Voice of the Independent

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Freighters make a difference in a strong air cargo market



Disruption to services and shifting demand producing sharply contrasting performances

ACCESS to freighter capacity is increasingly shaping the fortunes of airlines in the air cargo market, with disruption to services and shifting demand producing sharply contrasting performances.

Having abandoned freighter operations more than a decade ago, IAG Cargo saw third-quarter cargo traffic fall 13.9 per cent year on year, partly because of cancelled third-party long-haul freighter services.

Contrastingly, Emirates may have may have carried slightly less freight, but conflict-induced capacity disruption and the associated need for a modal switch from sea to air saw the Dubai carrier increase cargo revenues by 52 per cent, compared with 2025.

While cautioning against misinterpretations of late peak surge, Xeneta noted the performance came amid a climb in freight rates, with October demand up six per cent year on year, as capacity stayed flat.

Xeneta chief airfreight officer Niall van de Wouw said: "The market is continuing its steady pace of growth, as we've been reporting since March. It's strong, but it's not a 'peak' season, and time is quickly running out for volumes to shift higher."

> "The market is continuing its steady pace of growth"

IAG's third-quarter cargo revenue increased 3.9 per cent year on year, to $328 million, but traffic, measured in cargo tonne kilometres (CTK), fell 13.9 per cent, to 1.1 million tonnes, although a 20.7 per cent increase in revenue per CTK helped mitigate those losses.

Nine months into 2026 the carrier found its year-to-date revenues down 5.3 per cent, to €864 million, blaming weaker traffic, Middle East disruption and cancellation of third-party long-haul freighter capacity, particularly affecting Asia Pacific volumes.

For Emirates SkyCargo, a one per cent dip in volumes (1.2 million tonnes) over the six months to September, seemingly had no material impact on cargo revenues surging 52 per cent year on year, with the carrier having added a series of freighter operations to its network.

Xeneta put the global average spot rate at $3.11 per kilogram, up four per cent month on month and 29 per cent year on year, with Europe-North America recording the largest monthly increase among its 10 selected corridors, rising 10 per cent, to $2.31 per kilogram.

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Ocean freight rates held down by softer demand and geopolitics

CONTAINER spot freight rates edged lower on the major east-west trades this week, as easing capacity constraints and seasonally subdued demand tempered carrier attempts to push through higher pricing.

Drewry's World Container Index (WCI) recorded a two per cent week-on-week decline on its Shanghai-Rotterdam route, to $3,615 per 40 foot, while rates on its Shanghai-Genoa trade were unchanged at $4,166 per 40 foot.

The figures suggest carriers have struggled to sustain the new FAK (freight all kinds) rates introduced on 1 November, having targeted around $4,500 per 40ft for North Europe and $5,000 for Mediterranean shipments.

A further attempt to raise rates to similar levels is scheduled for 15 November, but forwarders told Voice of the Independent (VOTI) that subdued demand and ample capacity were likely to undermine the increases.

One told VOTI: "On Asia-Europe, initial rates for the first half of November extended from mid-October but are starting to drop a little. I suppose, with the early Chinese New Year, carriers are expecting a small peak, but bookings suggest it will not be like previous years."

Analysts at Linerlytica reported that carriers were already offering discounted rates of between $2,700 and $3,400 per 40 foot on Asia-North Europe shipments, while the gradual return of services to the Suez Canal is also weighing on market sentiment.

The shorter transit times and additional capacity of the Red Sea return is adding to downward pressure on rates, with Xeneta noting it was releasing capacity previously absorbed by longer diversions around the Cape of Good Hope, with 600,000 TEU already returned to the market.

In October, carriers committed 467,297 TEU of weekly capacity to the Red Sea, and while this represented just 50 per cent of the level recorded before the crisis in August 2023, it was roughly double the capacity offered at the end of August this year.

The freight rate intelligence platform expects spot rates to decline by around 30 per cent over the course of 2027, but analyst Peter Sand warned the outlook remained heavily dependent on the security situation in the wider Middle East.

Sand said: "The Red Sea is pivotal to container shipping in 2027 because it offers both sides of the coin. A full return freight and rates could plummet. We could also be face the opposite if a deterioration in the security situation forces carriers to revert to the Cape of Good Hope.

"The Red Sea is pivotal to container shipping in 2027 because it offers both sides of the coin"

"This would bring chaos to networks and upward pressure on rates. The significant ramping up of Red Sea services should not distract from the fragility of the geopolitical situation – it will not take much to ignite again, and then the house of cards comes falling down."

On the transpacific, rates were also showing signs of levelling off following last month's approach towards pandemic-era highs, with the WCI Shanghai-Los Angeles assessment unchanged at $7,539 per 40 foot, and Shanghai-New York down three per cent to $9,303.



PETER SAND
Xeneta

Forwarders reported only minor pricing adjustments, with the easing in demand following the October holiday rush improving the availability of vessel space and with multiple blankings on the cards, Drewry is forecasting a further decline in transpacific rates.

One US west coast forwarder said: "There is no widespread difficulty securing sailing space on China export lanes. The earlier pressure on vessel space has eased, improving booking availability from China. Rate reductions remain selective – small decreases depend on the carrier and route, indicating gradual easing rather than a broad market correction."

Those offering freighter capacity to benefit

continued from page 1

Rates may be up, but with jet fuel prices also surging –up 112.8 per cent year on year, according to IATA – carrier margins depend very much on being their ability to provide demand where others cannot. Hence the benefit for those offering freighter capacity.

"In the past couple of years, it has not been level of demand that caused the uptick in rates, it has been availability of capacity," said van de Wouw. If the Middle East situation recovers, there will be a rebalancing of demand and supply, and rates will then become lower."

Meanwhile, ANA and Lufthansa Cargo announced plans to explore reviving their Japan-Europe cargo joint-venture, now expanded to include Swiss WorldCargo and Nippon Cargo Airlines.

Having begun in 2014, the JV was suspended in September 2023 following restructuring within ANA's cargo business, but a new memorandum of understanding provides a framework for the four carriers to assess cooperation, including additional routing and capacity options.

No launch date or commitment to additional flights was announced.

Transpacific the biggest earner for liner operators

CONTAINER lines are earning up to $1.30 per nautical mile on spot shipments from China to the US west coast, making the transpacific by far the most lucrative of the major container trades.

Alphaliner's latest analysis of spot freight revenue per nautical mile highlights the widening gap between the Pacific and other major east-west routes, with returns on Asia-Europe services considerably lower.

Spot rates on the Shanghai-US west coast route have remained between 3,063 and 3,687 points on the Shanghai Containerized Freight Index (SCFI) since the beginning of July. At around $7,500 per 40 foot, current rates equate to approximately $1.30 per nautical mile across the 5,775-nautical-mile voyage to Los Angeles, according to the analyst.

While still below the Covid-era peak of 5,110 SCFI points, recorded in January 2022, rates are at their highest since July 2024 and comparable with levels seen during the pandemic boom.

Shanghai-US east coast is also generating substantial returns, with spots above $10,000 per 40 foot since late August, translating to $0.96 per nautical mile on New York via Panama Canal shipments, comparable to the August 2021 to June 2022 rates of $10,000-$12,000.

Carriers have responded to the strength of the Pacific market by adding capacity, with MSC

MSC upgrading its Asia-US west coast Sentosa service, replacing 15,000 TEU vessels with ships of around 23,600 teu, while Zim is adding another China-California service.

By comparison, Far East-Europe services are generating considerably lower returns. Even using the shorter Suez Canal route, revenue currently stands at $0.34 per nautical mile to Rotterdam and $0.50 to Genoa.

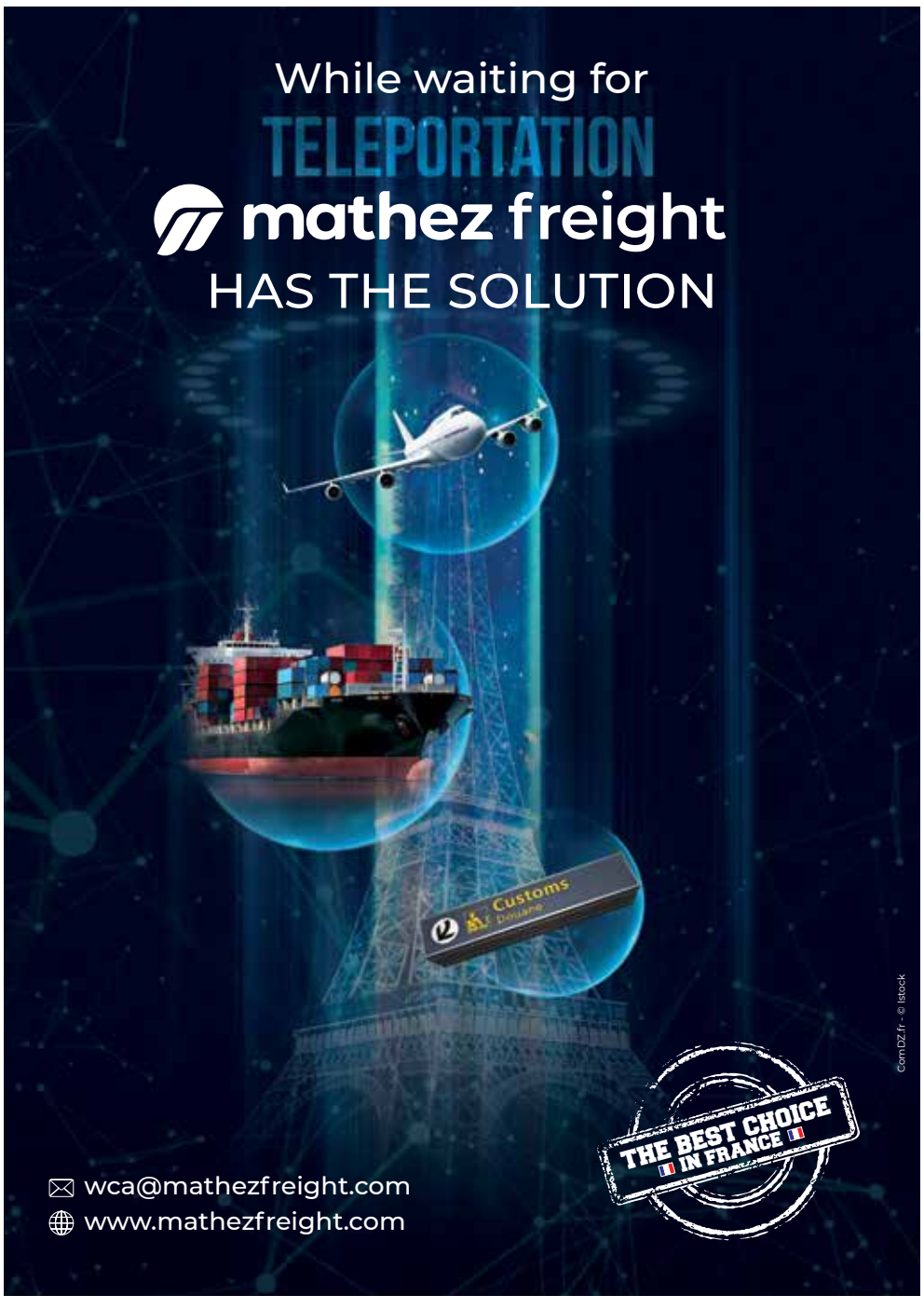
For carriers continuing to divert vessels around the Cape of Good Hope to North Europe, revenue falls further to $0.26 per nautical mile, around 24 per cent lower because of the additional 3,309 nautical miles sailed.

Latin American trades offer better returns than Europe, although they remain below the most lucrative North American routes, while Shanghai-Santos currently generates $0.42 per nautical mile, and Shanghai-Manzanillo yields $0.91.

However, rates on both routes have been volatile over the past six months. Spot rates to Santos have fallen to around half their late-August level, while returns on the Mexico trade have fluctuated between $0.70 and $1.10 per nautical mile.

Alphaliner attributed the strength of spot rates to the continued absence of spare capacity among major carriers, with port congestion and schedule disruption preventing fleets from operating efficiently.

Although Asia-Europe services have begun returning to Suez routings, the consultancy said it saw no immediate signs of overcapacity but cautioned that revenue per nautical mile did not tell the whole story, citing the influence of canal charges and insurance premiums.





Focus ON

'Just-in-case' logistics the new for a new generation of pharm

RAPID growth in GLP-1 medicines is combining with increasingly sophisticated biologics and personalised treatments, changing the demands on pharmaceutical supply chains and creating opportunities for airfreight providers.

But for independent forwarders, a hurdle will be that the barriers to entry are on the rise.

New products are spiking demand in refrigerated distribution, specialist frozen or cryogenic transport, patient-specific tracking and tighter delivery windows. For forwarders, implications extend well beyond securing space on an aircraft. The service being sought by customers is one that offers temperature-controlled storage, qualified packaging, monitoring equipment, customs expertise and contingency planning – all becoming, as one forwarder tells Voice of the Independent (VOTI), "non-negotiable" elements.

However, the impact across markets and modes of transport is anything but linear. For some of the forwarders we spoke to, the demand is very much being seen in a need for specialist airfreight services, but for others the expansion of pharma distribution opportunities is being driven by road. And it seems that the upturn in geopolitical risks is becoming an ever more important metric when considering how much stock to hold to avoid interruptions to patients' supplies.

The national manager of pharma and healthcare at Green Worldwide Shipping, Kim Cole, tells VOTI that the fundamental change is the need to accommodate increasingly different shipment profiles.

"Injectable GLP-1 medicines create demand for refrigerated distribution at scale," Cole says. "Biologics require product-specific temperature protection, while some personalised cell and gene therapies involve small, patient-specific shipments with strict timing, identity and handling requirements. Some also require specialised frozen or cryogenic transport."

While this creates demand for both capacity and specialist services by air, Cole says that forwarders need to make sure they do not simply look to grow their business by looking at this in terms of just volumes. She warns that even a small shipment can require significant coordination, noting that delays can "carry serious consequences".



ALLAN BACH CHRISTENSEN
Quick Cargo Service

Adran Global Forwarding's chief executive, Lana Radzina, tells VOTI the expansion of GLP-1 medicines and biologics is already having a significant effect on pharmaceutical logistics in Poland and the Baltic states, where her company operates.

"Keeping things at 2-8°C is not a special niche request any more; it is mass-scale daily logistics," Radzina says. "We are constantly expanding our cooling zones and temperature-controlled trucks."

> **"Keeping things at 2-8°C is not a special niche request any more; it is mass-scale daily logistics"**

But she draws a distinction between the markets in which Adran operates. For instance, in the Baltics, Radzina says, pharmaceutical activity is primarily import-led, whereas Poland is a major centre for manufacturing, packaging and distribution. This has resulted in a substantial increase in the scale of cold chain expansion in Polish hubs such as Warsaw, Łódź and Poznań, with large automated warehouses needed to serve the domestic market and distribution by road to neighbouring countries.

In Adran's network, the growth in GLP-1 and biologics has had little visible impact on local airports or airfreight markets, because the larger volumes are moved almost entirely by road. Furthermore, the region also remains dependent on Western European air hubs for critical pharmaceutical shipments. Radzina says cargo is flown into major gateways, such as Frankfurt or Amsterdam, before being moved to GDP terminals in Poland and the Baltics by road feeder services, typically within 24 to 72 hours.

"For critical shipments, we always use a hybrid solution," she confirms.

When it comes to more specialised therapies, the requirements prove something of a marked contrast. Assistant vice-president of Penta Freight Maulik Patel says pharma logistics have experienced a structural shift in their make-up as a result of the rise of advanced treatments, including autologous cell and gene therapies. In essence, Patel tells VOTI that these patient-specific supply chains operate around strict chain-of-identity and chain-of-custody requirements. This requires logistics providers to maintain visibility of the shipment and its conditions throughout the journey, with tracking covering location, temperature, shock and light exposure.

"Logistics providers must offer real-time IoT tracking and end-to-end visibility," Patel says.

And those requirements extend to airport handling, with Patel noting that major air carriers are now developing dedicated, white-glove pharmaceutical products for high-value biologics and personalised therapies. These can include priority tarmac handling, dedicated cool-dolly transit and zero-break airport handling protocols.

Of course, that is only part of the task for forwarders. Before and after the flight, they are required to ensure that the arrangements meet the needs of the shipment. This, Cole says, is leading the industry towards more closely managed supply chains. And with that comes a greater emphasis on qualified packaging, temperature visibility and contingency planning. That means assessing the entire route before booking, including available storage, airport handovers, customs clearance and recovery options.

"The fastest flight is only useful if the arrangements around it protect the product and meet the delivery requirements," she says.

Radzina says geopolitical risks and differing regulations across the Baltic states have also changed how pharmaceutical supply chains are organised. For this reason, Adran has adopted an approach that diverges from the traditional just-in-time approach. Rather, it uses one based on maintaining larger buffer stocks.

"We stopped doing the old 'just-in-time' deliveries," Radzina says. "It is just too risky now. Instead, everybody is shifting to a 'just-in-case' model. Our main priority today is to keep big safety buffer stocks. This is why we see this massive wave of new warehouse build-outs everywhere in Poland and the Baltics – we just need to be 100 per cent sure that patients get their medicine without interruptions."

The changing market offers opportunities but for SME forwarders the investment required to enter pharmaceutical logistics remains substantial. GDP compliance, a functioning quality management system, trained staff, qualified partners and dependable temperature-controlled services all need to be in place. For independent forwarders that build a clear area of expertise, Cole believes the prospects are good. She says that pharmaceutical customers need confidence that a provider understands their products and can manage shipments consistently. That creates opportunities for smaller businesses to win work through specialist knowledge and personal accountability. Nonetheless, she says that there are areas where smaller operators are unlikely to compete. Namely, being able to match capabilities across every market and product category.

"Larger forwarders have advantages in network coverage, infrastructure and purchasing power," Cole continues. "But smaller forwarders can compete successfully on selected trade lanes, with customers who need direct access to experienced decision makers, and where shipments require individual attention. The strongest approach is to develop a service you can deliver reliably, demonstrate that capability and expand from there."

ASC Associates' Henry Moran also sees opportunities for smaller operators, but stresses that they need to approach pharmaceutical logistics as a specialist quality business rather than another commodity service.

"The prospects are genuinely good, but only for freight forwarders who treat pharma as a quality business rather than another commodity," Moran tells VOTI. "There must be investment in people, processes and infrastructure."

Moran identifies flexibility, responsiveness and the ability to service specialist lanes as areas where the SME forwarder can compete. He says that personalised communication and local knowledge can also be valuable, particularly where customs expertise allows an independent forwarder to become a shipper's logistics and customs specialist. That may be, but Radzina believes customer perceptions can, nevertheless, make it difficult for independent companies to win business.



HENRY MORAN
ASC Associates

"The biggest barrier for independent forwarders entering pharma logistics is customer prejudice," she says. "Pharma companies naturally default to famous global brands because, on paper, it feels like the safest choice. But behind perfect GDP compliance, it is always the people who deliver the results, not the corporate logo on the door."

But, she argues, the quality of the service ultimately depends on the people handling the shipments, rather than the name above the door. In large corporations, she says, standardised training and high staff turnover can mean customers do not always receive deep, specialised expertise. Much depends on the individual handling the shipment, their sense of responsibility and how they respond when a temperature alarm goes off.

"But who actually works at these smaller, independent companies? Very often, it is the exact same top-tier professionals who spent years proving themselves inside the big corporate players," Radzine continues. "They gained elite



LANA RADZINA
Adran Global Forwarding

prescription
na



experience there but moved to smaller operators to work with more flexibility, more agility, and less bureaucracy."

Patel identifies a range of specialised opportunities, including bespoke handling for clinical trials, dangerous goods, active API shipments and emergency charter or on-board courier services. These are areas where independent operators may be able to offer tailored solutions rather than compete for mass-volume standard freight. Dedicated account management is another potential advantage. Patel says pharmaceutical customers value a single point of contact for escalation and rapid problem-solving when disruption occurs. Smaller operators can use that more direct relationship to provide a service responsive to individual shipment requirements.

"By forming strategic alliances within specialised logistics networks (for instance, WCA Speciality, GDP-approved), independent forwarders can leverage deep local customs and regulatory expertise to outperform global players in key regional corridors," Patel adds. But he notes that, "achieving and maintaining GDP compliance, securing CEIV Pharma certifications, and implementing robust quality management systems requires significant upfront capital and expertise."

Cole's experience of taking Green Worldwide Shipping through GDP certification illustrates the work involved, with the company having had to demonstrate that responsibilities were clear, risks had been assessed and business partners could meet its requirements. The audit required the company to examine how its controls would work in practice, including supplier qualification, training and contingency planning. It meant looking closely at handovers, identifying what could go wrong and establishing who would respond.

"My biggest takeaway is that the audit is a milestone in an ongoing commitment. The programme needs regular attention as suppliers, routes and customer requirements change," Cole says. "Its value comes from using it every day to protect the product and, ultimately, the patient."

Moran notes GDP certification is not mandatory in every case, but says more pharmaceutical shippers are looking for independent validation. Investment in infrastructure and training is also essential, making it difficult for a new entrant to establish the necessary credentials without committing resources before securing a substantial customer base. That need to justify high levels of investment without being able to guarantee a return is something that Quick Cargo Service's chief strategy officer, Allan Bach Christensen, agrees can be difficult to justify.

"Directives and regulations, as well as the training and compliance needed internally, mean a logistics provider today needs to be ready to take the investment and demonstrate the abilities – and getting that chance is very difficult with the extensive QMSs around the world," Bach Christensen tells VOTI. "It takes a lot of time and patience."

"My biggest takeaway is that the audit is a milestone in an ongoing commitment"

But Christensen says that the changing shape of the pharma sector is not a temporary blip, rather the distribution of patient pharmaceuticals will continue to develop as medicines and treatments become more unique and custom-built. Direct deliveries from site to patient are already an everyday requirement. The result has seen additional challenges for infrastructure, with providers now required to be able to accommodate different temperature requirements at short notice.

"Yet, when proven sustainable and demonstrate the ability to comply with requirements, the independent providers have an advantage in the smaller scale and typically a more agile setup," Christensen continues. "As bigger gets bigger, some of the set-ups also become more box thinking, working well for large scale operations – leaving a much larger room for the capable independent logistics providers, able and capable of a diversified logistics."

Of course, the commercial challenge for all providers – large of small – is being able to ensure that the cost of delivering a specialist service is reflected in the price. Temperature-controlled packaging, monitoring, qualified partners and out-of-hours support all carry costs, as does maintaining the quality systems and training needed to meet customer requirements. Cole warns that winning business on price without accounting for those requirements is unlikely to be sustainable, noting "packaging, monitoring, qualified partners and after-hours support all carry costs. Winning volume without covering those requirements will be difficult to sustain".

It is perhaps also worth noting that those costs considerations work both ways, with Radzina seeing a further challenge in the gap between the demand for pharmaceutical logistics and the ability of customers to pay for it. While demand for advanced therapies and GLP-1 products is growing, she says, pricing pressure on essential medicines is increasing. She points out that public healthcare budget are increasingly constrained, with the limited market buying power affecting the distribution of products ranging from anaesthesia and blood plasma to cancer treatments.

"Overall cargo volumes are increasing because these medicines are constantly required, but the market's financial capacity to pay for premium, highly regulated logistics services is decreasing," Radzina says. "Added to which, while everyone in corporate offices loves to talk about expanding infrastructure and cold storage facilities, from where I stand, the biggest bottleneck is human capital. To be completely blunt, finding new workers today is becoming practically impossible. We have a severe shortage of knowledgeable, responsible people who actually want to learn and understand the strict rules of pharma logistics."

Technology may help improve efficiency, but she is cautious about expectations surrounding artificial intelligence. Radzina says that the industry is placing high hopes on technology, automated routing, and artificial intelligence to solve efficiency problems and save us from the labour shortage but, "right now," she is of the view that AI in daily operations brings far more questions than solid answers.

"Technology can assist, but it cannot replace manual decision-making in critical situations," she notes.

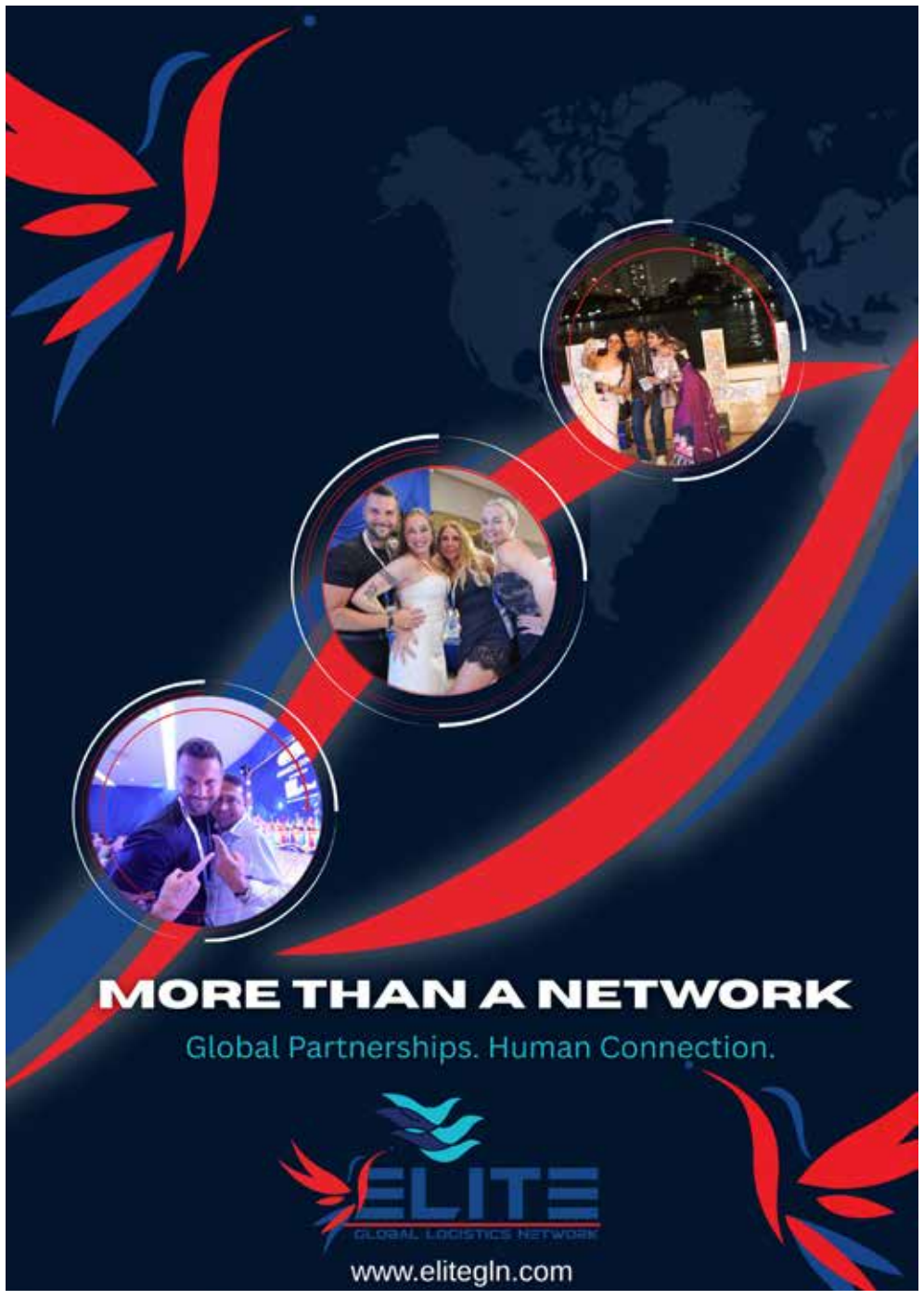
Patel sees potential in AI-driven predictive risk management, particularly systems that could forecast route disruption, weather delays and thermal battery depletion before they happen, suggesting that such capabilities could allow logistics providers to anticipate risks and offer a more proactive service. While Cole sees technology offering a means to help identify delays and temperature risks earlier, but visibility needs to lead to action.

"An alert is only useful when someone has the authority and a clear plan to respond," Cole adds.

Moran similarly expects live temperature, location and shock monitoring to move from a premium add-on to a baseline expectation but cautions that systems used in regulated supply chains bring their own validation requirements. Added to which, those we spoke to stressed that technology cannot remove the need for suitable physical infrastructure.

Cole says the challenge is to have temperature-controlled capacity in the right locations, including recovery options when a shipment is disrupted. As to where such disruption could emerge, Patel points to ground-handling facilities and regional airport infrastructure in emerging markets, seeing these are locales where facilities may not keep pace with the temperature requirements of modern biological cargo.

All of which showcases a reality in which it is not only the volumes that are rising but the demands of patients and the expectations of shippers. Forwarders will be required to provide these services if they are to remain active in the sector. And for the independent operators, while the prospects remain attractive, the barriers are real.



Regional carriers need to balance growth with flexibility

LATIN American air cargo networks may be being reshaped by growing ecommerce volumes, but regional carriers have pointed to declining industrial shipments and shifting trade flows as behind ongoing complications in the efforts to balance capacity.

Chief executive of LATAM Cargo Andrés Bianchi said the growth in online retail had been offset, to some extent, by falling volumes of other commodities, leaving the region's longstanding directional imbalance unresolved.

"It's important to note ecommerce volumes have increased, but other commodities have decreased, meaning you still face imbalance, because the export sector is doing quite well," Bianchi told Voice of the Independent (VOTI) at TIACA's Air Cargo Forum in Miami.

Bianchi pointed to auto parts and mining equipment as among the industrial commodities experiencing declines, but said ecommerce had diversified the cargo mix – albeit noting it also brought different operational risks, particularly because of its exposure to regulatory changes.

"They are much more exposed to regulatory cycles than other commodities. So you have to start thinking differently in terms of the risks you have to manage when you design your operation," he continued.

Ecommerce is also Avianca Cargo's biggest driver of southbound volumes, particularly on services from Miami to Colombia, with chief executive Diogo Elias noting it made up "the biggest share and biggest growth", amid a product mix of auto, mining and pharma.

And while Avianca transports ecommerce shipments into Brazil, Chile, Ecuador and Central America, and Miami to Venezuela, Elias said matching inbound and outbound demand requires a broader network approach beyond simply filling aircraft on individual return legs.

He noted that around 90 per cent of Avianca's South American cargo into Miami originated from five principal markets, but from Miami it served more than 30 destinations, distributing ecommerce shipments alongside auto parts, semiconductors, mobile phones and other tech.

Those strong export flows are creating cost pressures for regional shippers, with Bianchi pointing out that currency appreciation and minimum wage increases had together pushed Colombian exporters' labour costs up by 40-45 per cent in dollar terms over the past year.

"When you try to talk to them about higher prices when they are already facing a cost crunch, your approach has to be different, and you have to be a lot more creative," he said, particularly amid a changing shape to the market.



DIOGO ELIAS
Avianca Cargo



MARTIN DREW
Atlas Air

Atlas Air executive Martin Drew said the removal of US de minimis exemptions for Chinese shipments last year prompted online platforms to redirect volumes towards other destinations, rapidly creating demand in markets that had previously been small.

"They ramped up existing markets, or seemingly created new markets, overnight – a good example being Lima, where one of the biggest platforms now needs capacity," Drew told VOTI, although that was now creating its own problems, he added.

"We had redirected so much capacity to Latin America that when we were asked for more capacity back into the US, there wasn't sufficient," Drew said, meaning that regional carriers needed to balance capturing growth with being flexible to demand shifts.



Flood of new tonnage will put additional pressure on rates

FORWARDERS face further pressure on ocean rates, given a forecast 50 percent expansion in the global containership fleet before the end of the decade, with record scrapping unlikely to absorb the incoming capacity.

Based on existing orders, Sea-Intelligence expects the global fleet to grow from some 34 million teu today to 50 million teu by the third quarter of 2030, with an average annual growth rate of 10 percent between 2027 and 2030.

With an orderbook of between 15.4 and 15.7 million teu, expectations are for quarterly deliveries averaging one million teu over the period, peaking at 1.8 million teu in Q3 2028 – almost double the average of 560,000 teu recorded between 2023 and 2026.

And record demolition levels seem unlikely to offset this expansion – the industry's record-setting scrapping rate of 670,000 teu a year between 2027 and 2030 would still leave fleet growth at 8.5 percent.

Chief analyst at Xeneta Peter Sand said only 600,000 teu had been demolished since 2019, with just 3.4 million teu of existing capacity old enough to match the average demolition age recorded between 2016 and 2019.

Analyst at Braemar Jonathan Roach said the mismatch between older, smaller vessels and the larger ships being ordered meant scrapping would not compensate for incoming capacity on a like-for-like basis.

For forwarders, the scale of the expansion raises prospects of sustained competition between carriers for cargo, potentially putting further pressure on rates, although demand growth and operational changes will influence the eventual balance.

Spotlight ON

Chris Clowes

'The retail world has changed', creating opportunities for specialist SMEs



executive director SCALA

EUROPEAN distribution networks are becoming more fragmented, creating opportunities for independent logistics providers, but SCALA executive director Chris Clowes tells Voice of the Independent (VOTI) that smaller operators must demonstrate they can offer more than flexibility and local expertise.

Changing supply chain requirements are creating opportunities for independent forwarders, as manufacturers reconsider how they distribute goods across Europe and look for greater flexibility from their logistics partners. But while smaller operators may be better placed to respond to increasingly fragmented distribution requirements, Clowes says they will need to demonstrate that they can meet the visibility, reporting and integration standards expected by larger customers.

"For independent logistics providers, this fragmentation creates opportunities," Clowes tell VOTI. "Not every manufacturer wants to build or manage a complex fulfilment operation across every channel and country. Specialist operators that can provide local distribution, e-commerce fulfilment, value-added services or flexible transport solutions can become an important part of the overall network."

He points to the changing face of European retail is one of the biggest drivers behind the restructuring of logistics networks. Where manufacturers would traditionally bring in full containers or manufacture in full trailer loads, warehouse the goods, and distribute relatively large quantities, often full pallets, to a relatively small number of major retailers, that model is increasingly being challenged by the growth of e-commerce, direct-to-consumer channels and multiple online marketplaces. These changes are often requiring manufacturers to serve customers across several countries.

"Many European distribution networks were designed around this model, but the world has changed considerably," Clowes continues. "Manufacturers now have to serve traditional retailers alongside e-commerce, direct-to-consumer channels and multiple online marketplaces – often across several countries. At the same time, customers want to hold less inventory, order more frequently and receive smaller deliveries."

Those changes are provoking a fragmentation that is fundamentally changing what is being asked of logistics providers, particularly for those manufacturers which historically operated networks built around full-pallet movements. Clowes says the result is businesses finding themselves having to approach network optimisation through three different dimensions: channel, country and product or brand type. And with each of these bringing fulfilment needs of their own, as well as differing service expectations and cost structures, manufacturers are looking for ways to accommodate different distribution models without introducing excessive expense or complexity.



"We are increasingly having to consider three different dimensions – channel, country and product or brand type," Clowes says. "Different sales channels have very different fulfilment requirements, individual countries have their own service expectations and cost structures, and different products or brands may require different handling and distribution models."

For the small and medium-sized forwarder, the opportunity lies in providing the specialist capabilities required to serve these increasingly varied distribution networks. However, Clowes cautions that the growth of this market is happening alongside another trend that could work against SMEs, namely, businesses looking to reduce the number of logistics providers they manage, presenting a threat to independent providers, even in cases where the individual service offering is excellent.

Nor is this the only area Clowes sees change, noting the restructuring of European networks is being impacted by changing economics in transport and warehousing. While traditionally the centralising of inventory into fewer, larger distribution centres offered efficiencies in stockholding, Clowes says rising diesel prices are putting pressure on the transport costs and lead times associated with serving customers over longer distances. This, he says, could lead businesses away from a centralised distribution centre. Instead, he says that more may consider the role of regional stockholding and alternative transport modes. Such an approach would likely result in greater use of Europe's rail and inland waterway networks, which could allow larger volumes to be moved to regional locations closer to customers.

He adds: "These are not necessarily new ideas, but changing transport economics may make them more attractive – particularly where volumes and service requirements support them."

As for where people may look, there is growing interest in locating European distribution centres further east, with Poland, Czechia, Hungary, Slovakia and Slovenia seen as potentials, given the savings in warehouse operating costs, labour and property they offer compared with the likes of France and Germany. Poland, he says, is a particularly interesting example but he notes that anyone taking the leap would need to factor in all costs – for instance, labour rates.

"Many businesses are also looking more closely at the total cost of their supply chains rather than simply comparing warehouse or transport rates," Clowes notes. "A cheaper warehouse in Eastern Europe may not represent the lowest overall cost, once additional transport, inventory, lead times and future inflation are considered."

Although businesses are becoming more conscious of geopolitical instability, trade disruption and changing sourcing patterns, Clowes is unconvinced that this awareness has translated into genuinely more resilient networks, with too many companies continuing to respond to disruption rather than preparing for different possible outcomes.

"One of the biggest mistakes is designing a network around a single set of assumptions about volumes, costs, sourcing locations and customer demand," he continues. "Businesses spend considerable time optimising their networks, but it's just as important to sufficiently test what happens when those assumptions change."

Clowes says this extends to approaches to supplier diversification and contingency planning. Simply upping the number of suppliers does not necessarily create resilience. If both operate in the same geographical location, they both face the same issue. Similarly, appointing multiple transport providers offers little protection if they have secured the business through unsustainably low rates that are incapable of contending with sudden cost spikes or capacity constraints.

> "Technology isn't a substitute for understanding logistics"

"Resilience does not mean holding more stock or adding warehouses," Clowes says. "It means understanding where the real risks and dependencies sit, testing whether contingency arrangements are genuinely independent and ensuring that alternative arrangements are commercially and operationally viable."

Knowledge is the key. And Clowes says the tendency for SME forwarders to be better equipped for quick responses supported by local knowledge and established relationships, is where they hold a competitive advantage. But relying on that alone is not enough to get out of trouble if that clued-up SME is themselves lacking in resiliency. Here, of course, technology can help, but Clowes is cautious about the hype surrounding artificial intelligence, pointing out that supply chain planning and optimisation have used sophisticated algorithms for decades.

"The more immediate opportunities may be in relatively practical applications like improving data quality, reducing administration, automating customer communications, identifying exceptions and giving operators better information to make decisions," he says.

That being said, he believes those smaller businesses that work with independent software developers have the opportunity to test solutions in live operational environments and quickly establish what works, without necessarily having to navigate the layers of corporate approval that can slow adoption in larger organisations. Clowes does not suggest that smaller operators will automatically be more successful, but argues that the biggest technology budgets will not necessarily determine who benefits most from AI.

"Technology isn't a substitute for understanding logistics," he adds. "A sophisticated system will not compensate for poor operational processes, unreliable data or a business that does not understand its customers' requirements. The competitive advantage is not necessarily having the most sophisticated technology but in using it to deliver better service at competitive cost."

CN the outlier as N American railroads enjoy a strong Q3

NORTH American intermodal operators enjoyed a strong third quarter, with all four major railroads reporting higher revenues as domestic freight demand improved and tightening trucking capacity encouraged shippers to move more by rail.

Union Pacific led the gains, reporting a 27 per cent year-on-year increase in intermodal revenue, to $1.52 billion in the three months to October, as volumes climbed 11 per cent, to 956,000 carloads.

The railroad attributed much of the domestic growth to reduced trucking capacity, with EVP marketing and sales Kenny Rocker saying domestic intermodal had recorded its fifth consecutive quarterly record for volumes and revenue.

"Our foundation of service, combined with strong business development and deployment of buffer resources enabled volume growth," he said.

International intermodal volumes also improved, rising eight per cent, driven by west coast imports and new business wins. Automotive business wins offset continued market weakness, while auto parts traffic benefited from growth with existing manufacturers.

EVP operations Eric Gehringer said its intermodal service performance index finished the quarter at 92 per cent, despite the 11 per cent increase in volumes. The railroad responded to improving demand by "unstacking containers and utilising our buffer of resources".

CSX also reported a strong quarter, with intermodal revenue up 20 per cent year on year, to $634 million, while volumes



KENNY ROCKER
Union Pacific

increased seven per cent, to 820,000 units, which it put down to new customer wins, additional offerings and conversions from road to rail

Chief commercial officer at CSX Maryclare Kenney said: "Conversions from the highway remain strong, and the new service offerings through Birmingham, Myrtlewood, Baltimore, and other areas are performing well and attracting new business."

"we are very optimistic about the opportunities as we close this year"

International volumes were relatively flat, particularly during the latest quarter, but the completion of full double-stack clearances through Baltimore's Howard Street Tunnel offered another opportunity to attract traffic.

Kenney told investors, "we are very optimistic about the opportunities as we close this year and go into next on the domestic intermodal side", suggesting the tightening trucking market could provide further support when transport contracts come up for renewal.

Likewise Canadian Pacific Kansas City (CPKC) recorded a 22 per cent increase in intermodal revenue, to $583 million, as volumes rose nine per cent, to 489,800 carloads, as higher pricing led to a 12 per cent year on year bump in revenue per carload, increasing to $1,190.

However, the Canadian railroad also made headlines in the run-up to its results by renewing its opposition to Union Pacific's proposed acquisition of Norfolk Southern, demanding the US Surface Transportation Board terminate its review of the deal

CPKC alleged that UP's campaign for approval "had intimidated shippers and compromised the integrity of the proceeding", arguing that the central question was not simply whether a coast-to-coast network would increase rates or eliminate competitive routes.

Rather, its filing claimed, the question the regulator needed to be asking was "whether the STB can reach a trustworthy decision if the people who depend on the applicants for rail service are reluctant to testify against them".

Meanwhile, Canadian National (CN) was the exception to the operators' broader volume growth, recording a six per cent decline in container traffic, to 542,000 TEU, despite increasing intermodal revenue by nine per cent, to $765 million.

The railroad attributed the reduction to falling international shipments through the ports of Halifax and Prince Rupert, with stronger traffic through Vancouver insufficient to offset the declines – although higher revenue per revenue tonne-mile provided some offset.

APMM raises its expectations as freight rates drive revenue growth

MAERSK has raised its full-year earnings guidance for the third time, after a sharp increase in container freight rates drove a 27 per cent year-on-year rise in its third-quarter revenue, to $18.1 billion – more than offsetting a slight volume dip.

The Danish shipping and logistics group said that while revenue growth was recorded across all its divisions, Ocean Services provided the largest contribution, the divisions revenues growing 37 per cent year on year, to $12.6 billion.

Group chief executive Vincent Clerc (below) said: "We delivered a strong quarter across our businesses. Despite continued geopolitical uncertainty and disruptions, global trade has remained remarkably resilient."

Average loaded rates climbed 46 per cent year on year, to $3,287 per 40-foot equivalent unit (feu), with Clerc pointing to investment in electrification, energy and AI infrastructure as core drivers of growth.

The increase in rates helped offset a 0.8 per cent dip in container volumes, down to 3.37 million feu, which Maersk attributed to severe weather in Asia and disruption around the Strait of Hormuz, although volumes were still 0.3 per cent higher than in the second quarter.

The carrier said global container demand had grown between two per cent and four per cent year on year during the quarter, supported by resilient trade flows, consumer spending and investment.

Logistics & Services also delivered double-digit revenue growth, with the division's turnover rising 13 per cent, to $4.5 billion, from $4 billion a year earlier.

The terminals division, APMT, generated a 4.9 per cent bounce in revenue, to $1.5 billion, as volumes increased 2.6 per cent.

Attributing revenue gains to higher rates, increased storage revenue and a favourable cargo mix, it recorded an overall group EBITDA surge of 75 per cent, to $4.7 billion, from $2.7 billion a year earlier.

Against its strong quarterly performance and expectations of four per cent volume growth across the year, Maersk revised its full-year earnings outlook upwards, with a new forecast EBITDA of $14-$14.5 billion, compared with the previous $10.5-$12.5 billion figure.



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