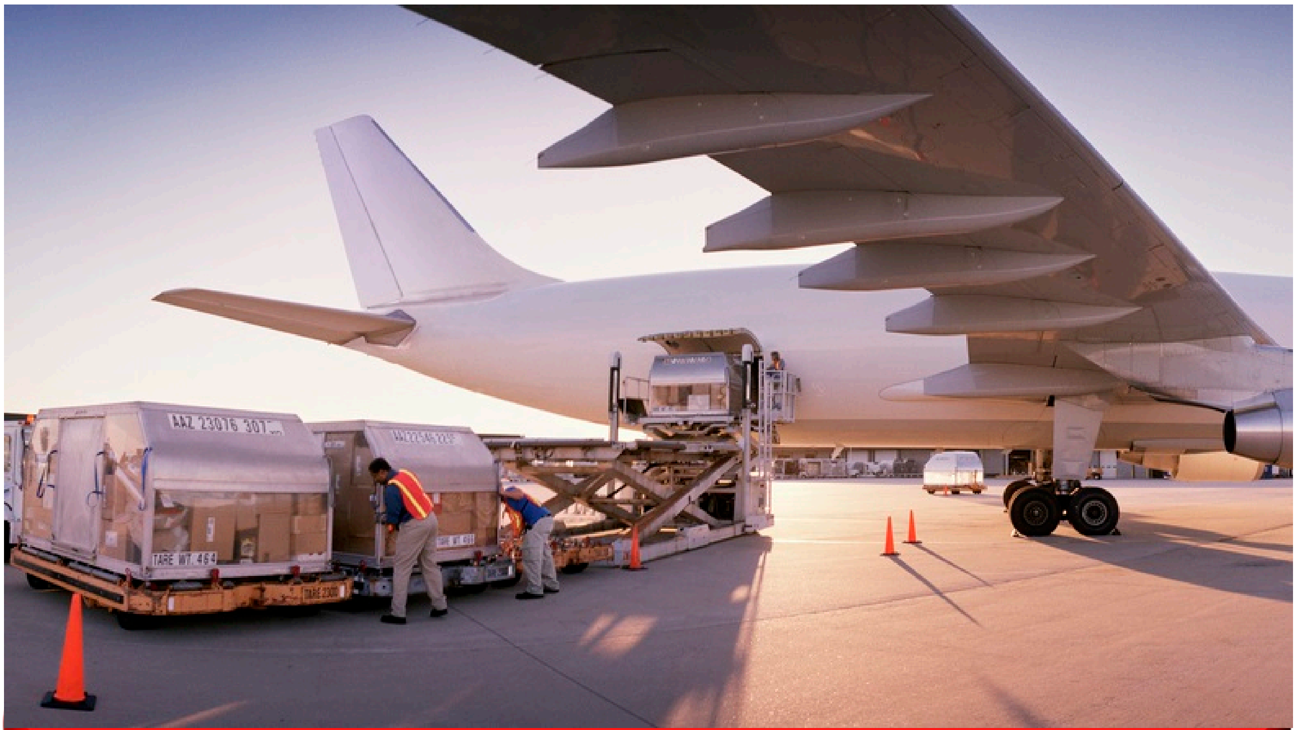
NEWSLETTER

AUGUST 2023



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Emergent Cold starts operations in DP World's Dominican Republic free zone

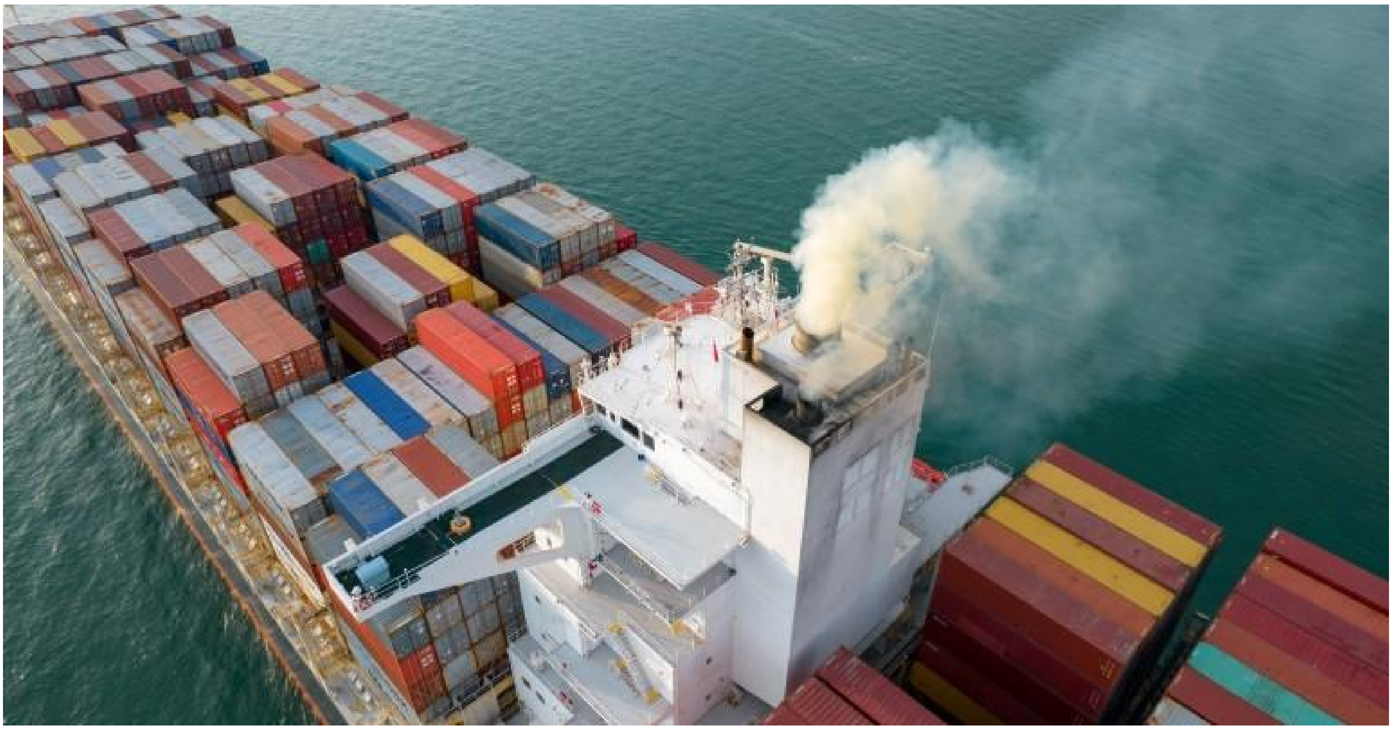
Emergent Cold Latin America (Ecla) has officially opened its facilities in the Dominican Republic, situated within the DP World Economic Zones within the Free Trade Zone park. This event signifies the commencement of Ecla's operations in the nation. Ecla has outlined its plans to invest approximately $40 million in the Dominican Republic over the upcoming years.

Notably, this initiative holds significance on multiple fronts. It serves as a substantial local investment, bolstering the Dominican Republic's economic development. Moreover, this undertaking positions Ecla as a central hub and strategic partner for importers and exporters across the wider Caribbean region. The newly established state-of-the-art warehouse boasts a substantial capacity, accommodating up to 8,000 frozen pallets, alongside a spacious antechamber designed for value-added operations, as stated by the company.

The construction of the warehouse adheres to EDGE Advanced sustainability standards, underscoring a strong emphasis on ecological efficiency. Ecla has implemented measures such as ozone-friendly refrigerant gases and energy-efficient systems, reflecting the company's resolute commitment to sustainable practices.

Ecla elaborated on the strategic location of its warehouse within the facilities of DP World Dominicana. This site is home to a pivotal port terminal, widely recognized as a key logistics hub for Latin America and the Caribbean.

Given the Dominican Republic's status as a notable producer and exporter of commodities such as cocoa, bananas, and avocados, as well as its robust food industry, Ecla sees substantial prospects for growth. Carlos Fernandez, the leader of Emergent Cold Latam in the Dominican Republic, highlighted the favorable conditions, underscoring the company's dedication to tapping into this potential.



MSC, Döhle, Schoeller invest in compliance platform OceanScore

OceanScore, a Hamburg-based digital compliance system that has been operational for three years, has garnered investment from prominent entities including MSC, the world's largest container shipping company, the Peter Döhle Group based in Hamburg, and the Schoeller family who own Cyprus-based Columbia Ship Management. Other notable investors include TecPier, an early-stage venture capital investor in Hamburg, and theDOCK, a venture capital firm from Israel.

The involvement of these esteemed investors is particularly noteworthy due to the escalating complexity of compliance in the global shipping industry. As regulatory requirements become more stringent, navigating compliance, which encompasses monitoring, reporting, and verification, has become increasingly challenging for ship operators, especially considering the varying speeds at which regional regulations evolve.

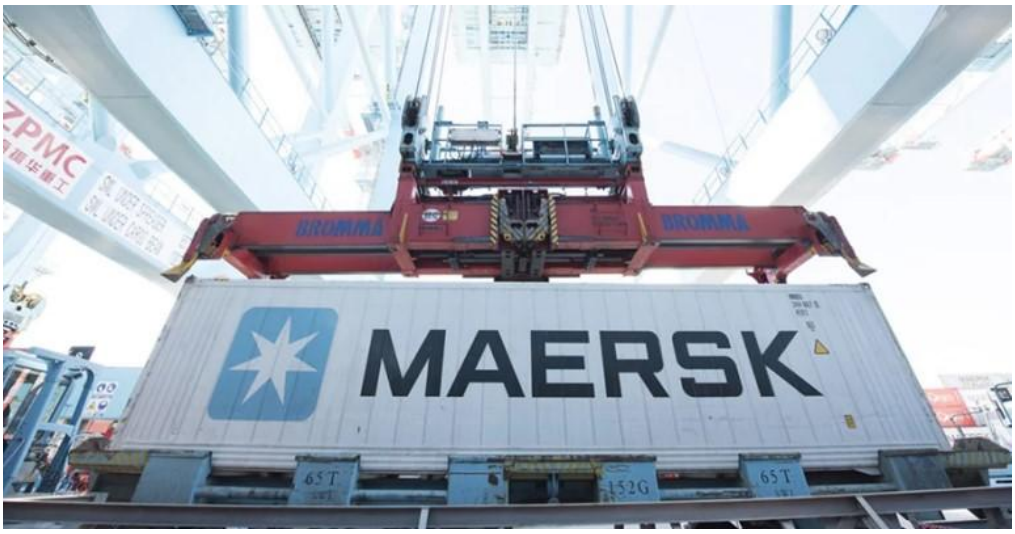
Leveraging artificial intelligence, OceanScore employs unique engineering algorithms and advanced regression models to analyze data from diverse sources. Its capabilities extend to monitoring the vast fleet of approximately 109,000 commercial ships worldwide. The system tracks emissions and assesses nearly 50 environmental, social, and governance (ESG) metrics associated with factors such as vessel safety, reliability, environmental impact, and alignment with the United Nations Sustainable Development Goals.

OceanScore's platform is poised to play a pivotal role in decision-making across the entire spectrum of shipping operations. This encompasses ship managers, cargo owners, shippers, investors, financiers, marine insurers, ports, and terminals. The platform's design centers on offering a unified, verifiable data source accessible to all stakeholders, facilitating the monitoring of vessel and ship manager sustainability, as articulated in a company statement.

Ralf Garrn, Co-Managing Director, emphasized the mounting complexity faced by shipowners due to expanding ESG reporting mandates and emerging environmental regulations like the EU Emissions Trading Scheme. He highlighted the team's blend of shipping industry experience and expertise in engineering and data science, underscoring their role in developing solutions that support the shipping sector's transition to achieving net-zero emissions.

Albrecht Grell, Co-Managing Director, expressed satisfaction with the substantial investment interest garnered by OceanScore and noted the validation of the company's potential, data quality, solutions, and capabilities by these respected investors. He sees this investment as a strong foundation for future growth.

Diego Aponte, President of the MSC Group, stated that MSC's commitment to enhancing energy efficiency aligns with its significant investments in low-carbon technologies and fuels. He announced MSC's intention to leverage OceanScore to enhance transparency regarding the environmental and broader sustainability performance of its fleet. Aponte also extended an invitation for customers, charter tonnage providers, and other stakeholders to participate in this initiative alongside MSC.



Maersk’s integrator of the seas strategy tested by return to normality

AP Moller-Maersk's ambitious strategy to provide comprehensive integrated logistics services to shippers has garnered both acclaim and skepticism, especially now that the post-pandemic economic surge has subsided. Out of the top ten leading shipping companies, only CMA CGM and Maersk have pursued integrated services, investing significantly in new acquisitions spanning air cargo and logistics.

During the pandemic, the transition of container lines into the logistics arena received less attention due to soaring profits and business growth. However, as the industry returns to a semblance of normalcy, marked by declining rates and revenues, uncertainties surrounding the viability of the integrated strategy for shipping lines have resurfaced.

Notably, Linerlytica, a research firm, has raised concerns about Maersk's performance in this regard, particularly following the release of its second-quarter results. Analyst Tan Hua Joo from Linerlytica highlighted Maersk's failure to safeguard its share of the liner market over the past three years, which resulted in a substantial loss of potential profits—estimated at over $4 billion. Maintaining a global capacity share of 18% could have mitigated this loss, but the current share stands at 15.5%.

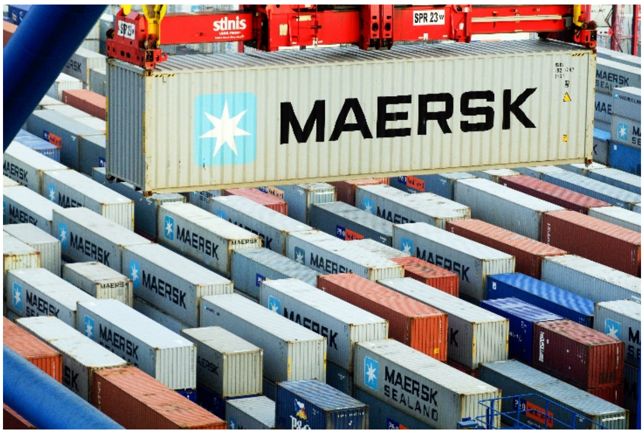
Despite Maersk's substantial investment of $10.5 billion in its logistics business, the returns have been modest, with an EBIT of only $115 million and a pre-tax return of 1.1%. This pales in comparison to its ocean and terminals divisions. While the ocean business generated EBIT earnings of $1.2 billion on a $29 billion invested capital for a 4.1% ROIC, the terminals recorded EBIT earnings of $269 million on invested capital of $7.8 billion for a 3.4% ROIC.

The second quarter saw Maersk's ocean activities yielding earnings of $2.25 billion, down from $9.59 billion in the same period last year. Additionally, logistics income decreased from $337 million to $311 million. Similar trends were observed for CMA CGM, with shipping earnings dropping to $2.18 billion from $9.12 billion, and logistics income decreasing by $16 million to $340 million year-on-year in the second quarter.

Contrastingly, Ocean Network Express (ONE), a competing shipping line that hasn't embraced the integrated carrier strategy, also experienced EBITDA declines. Its Q1 EBITDA dropped significantly from $5.089 billion in the previous year to $770 million, an 87% decline.

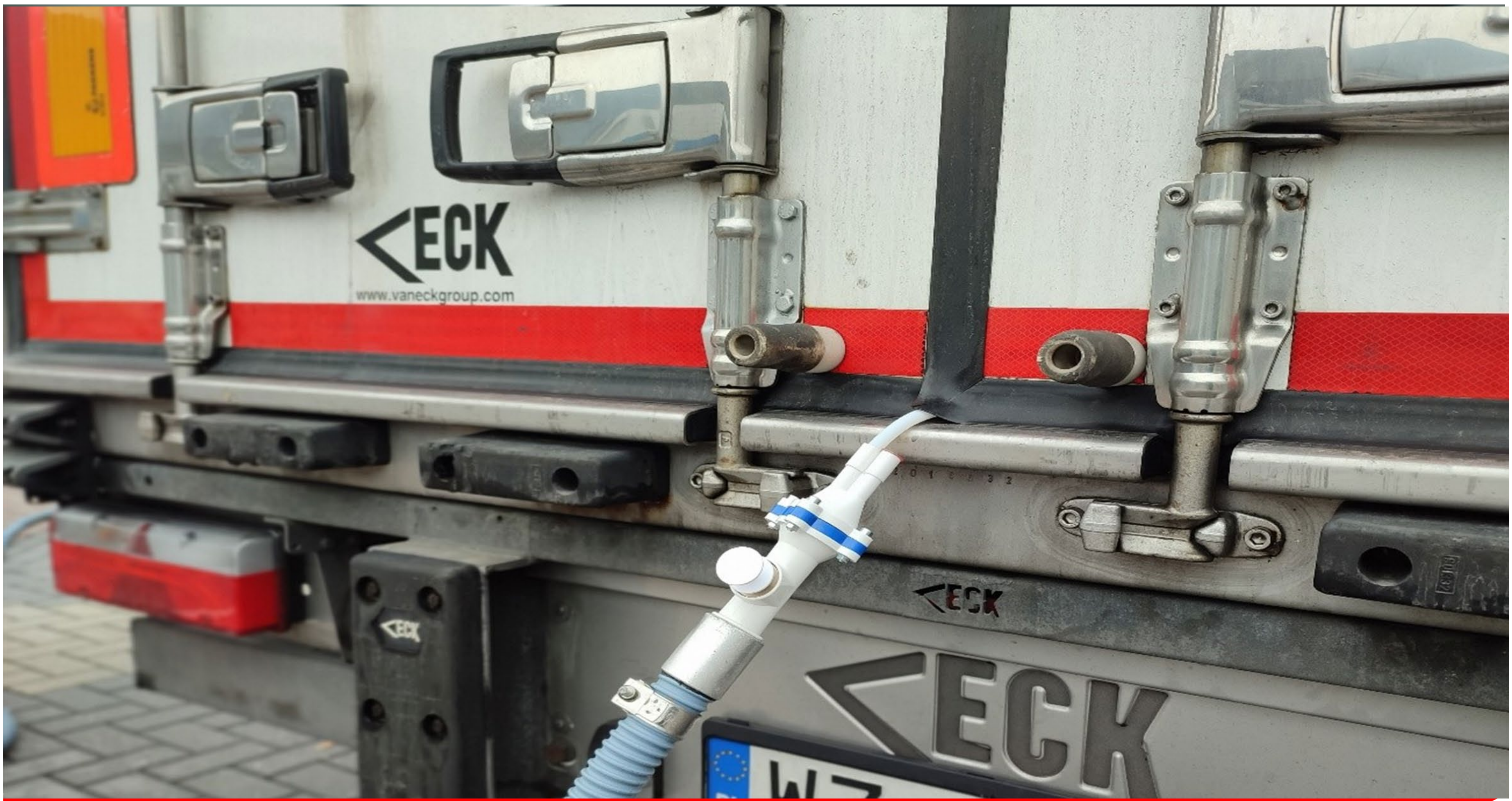
The current industry landscape makes it challenging to definitively assess the success or failure of Maersk's integrated carrier strategy, as major carriers witness declining revenues. Mark McVicar, a former container shipping analyst, believes it's premature to pass judgment and suggests waiting for another two to three years to gauge the outcomes.

The key question revolves around whether Maersk's ocean segment can provide a protective shield for the integrated company divisions. Loyalty from customers and their response to the broader services offered will play a crucial role. McVicar notes that while financial markets and shippers remain skeptical, there's no clear answer yet.



In conclusion, as the shipping industry evolves, Maersk's strategy hinges on maintaining competitive unit costs while targeting high-yield, value-added cargo types like LCL and reefer. The resilience of this strategy, even in the face of short-term challenges, is underscored by McVicar's comparison to Deutsche Poste's journey.

Maersk responded to the criticism by referring to CEO Vincent Clerc's statement following the Q2 results release. Clerc emphasized the need to manage costs efficiently amid shifting customer dynamics and reaffirmed the company's commitment to building AP Moller Maersk into a container logistics integrator to enhance customer supply chain resilience.



Firm hopeful of vapour detection approval for cargo screening

MION Technologies is optimistic about the certification of its Explosive Vapor Detector (EVD) technology for cargo screening in Europe, aiming for approval to commence next year.

In an interview with Air Cargo News, Daoíz Zamora, the CEO of the Spanish company, explained that the European Civil Aviation Conference (ECAC) granted permission in January for the use of EVDs in screening air cargo.

While the new regulations became effective in April, EVD manufacturers now require ECAC certification before their products can be applied to cargo screening.

Zamora is anticipating that the initial comprehensive certification tests will occur within the first quarter of the upcoming year.

This technology presents an alternative to existing cargo screening methods like x-ray scanners and detection dogs for explosives.

Zamora asserted that EVD technology will streamline the screening process and lower associated costs.

He noted that MION Technologies' VPSCAN boasts a detection accuracy exceeding 90%, with a false alarm rate under 2%, and can identify substances in bulk, such as complete trucks and containers, without necessitating cargo unloading.

"Its versatility allows for adaptation to various scenarios like pallets, boxes, and mail," he remarked.

"The outcomes are automatically generated without requiring interpretation by an operator, and the entire analysis concludes within six minutes for a full truck.".

MION

Zamora further elaborated that air samples can be collected in approximately two to four minutes, contingent on size, and subsequent analysis takes an additional three minutes.

ARTICLE 5

Cargo-partner adds US-UK airfreight consol service

Cargo-partner is further extending its airfreight consolidation services by establishing operations connecting the US and UK.

This weekly service encompasses flights between Chicago O'Hare International Airport and London Heathrow, with a stopover at Toronto Pearson International Airport. The service was initiated on June 1.

Goods destined for cargo-partner's Chicago warehouse must arrive by Thursday each week, followed by a Sunday departure.

The company emphasized that customers will gain advantages from a "hub of additional airport, storage, and transportation links within both nations and the broader continents."

Additionally, the company provides customs brokerage and final mile services.

Ralf Schneider, President of cargo-partner US and Regional Director for the Americas, expressed enthusiasm, stating, "We are thrilled to persist in the expansion of our global network and establish dependable air capacity for our clientele traversing between the US and the UK."

Introducing this regular air consolidation to the market will bolster trade on both sides of the Atlantic Ocean with an economical and adaptable airfreight solution.

Schneider further elaborated, "Our objective is to offer a trustworthy service for general cargo shipments originating in the Midwestern US. Leveraging our comprehensive network and proficient in-house customs teams, we are also equipped to present competitive rates for customs, brokerage, and final mile services."

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CONTACT US
TEL: +86-21-32506989 FAX: +86-21-32506989
E-MAIL: MARKETING@SHA.PREMIERE- LOGISTICS.COM
WEBSITE: WWW.PREMIERE-LOGISTICS.COM
ADDRESS: RM. 603&304, BUILDING B, NO. 28 XUANHUA RD. CHANGNING DISTRICT, SHANGHAI, 200050, CHINA