MAY 2022

PREMIERE ERA

NEWSLETTER

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PREMIERE ERA

Shanghai capacity slowly recovers – still many challenges

Shanghai capacity creeps back but trucking is still in trouble under the lockdown strategy. It also causes global trade to cost $28bn so far, with the clothing, textiles and automotive industries suffering the most exposure.

Trucking capacity remains a major hurdle to fully functioning supply chains. All parts and components cannot get in and out of Shanghai without excessive time, expense, and effort. The Covid zero policy has exerted huge pressure on regional transport and logistics in Shanghai and Ningbo, which heavily increase the occurrence of delays and waiting time for vessels and limited transport to and from the seaport and airport. a Shenzhen-Hong Kong freighter service is now operating to address this trucking problem.

Flexport pointed out that airlines have increased rate levels, in spite of the slight recovery of flight capacity and extremely sufficient trucking capacity. Rates maintain at around same levels as last week and the market is quite strong before the holiday.

However, the flight frequency in South China is still vulnerable to the pandemic and Ukraine war.

Westbound Logistics Services said on April 24 that Zhengzhou, Beijing, Guangzhou and Shenzhen airports have been suffering congestion as they handle diverted cargo from Shanghai Airport (PVG).

“Strict controls remain on transport in and out of PVG, while many flights remain suspended. Being China’s major international hub, this has led to traffic from outer regions being diverted elsewhere.

“Airports such as Zhengzhou, Beijing, Guangzhou and Shenzhen have been carrying the weight of this diverted volume, leading to congestion, a shortage of airline pallets and little or no capacity to store cargo.”

According to some statistics from Russell Group, the cargo delay at Shanghai has caused clothing and automotive industry to cost $884m and $767m respectively. It added: “It is not just exports that are impacted… Russell analysis estimates that more than $298m of meat [imports] will be impacted in this period."

Suki Basi, a managing director of Russel Group, believed that the delay in China have not only created chaos across the global economy, but also hit consumers and corporates. Especially the western countries which are suffering high inflationary pressures, supply chain disruption will continue to push up prices and damage economies, which slow down the economic recovery.

There are signs this latest supply chain crisis may be winding down, however. In its latest update, FourKites said there had been stable shipment volumes at the port of Shanghai over the past week, although throughput is still down 22% compared with 12 March, pre-lockdown.

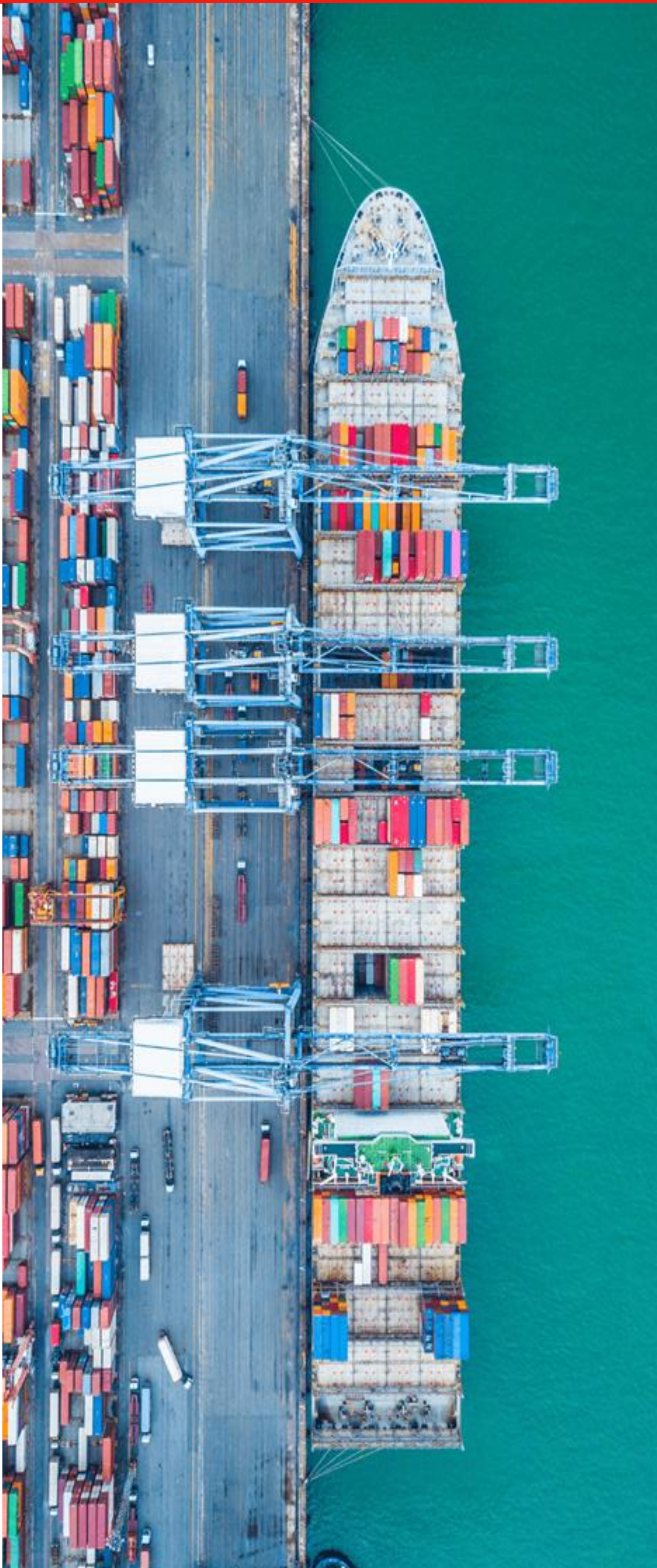
The data paints a similar picture for transpacific trades, where China's total 14-day average shipment volume for US cargo was down 36% as of 20 April, when compared to 12 March, but, FourKites added "this has shown some signs of recovery over the past couple of weeks, as shipment volume is now down only 20% as of 29 April".

Furthermore, while dwell time for exports are still up 31% at 6.4 days, this marks a 10% decrease since the peak on 22 April, the company noted.

Supply chain firm Woodland Group said there was still "heavy berth congestion" across all terminals in Shanghai, with vessels being pushed to Yangshan from Waigaoqiao to alleviate delays.

"There are current delays of three-to-five days at Waigaoqiao terminals, and up to two days for Yangshan terminals," it added.

With Covid cases now falling for nearly a fortnight, more factories are set to restart production, according to local media reports, adding to the 2,000 manufacturers that have already been permitted to come back online.



Lessoned restrictions of crew quarantine rules

Cathay Pacific adds more cargo flights

Cathay Pacific has welcomed the Hong Kong government's easing of crew quarantine rules and said the adjustments will allow it to expand its cargo operations.

The new rules demonstrate that it is not necessary for all vaccinated cargo crew to quarantine on returning flights. They just need to undergo a 14-day medical surveillance period, regular testing as well as stay in a closed-loop system for any overnight stays.

The outbreak in Hong Kong and Shanghai have been influencing the flow of goods. Restrictions on cross-border trucking have adversely affected the channels for transporting goods to Hong Kong in the Greater Bay area. Moreover, all carrier was forced to suspend all long-haul cargo and rearrange crew schedules.

George Edmunds, general manager cargo commercial, was very delighted with the adjustments to the crew quarantine and medical surveillance requirements as of May 1 from HK government. "This will allow us to progressively resume more cargo flights from May onwards, and we will therefore be making adjustments to our schedule in the coming weeks."

The network level in regional freighter flights in March was 48%, which far exceeded January's, especially to India and North East Asia. The freight capacity to South West Pacific have been also restored in Mid-April.

Nevertheless, Edmunds added that the situation are still very vulnerable to many variables. Scheduling tasks involve a lot of effort in many departments to coordinate.

"The lockdowns in Shanghai continue to be an issue and have had a significant impact on demand with transport constrained and manufacturing output reduced.

"We have mounted additional services to other ports in Mainland China to alleviate this, and we continue to monitor the situation."
"While this issue remains, our Hong Kong agents, like ourselves, have been able to adapt by greater use of sea feeders to ports in Hong Kong; unloading cargo from ship to truck for transfer to the airport."

He added that the carrier and airport authority had been working to bring in goods from Dongguan Logistics Park, and delivering to the Haitian passenger terminal.

"This demonstrates the viable approach of sea-air intermodal transport and gives us confidence in continuing this programme," he said. "The use of waterways could increase some of the capacity, but it was still far below our expectations."

Digitally-propelled air and sea freight

1. Boost air cargo throughput

Ostend-Bruges Airport in Belgium is equipping its cargo hub with a Nallian-powered OST Cargo Cloud to boost operational efficiency and transparency. This technology has increased a cargo throughput of the airport by 17.8%.

The OST Cargo Cloud is designed to provide actionable insights into its end-to-end cargo streams. It achieves a coordinated, digitalized approach to improve process of freight pick up and drop off, and the inspection of perishable goods.

A wide range of functions, such as Inspection Management, Truck Visit Management, Check-it, and Cargo Statistics are Included in Cargo Cloud applications. This enables the cargo hub to streamline all actions related to truck visits, the inspection of perishable goods, and the execution of operational and compliance checks.

Eric Dumas, chief executive at Ostend-Bruges Airport, pointed out that the digital tool allows Ostend airport to not only strengthen its attractiveness, but also further increase the speed of cargo handling. The development project “Ostend Cargo Village” has been completed.

Jean Verheyen, chief executive at Nallian, took Truck Visit Management as an example to explain how OST Cargo Cloud benefits the cargo management of the airport. She strongly believed that it could generate significant value for big and small cargo hubs to cope with congestion issues, which increases the efficiency and transparency of air cargo process. She also pointed out that people misunderstood only big hubs would be benefited by this digital tool. Digitalization is the way to achieve cargo handling efficiency, no matter how scale of the hub.

2. Protecting cyber security of ports

The port of Vancouver USA, the Maritime Transportation System Information Sharing and Analysis Center (MTS-ISAC) and the Lower Columbia River Maritime Information Exchange (LCR-MIX) worked in close collaboration on launch of cyber threat intelligence.

This information technology aims to enhance communication and collaboration among regional stakeholders of ports located along the Lower Columbia River. It also provides early situational awareness and best practice adoption to prevent cyber threat. According to some statistics from the United States Coast Guard, over 500 cases of major operational cyber-attacks took place in the marine industry in 2020, which may lead to cascading consequences on entire supply chain.

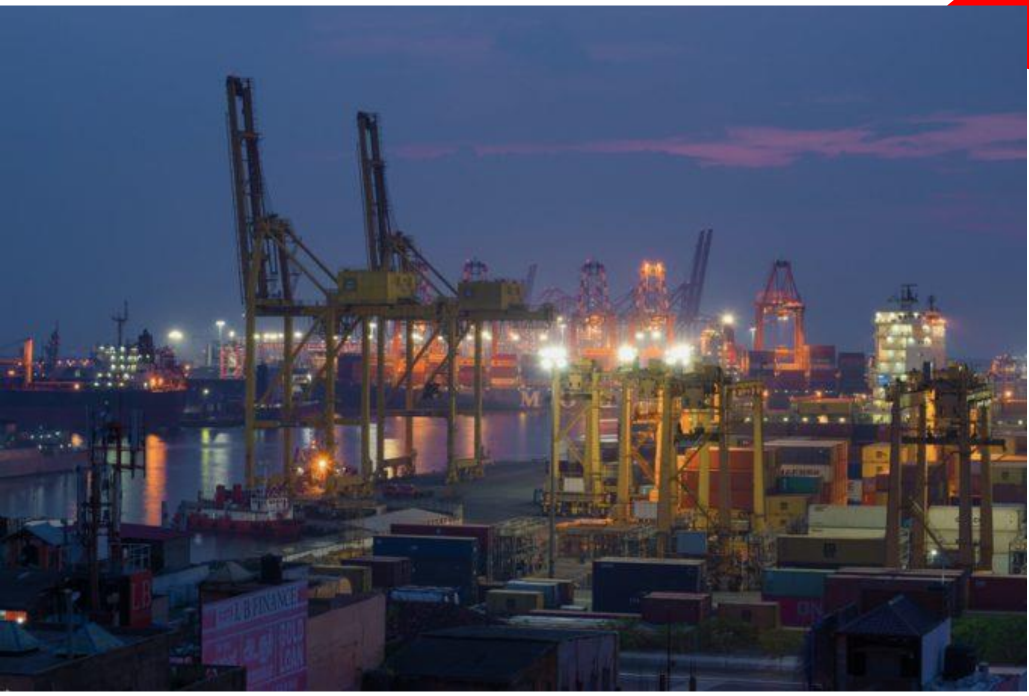
To deal with the risk, three parties actively produced actionable cyber threat intelligence. Christopher Hunt, IT Director for Port of Grays Harbor said that this intelligence effectively ensured information privacy. It was very safe for the partners and stakeholders within the Lower Columbia River to work with the same business contracts, which encouraged the open exchange of information.

Chris Coffey, Vice President of Operations for MTS-ISAC, also commented: "We are thrilled to be working with the LCR-MIX. Often, our peers think public information sharing is complicated, but it doesn't have to be.

"Under thoughtful leadership provided by Port of Vancouver USA, this sixth Information Exchange has rapidly come together and is already increasing early situational awareness amongst its members and making our entire MTS-ISAC community stronger. We are grateful for this partnership."

On 22 June 2022, PTI will be holding its first ever Cybersecurity for Ports & Terminals Conference. Featuring discussions from industry leaders, the online event will provide the perfect stage for learning and knowledge sharing, to create a more cyber-resilient industry.

Port of Colombo resumes operations after 20-hours labor strike



A strike by the staff at the port of Colombo has come to an end following the resignation of Sri Lanka's prime minister. It lasted almost 20 hours and the operation of the port resumed recently.

On 10/5, trade unions and labours refused to work at Colombo port and suspend operations at the Jaya and Colombo East container terminals. Navigation services at the port were also suspended. No vessels were allowed to berth or depart, while the loading and unloading of boxes was also suspended.

The crisis has become a major source of concern for carriers serving the Indian subcontinent, with many looking to call at alternative ports. Almost 10,000 Bangladesh-bound boxes from carrier MSC were unable to move at the port. Along with many other Asian countries, Bangladesh uses the port to tranship its export-import cargo. The Bangladesh shippers was very worried about the port disruption as around two-fifth of Bangladeshi exports, mainly apparel, are delivered to mother vessels through Colombo port.

After the strike began, the Ceylon Association of Shipping Agents expressed deep concern and tried to persuade unions and labourers to "get back to work and resume operations ensuring that the port of Colombo, which is the nerve centre of the country's economy, operates in ensuring the movement of essential commodities at this critical time".

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Strong financial performance of air and sea freight company

37% Revenues up

Emirates SkyCargo

Emirates SkyCargo delightedly stated that volumes continue to recover in the 2021/2022 financial year and revenues continued to exceed pre-Covid levels.

For the 12 months ending March 31, the cargo business continued to show strong performance by contributing 37% revenue to overall Emirates, despite the ongoing global logistics and supply chain disruption by the pandemic. For Emirates SkyCargo purely, the revenue has increased by around 27% year on year to AED21.6bn, which was also higher than the AED13.1bn registered in pre-pandemic financial year 2018/2019. Cargo volumes also improved year on year, increasing by 14.2% to 2.1m tonnes.

“By June 30 2021, our cargo division had restored services to over 90% of our pre-pandemic network.” Emirate SkyCargo said.

Robust demand for essential goods and medical supplies, accelerated vaccination programmes and global supply chain issues were the major reasons why air cargo becomes very popular.

Emirates SkyCargo has moved fresh products and high-value goods from e-commerce across the world with important and open trade lanes. At least 260,000 of perishables from various agricultural markets, including India, Kenya, Norway, Ecuador and Pakistan have been transported around the world.

Emirates SkyCargo also played a vital role in ensuring communities get rapid access to vaccines and other medical supplies. By March 2022, we had transported 1bn doses of Covid-19 vaccines. Revenue from transport of pharmaceutical products crossed AED2bn mark for the first time in SkyCargo's history and by the end of the year it had transported more than 1bn doses of Covid-19 vaccines mainly originating from Brussels, Johannesburg, Amsterdam, Chicago and Hyderabad.

The charter business "also remained strong amidst supply chain disruptions" and its charter business for the year was more than three times the pre-pandemic level.

The carrier operated 137 charters of rubber products, 135 charters of Covid-related essential vaccines and eight horse charters for the Tokyo Olympics.

In terms of fleet, the carrier's freighter fleet was reduced from 11 B777 freighters to 10 B777 freighters.

However, during the year, the carrier has invested in extra freighter capacity; In November, Emirates announced a $1bn investment to acquire two new Boeing 777 freighters and convert four of its existing 777-300ER aircraft into freighters.

Korea Marine Transport Co

Korea Marine Transport Co (KMTC Line) remains the top-earning South Korean feeder operator, recording a 91% year-on-year boost in revenue.

91% Revenues up

Last year, KMTC Line reported revenue of $3.02bn, up 91% year on year, while net profits soared nine-fold to $1.22bn. Income from shipping operations nearly doubled on 2020, to $2.6bn. The company has been profitable every year since 1985 and with 156,995 teu of capacity, KMTC Line is ranked 13th among container carriers and is the largest among the South Korean feeder operators.

The company credited higher freight rates, particularly on its Indian and Persian Gulf services, for its earnings boost.

Against the backdrop of an unprecedented boom in container shipping rates, the total net profit of South Korean feeder operators rocketed 11-fold to $3.3bn last year. Except for Sinokor Merchant Marine subsidiary Hansung Line, all saw net profit growth of more than 100%.

On an unconsolidated basis, Sinokor, South Korea's largest privately owned shipowner, saw net profit surge 22-fold to $976m.

CK Line recorded the largest surge in net profit, up more than 60-fold to $56m. With just 10,135 teu of shipping capacity, CK Line is ranked 69th among container carriers and is the smallest among South Korean feeder operators – but it supplemented its earnings by launching an intermodal intra-Asia service last June, linking its Hai Phong Express (HPX) and South China-Thailand (SCT) routes to inland China.

Cold Chain Began to flourish

The development of cold chain in air and sea freighter has been expedited for recent years. Many carriers have put great emphasis on cold chain facilities to cater the increasing customer demand of fresh food and pharmaceutical products. Maersk has currently announced a new 45,000 m² cold chain facility in the Waikato District, the fourth largest region in New Zealand. In meanwhile, Austrian Airlines has signed up to use the Vienna Airport Pharma Handling Center (VPHC) for all of its cargo volumes at the Austrian airport.

1. Maersk

The cold chain facility, which is located in the Ruakura Superhub and adjacent to the Ruakura Inland Port, is easily accessible to road network between Hamilton and Auckland. It also allows the facility to serve both the export regions and the import markets in the North Island. Maersk believes that it will be able to provide better logistics solutions for both import and export customers by integrating the cold store with the depot and intermodal connections.

As the facility location is an important transport corridor for the Waikato region and in conjunction with New Zealand ocean network, Maersk can match the seasonal demand of the customers with flexible and agile operations.

Chris Joblin, chief executive of Tainui Group Holdings, pointed out that the new cold storage facility is capable of promoting the resilience of food supplies delivery around the world. This shows how Maersk actively connects to the world. "With the new facility in place and its close integration with Maersk's logistics solutions, we will offer more transparency and visibility of refrigerated cargoes and help customers build more efficient and resilient supply chains," Tony Mildon, head of reefer at Maersk Oceania. He was very delighted to see growing demand from exporters, importers and local processors who rely on temperature-controlled storage in the region.

Upon completion, the new facility will have more than 16,000 m² of fully convertible temperature-controlled space with temperatures ranging from -25°C to 15°C. Additionally, it can provide storage for over 21,000 pallets of cold chain products.

The facility will feature advanced energy management including an environmentally friendly CO2 cooling plant, solar energy, rainwater harvesting and a low carbon policy for the construction, while it targets to achieve an audited 5 Star Green Star rating in New Zealand.

2. Vienna Airport

Vienna Airport said the deal with the Lufthansa Group-owned airline would further establish the airport as a pharma hub for central and eastern Europe.

Michael Zach, vice president sales & finance, ground handling & cargo operations at Vienna Airport, said: “The fact that Lufthansa Cargo, one of the world’s largest air freight companies, has decided to have its pharmaceutical shipments handled by us is confirmation of our high quality and further strengthens Vienna Airport as a pharma hub for Central and Eastern Europe.”

The airport said that its pharma volumes had increased significantly over the last few years; volumes at VPHC last year increased 15% compared with 2020 and were up by more than 66% on 2019 levels.

“In addition to ongoing uncertainties of ground-based global supply chains, the internationalization of pharmaceutical productions also continues to drive this trend,” the airport said.

“By linking the intercontinental air cargo capacities of Austrian Airlines to the capabilities of the VPHC, Vienna Airport is well prepared for further growth in this sector,” the airport explained.

“State-of-the-art facilities for handling and storing temperature-sensitive pharmaceuticals and GDP certification ensure optimal processes at the VPHC, handled by a specialised pharma team and monitored by comprehensive temperature control systems.”

The facility boasts two refrigerated warehouses that offer storage facilities for temperatures ranging from 2 to 8 degrees Celsius (150 sq m) and 15 to 25 degrees (1,600 sq m).

VPHC also has mobile refrigeration equipment for transport between the air and land sides for temperature-sensitive products.

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