per cent year on year.

A source at Thailand’s Suvarnabhumi Airport confirmed “exports are up 58 per cent compared with 2023, with imports up 29 per cent despite the airport not traditionally a sea-air hub”.

WorldACD recorded the “strong sea-air surge”, stating that the “exceptionally high demand” being experienced across the gateways was a direct consequence of the ongoing attacks against commercial shipping transiting through the Red Sea.

“exceptionally high demand” being experienced across the gateways

It added that cargo owners whose supply chains had been disrupted by attacks on box shipping were seeking “fast but affordable alternatives to deliver to Europe from Asia Pacific”.

The trend rebuffed the experience of the wider market, which during the period covered by WorldACD’s reporting, experienced an 11 per cent decline in tonnage, with Asia-Pacific seeing a 24 per cent drop and Central and South American volumes declined 25 per cent.

Similarly, African volumes dropped eight per cent, and North America was down one per cent on its 2023 figures.

Europe saw a modest increase of three per cent in exports, but otherwise went through a muted period, leaving just the Middle East and South Asia as the only region reporting any major growth, up 11 per cent.

As things stood when this issue was going to press, Bangkok’s ‘golden fortnight’ may prove to have been just that, with a 15 per cent rise during week eight.

WorldACD suggested this may be indicative of a “moderating of demand on that lane”, however, it could also have been as a consequence of a 24-hour embargo imposed by the airport’s handler, Bangkok Flight Services (BFS), on imports between 13 and 14 February.

BFS made the decision after finding itself struggling to contend with the “surprise surge” in demand, mirroring a similar decision taken by dnata at Dubai a day earlier.

Whatever the long-term trend, certainly the impact of the collective, and unexpected, spikes at Bangkok, Colombo and Dubai made themselves felt on the wider airfreight market over the seven days to 25 February, which grew a record nine per cent week on week.

Sanctions force Sinokor to abandon Russia service

RENEWED US sanctions have forced South Korean feeder operator Sinokor to suspend its box services to Russia’s port of Vostochny, a move expected to hit its Greater China-Russia route.

It comes less than six months after Sinokor launched a rotation linking South Korea’s port of Okgye with Vostochny, which boasts four berths operated by sanctioned terminal operator Vostochnaya Stevedoring (VSC).

A Sinokor representative said that the container line was pausing its services to Vostochny “for now”.

The representative added that the decision had been made “as we could fall foul of sanctions if our ships continue calling at the VSC terminal. We will stop taking bookings for cargo to and from Vostochny, but already-booked shipments will continue until the end of this month”.

Until this decision was taken, the South Korean box ship operator had been among carriers that had refused to halt Russia calls after the introduction of a wave of US sanctions.

And the Sinokor representative noted that its shipments to the Russian far eastern port of Vladivostok would continue, as it has yet to be subjected to sanctions on the back of Russia’s invasion of Ukraine.

The latest round of sanctions was announced by the US Treasury two days prior to the second anniversary of the invasion.

Among some other 500 people and entities on the new in the sanctions list, VSC was included after the US claimed that North Korea had been supplying ammunition and other provisions in support of the war through Vostochny.

"We will stop taking bookings for cargo to and from Vostochny, but already-booked shipments will continue until the end of this month"

In total, it claimed, the North Koreans had shipped in excess of 10,000 containers of arms to the Russian military.

The widened sanctions list is part of a continuing international effort spearheaded by the US to force Russia’s withdrawal from Ukraine by depriving it of the necessary means to fight, and while, two years in, scepticism has formed, there are some signs it is beginning to work.

With Sinokor out of the market, the move marks a further dent in available capacity to Russia, but several opportunistic new players have formed to try and fill the gaps left by others.

Death of three seafarers opens new chapter in Red Sea crisis

THREE seafarers became the first fatalities of the continuing attacks by Houthi rebels against commercial shipping in the Red Sea this month, marking a dark new chapter in the violence.

US Central Command confirmed that the sailors died after Barbadian-flagged bulk carrier True Confidence was struck by a ballistic missile (ASBM) at around 11am on 6 March, with the attack leaving a further four crew members injured, three critically.

With the attack in progress, the crew abandoned ship, and coalition warships responded, according to a US government statement, which noted “significant damage” to the vessel.

“This is the fifth ASBM fired by Houthis in the past two days. Two impacted shipping vessels – the MSC Sky II and True Confidence. One missile was shot down by the USS Carney,” US Central Command added in a posting on social media.

“These reckless attacks have disrupted global trade and taken the lives of international seafarers.”

While the Houthis have issued statements that they only targeted vessels linked to Israel and its allies, there is increasing evidence to suggest that this is not the case, with the first ship seized by the Iranian-backed group being, to all intents and purposes,Japanese.

Meanwhile, Chinese vessels have continued making calls to Israel’s port of Haifa without facing any apparent issues – China is one of the main buyers of Iranian crude oil.

Added to which, True Confidence’s operator, Greek shipping line Third January Maritime, said that the vessel was neither tied to Israel or any of the other nations singled out by the Houthis as targets for its attacks.

Despite this, a Houthi spokesperson reiterated that the group would continue its assault against commercial shipping until “the siege on the Palestinian people in Gaza is lifted”.

Even with the seeming lack of clarity over which vessels are, and are not, at risk of attack, Singapore-headquartered SeaLead Shipping has sought to expand its offering across the Red Sea and the Persian Gulf since the attacks began in November.

One of its box ships, the 4,944 teu Pinocchio – chartered from OM Maritime – showed the carrier’s vulnerability experiencing a near-miss after coming under Houthi fire on 11 March.

After the incident, it issued a statement stressing that none of its vessels “passing through the Red Sea is owned by any US or UK entity. SeaLead can confirm none of its vessels are owned wholly/or partially by Israeli individuals or entities and do not serve any Israel ports”.

Ethiopian pilots a new future for e-commerce

ETHIOPIAN Airlines has opened a new $55 million e-commerce facility at its Bole International Airport headquarters, as it looks to rising demand in online shopping across the continent.

The Addis Ababa facility is geared up to handle 150,000 tonnes of goods annually, according to the Ethiopian flag carrier, which said at a launch ceremony that it marked a significant change in the way African e-commerce would be facilitated.

Chief executive Mesfin Tasew said: "We're driven by a pan-African spirit, and Ethiopian Cargo has played a critical role in transporting the most important items to and from Africa.

"We are taking a pioneering role in investing and building this facility"

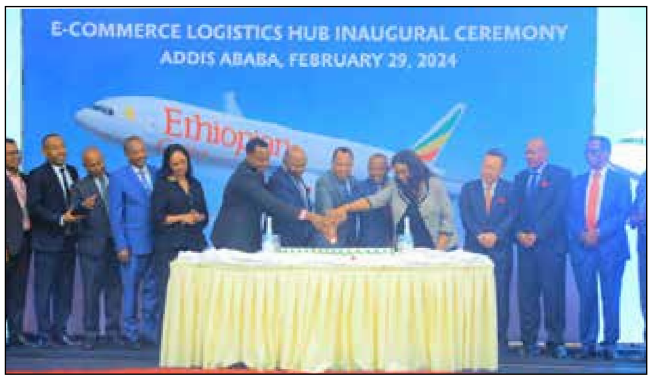
"We are taking a pioneering role in investing and building this facility. Gradually, we believe the portion of e-commerce logistics will grow in parallel with the conventional air cargo, so this is just the beginning."

Tasew said the facility was likely the "first of its kind" in Africa, noting the continent was behind others in terms of e-commerce uptake.

Nonetheless, he said, he expected to see e-commerce become a "way of life, and a way of doing business and trade" in the near future, once some specific issues had been tackled to smooth out development of the online shopping sector on the continent.

Among the issues he highlighted, was the situation for consumers in Nigeria "who want to buy a book from Amazon; Amazon expects you to pay in dollars".

He said for those consumers that only have the local currency, the naira, this need from Amazon "becomes problematic and, therefore, the banks have to be ready to manage such currency differences".



The Addis Ababa facility is geared up to handle 150,000 tonnes of goods annually

Furthermore, he noted the need for better alignment of customs processes across the continent – an issue that sources in multiple sectors have been urging needs immediate address.

None of this seems to have deterred Ethiopian Cargo, though, which is planning to work closely not only with Amazon but also Chinese e-commerce giants like Alibaba, building on existing strategic agreements to move goods across the world.

"So essentially, we can now bring the goods from these companies to Addis Ababa, sort it here and re-aggregate it, and then ship to our African destinations," he added.

Nor did Tasew rule out opportunities to establish similar facilities in other African countries, like Nigeria, as he described the new facility as the foundation for the realisation of major African economic initiatives.

These, he said, include the African Union Agenda 2063, the blueprint for transforming the continent into a global powerhouse, and the African Continental Free Trade Area programme.

Cosco backtracks on pledge on Israel calls

COSCO and its subsidiary OOCL having seemingly backtracked on their pledge to halt all calls to Israeli ports, with both carriers still stopping at Ashdod and Haifa.

In December, the Chinese carrier said it was suspending calls into Israel on the back of "operational difficulties", understood to be a consequence of the ongoing attacks on commercial shipping in the Red Sea.

However, it seems both lines have continued calling into the ports, with long-haul shipments being transhipped via Piraeus in Greece and Spain's Valencia.

Per reports at the time the suspensions were announced, the decision resulted in something of a "diplomatic fuss", with Israel's foreign affairs ministry summoning the Chinese ambassador to a meeting in January to discuss the move.

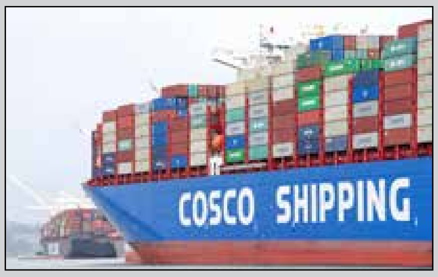
Further to this, the announcement highlighted that despite claims to the contrary, China is in fact heavily involved in the Israeli shipping sector.

Shanghai International Port Group operates the SIPG Bayport Terminal in Haifa that Cosco and OOCL use, and Cosco and OOCL have this month started up their Mediterranean feeder service with the addition of a ship to Zim Line's Tyrrhenian Container Service.

All of which underscores the precarity of the situation and its duelling priorities, with the Iran-backed Houthi rebels asserting they will attack Israeli-bound or -linked vessels while the siege of Gaza persists.

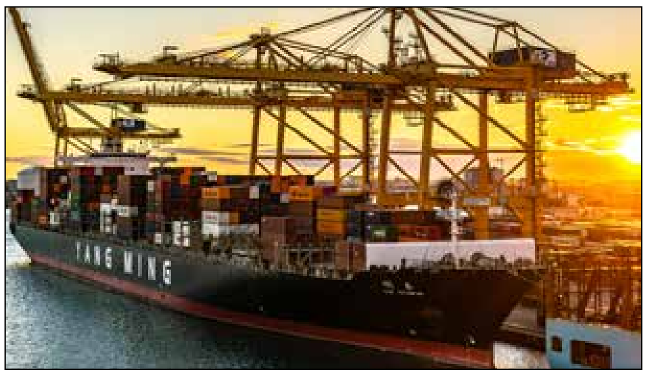
But with China the largest importer of Iranian crude oil, the implication is that, regardless of their destination, Chinese vessels will not become targets of the Houthi assault against international shipping.

For its part, Israel's government has been eager to keep shipping lanes open, and as such had been reportedly keen to resolve the issue with the Chinese state-owned operator.



Yang Ming Q4 loss a red flag for carrier 2023 numbers

TAIWAN'S Yang Ming may have managed to produce a full-year profit of $153 million, but with Q4 figures having tumbled into the red, the warning signs are there for carriers.



The final quarter of 2023, in which the Taiwanese carrier recorded a net loss of $43 million, was a marked reversal of the $483 million profit it recorded during that three-month period just a year earlier, as its revenues equally struggled.

Commenting on its overall performance, it said "amid inflation and economic slowdown in 2023, the overall freight levels declined, which led to a reduction in annual revenues".

Yang Ming's performance has been taken as further evidence that box shipping had experienced a bleak year prior to the disruption caused by the attacks in the Red Sea.

Those attacks, though, appear to have bolstered the rates game being played by carriers, with spots on both the Asia-Europe and transpacific routings having trebled since vessels were forced to begin rerouting sailings around Africa's Cape of Good Hope.

That uptick has mainly been engendered by carriers imposing a range of new surcharges and general rate increases.

And even with rates having begun to fall, they have not hit the levels seen before the Red Sea crisis began, with Xeneta's XSI Asia-North Europe spot noting a seven per cent week-on-week decline in the second week of March, for an average of $3,966 per 40 foot.

For shippers and forwarders, though, what is more worrying is that some carriers on the Asia-North Europe routings have started consolidating these surcharges into new FAK rate offers.

The director of a UK-based NVOC said: "This worries me a bit because if and when it's safe for them to send their ships back through the Suez Canal, the surcharge element of the rate might conveniently be forgotten."

They further pointed to those sailings that were still transiting the Red Sea on an ad-hoc basis as a providing potential problems when it comes to cargo insurers and war risk.

"We don't get advised which ships are going through the Suez Canal and only find out after this has happened, and then we have to reject the surcharge. But I'm really concerned with what would happen insurance-wise if there were to be a casualty," they added.

Suggestions have been that the crisis could not have come soon enough for the carriers after the collapse of short-term rates at the tail end of last year.

Insights IN

Seafreight – comment by Mike Wackett

Power to the people

YOU didn't need anybody to remind you at the S&P Global TPM24 conference held in Long Beach, California, in early March that despite huge advances in digitisation, shipping remains a "people business".

And it is still people that take the key decisions in the container liner industry nearly seven decades after Malcom McLean shipped the first prototype steel intermodal boxes on the SS Ideal-X.

A record 4,000-plus people from every sector of the container industry assembled at TPM for the four-day conference and networking event, departing with a much greater understanding of the myriad of issues impacting the supply chain than when they had arrived, courtesy of the instructive talk and panel sessions, and not least the opportunity to exchange information with their peers.

However, if there was even a slither of doubt about the future of personal contact between shipping lines and their customers going forward, be they BCOs, forwarders, NVOCCs or just plain old fashioned shippers, none other than Otto Schacht, soon to enjoy a well-earned, more leisurely advisory role after being at the helm of Kuehne + Nagel's ocean freight business for over two decades, was on hand to quash any idea that the industry would soon become overrun by AI chatbots.

Schacht, who crossed over to the arguably more hands-on forwarding sector from a career at Hapag-Lloyd, said that digitisation in shipping was nothing new: "Shipping has always been digital," he stated.

MIKE WACKETT
Sea Freight Consultant, FICS

On another stage at TPM, the CEO of Hapag-Lloyd, Rolf Habben Jansen, was focused on converting the hub & spoke doubters, ahead of the carrier's Gemini vessel sharing agreement with Maersk next February.

Going back over the years when only a few ports could handle a big increase in the size of container vessels, and feeders provided the only viable connection solution from smaller ports, hub & spoke had a patchy success rate, with many horror stories told of missed export connections and imports waiting days to be relayed.

So, Habben Jansen and his counterpart at Maersk, Vincent Clerc, know that it will take a lot of convincing to persuade shippers that a direct call is not always the best option for a reliable supply chain.

> it will take a lot of convincing to persuade shippers that a direct call is not always the best option for a reliable supply chain

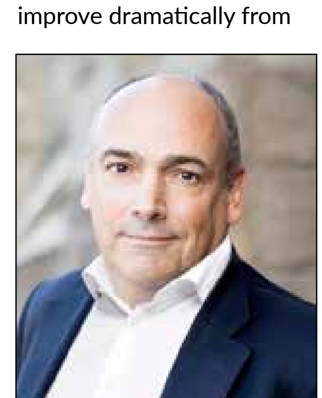
Indeed, Habben Jansen admitted that when the hub & spoke strategy for Gemini was first discussed with Maersk, no doubt at the very top level, given the confidential nature of the yet to be revealed partnership, there were doubters in both camps.

However, for Gemini, if the modern version of hub & spoke works, then schedule integrity could improve dramatically from the current average of just a third of ships arriving on time, to its ambitious target of 90 per cent schedule reliability.

Having been at the coal face as a feeder operator, constantly struggling to make export and import connections, plagued by instances of being kicked off the berth to make way for a mother-vessel, waiting at anchor for several days until there was a berth window available, or simply being winded off, or delayed on route by bad weather, I have some reservations about the concept.

Nevertheless, what cannot be denied is that the current dire reliability of liner schedules is partly due to trying to cram as many ports as possible into a schedule, with a day's delay at a proceeding port causing knock-on effects down the itinerary chain.

Unsurprisingly, shippers feel more comfortable with a direct service, but the 'proof of the pudding' in a successful execution of the Gemini schedule could win the day, and it will then be up to the people at Hapag and Maersk to convince their customers.



ROLF HABBEN JANSEN
Hapag-Lloyd

VINCENT CLERC
Maersk

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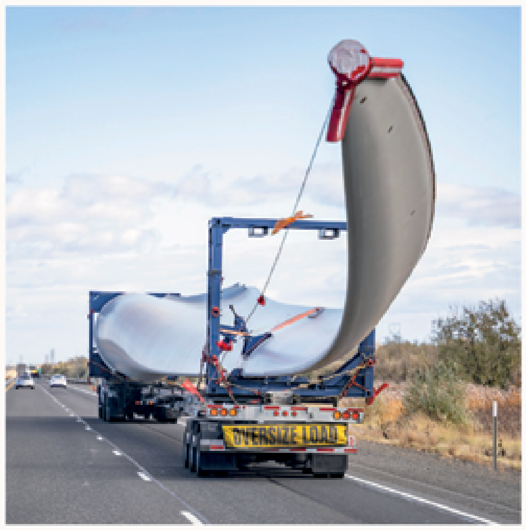

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Relief as new detention & demurrage rules are set to be delivered

THE US Federal Maritime Commission (FMC) has finalised new rules governing the billing process for demurrage and detention (D&D) charges, which will come into effect on May 26. The new rules, which are part of Washington's Ocean Shipping Reform Act of 2022, determine which elements such bills must contain and who they should be sent to, and they will establish timeframes to deal with them.

D&D billing by container lines and terminals during the congestion of 2020-2022 brought cargo owners to the barricades. According to the FMC, the nine largest ocean carriers alone collected about $8.9 billion in D&D charges during that period.

"These fees are for the promotion of the movement of cargo. They're not to pad the bottom line of an ocean shipping company," FMC chairman Daniel Maffei told the US Senate Commerce Committee.

Under the new rules, only cargo owners can be billed for D&D. Lines and terminals can either invoice shippers or consignees, but not both for the same charges.

Under the new framework, they have 30 calendar days to issue a bill, and parties that receive such an invoice have 30 days to settle or dispute it. If the party that is billed requests a fee mitigation, refund or waiver, the terminal or carrier must attempt to resolve the matter within 30 days, unless both sides agree to a longer timeframe.

Billed parties are not obliged to pay if invoices do not include a set of minimum data requirements. They must state the invoice and due dates, the allowed number of free days, free time start and end dates, the container availability date for imports and the earliest return date for exports and the specific dates for which demurrage and/or detention are charged.

> "These fees are for the promotion of the movement of cargo. They're not to pad the bottom line of an ocean shipping company"

These rules will "promote supply chain fluidity by ensuring a clear connection between the failure to pick up cargo or return equipment in a timely manner and the appropriate fee", the FMC commented in its announcement.

Dave Minnebach, vice-president global ocean commercial development at AIT Worldwide Logistics, regards the FMC's rules as a step in the right direction.

"The updated FMC rules on demurrage and detention invoicing provide clarity about a) who can and cannot be invoiced by a VOCC/NVOCC, during which timeframe the invoice needs to be raised and how invoices can be disputed. All three aspects have absolutely been a source of frustration, so now that the FMC has addressed these, we agree the new rules are a significant improvement," he commented.

"The FMC's clearer framework will surely help both our teams and customers," he added.

The Habor Trucking Association and Agriculture Transportation Coalition have also welcomed the new rules, whereas the National Industrial Transportation League has criticised the FMC's decision to remove drayage firms from the list of players that can be billed D&D charges. It argues that this places the burden squarely on the shipper, even if a dispute over charges arises from a mistake made by the drayage firm. Its members could wind up with higher administrative costs to manage the process, argued the shipper interest group.

DANIEL MAFFEI
Federal Maritime Commission

While truckers are formally out of the firing line for D&D bills, they will continue to be involved, remarked Paul Brashier, vice-president drayage and intermodal at ITS Logistics. His company's contracts with shippers often call for it to handle the outlay on behalf of its customers, he noted.

This includes auditing D&D invoices from lines and terminals. "Auditing is the critical part. If your billing is not accurate, this is not changed by a rule who is to be billed. It just shifts the burden on to another party," Brashier said.

He added that ITS received a lot of incorrect D&D invoices during the time when freight flows were severely disrupted.

ITS handles the issue through its container management and visibility platform, 'ContainerAI', which was launched a year ago. The algorithm aggregates data from different data points and determines which source is more accurate in case of conflicting information. On the basis of this the system makes predictions when a shipment will face D&D charges, calculates the likely amounts billed and sets off alerts.

The system connects seamlessly with TMS and visibility platforms and can be set up in 24-48 hours, Brashier said.

Both he and Minnebach see room for additional moves by the FMC.

"The FMC's updated rules represent a significant step in the right direction. However, there's still room for interpretation around demurrage and detention-related topics resulting from shipments executed under a through bill of lading, where the VOCC is also in charge of the intermodal inland transportation. In an ideal world, the FMC could have used this initiative to introduce a clearer framework on this topic, because many disputes still arise from shipments covered by a through bill of lading," commented Minnebach.

Brashier would like to see some initiative concerning returns of empty boxes.

"It should be easier to terminate empties. We never know where we are able to terminate an empty," he said.

But this being an election year, he does not expect another significant federal initiative on rules in the coming months.

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