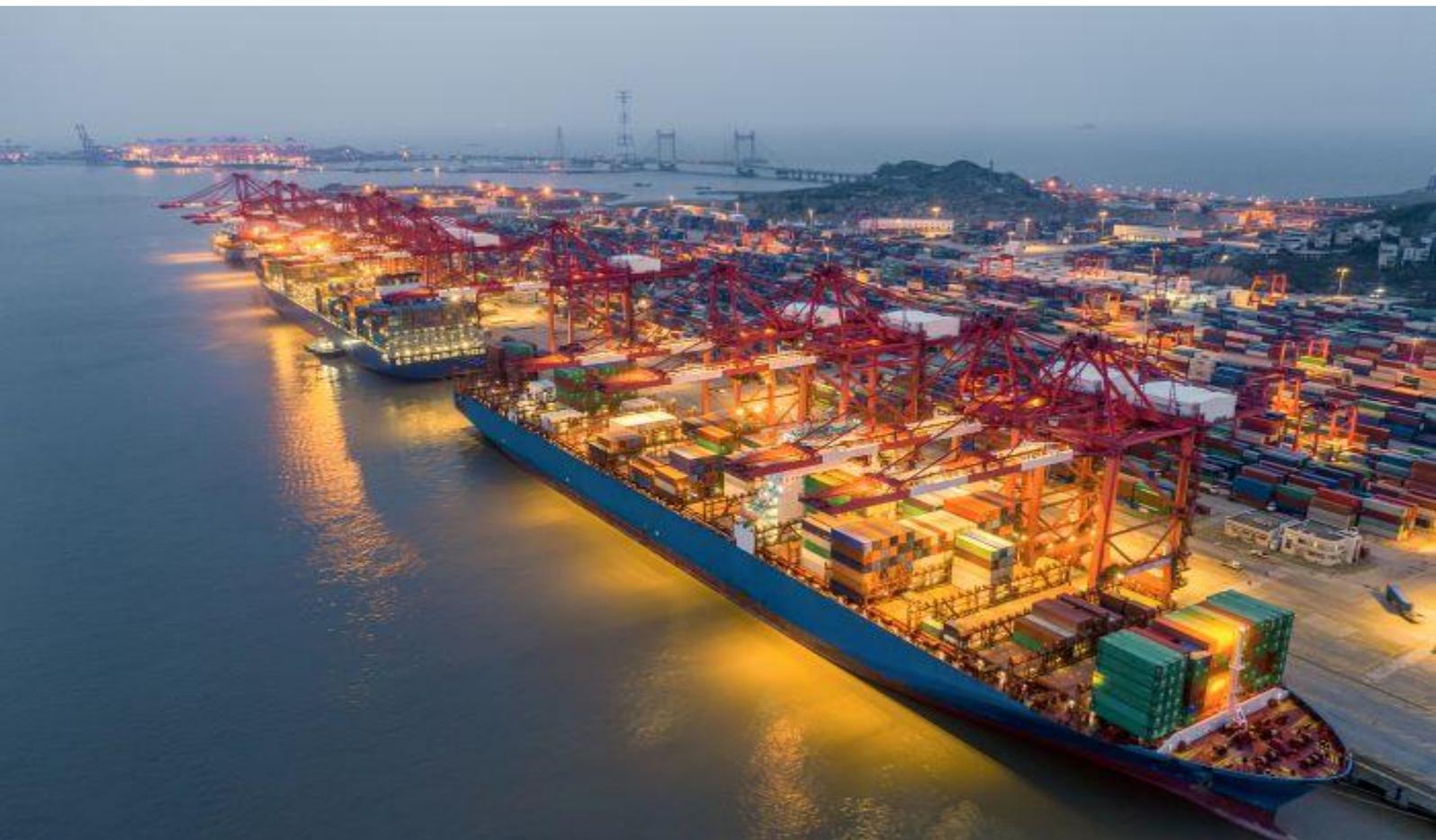


NEWSLETTER

April 2022



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Air and sea freight vulnerability to Lockdown of Shanghai

The outbreak of omicron virus urged the Shanghai government to impose a lockdown on Shanghai. Restrictions originally ended on April 5, but the government has decided to extend the lockdown, which is covering the whole city now.

Following the city's lockdown, many airlines are cancelling cargo flights from Shanghai Pudong (PVG), which is a hub for China Cargo Airlines, China Southern Cargo, DHL Aviation, FedEx Express, UPS Airlines. Suparna Airlines has been effectively closed since the lockdown began, although on April 5 Flight Radar 24 showed scheduled arrivals and departures, indicating the airport is operating at a reduced capacity.

Crane Worldwide Logistics pointed out that many airlines are likely to adjust their schedule at the last minutes, without notice in advance. Besides, the shortage of handling staff has let many freight agents and cargo airlines desire to cancel cargo delivery. For example, Chicago and Amsterdam, Qatar Airways has cancelled PVG flights from 31 March until 5 April. These

airfreight agents which have limited staff reporting for duty will adversely affect the customs declaration and cargo tendering to terminals and airlines.

However, JD logistics seeks for a way for maintenance of operation under the lockdown strategy. It provides contactless last-mile delivery with autonomous robot in Pudong. Installing AI technology and multiple sensors, the robots can plan the routes to locked down neighborhoods with load maximum of 100kg of products and 80 km per charge.

"Some companies have tried to apply permits for staff and trucks, but the permit only allows them to move inside the logistics park. They cannot go out of the logistics park and send the cargo to terminals, even after customs release. Thus, some warehouses have decided to suspend operations till the removal of lockdown from the government." Crane said.

Grant Liddell, who is a managing director, believed that diverting cargo to other airports is more expensive for trucking and airfreight and increases

transit time overall.

According to data from the TAC Index, airfreight rate from China showed improvement from a three-month low at the start of March. The China-US rates are \$8.54 per kg, up from \$6.97 three weeks ago. The China-Europe rates (\$7.27 per kg) have reduced by 1.5%, compared with \$6 three weeks ago.

Port restriction is easing in Shanghai recently

Lockdowns in China are heavily impacting the congestion outside the country's ports, as the number of container vessels waiting outside Chinese ports today is 195% what it was in February."

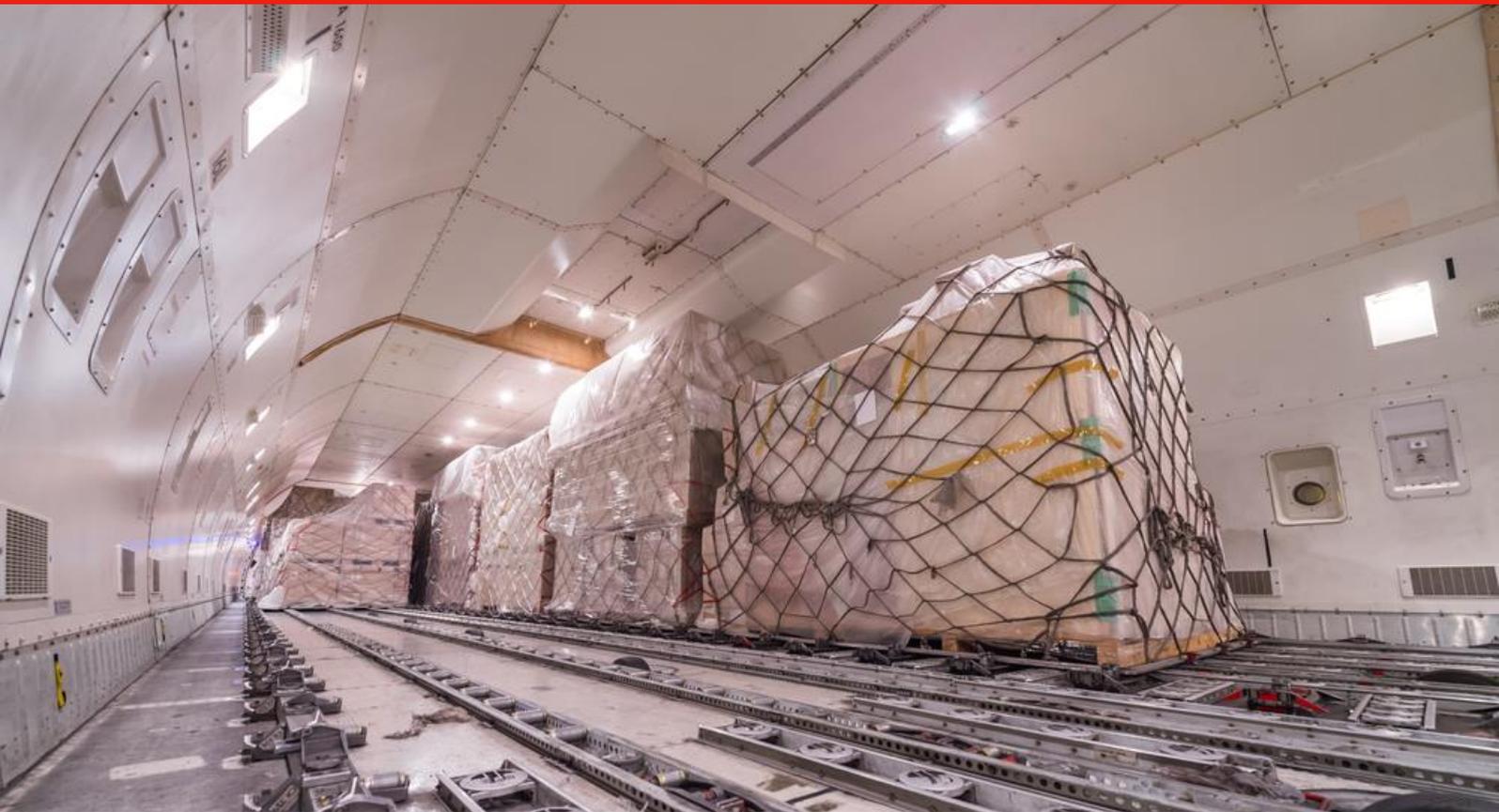
Furthermore, the 506 vessels outside Chinese ports this month, represented 27.7% of all vessels waiting at ports around the world, compared with 14.8% in February.

The pandemic in Shanghai has been under control recently. The number of ships waiting to enter the two ports have reduced over the course of last week, as carriers were omitting Shanghai calls due to the drop in export cargo volumes."

Nevertheless, some factory production restarted in Shanghai this week, which could eventually lead to a sudden surge in export cargo, analysts have predicted.

Taiwanese forwarder Dimerco said today: "Although the limitation of road transport is the main challenge for Shanghai and nearby cities, we are starting to spot some positive signs [of improvement]. For example, high-speed roads are gradually opening, with more green passes issued to truck drivers to safeguard the supply chain. "Moreover, the Shanghai government announced the first batch of 666 companies could resume work on 18 April, to ensure the essential operation of the city and crucial functional industries."





Too many uncertainties: hard to predict equilibrium of air cargo to pre-Covid levels

Lufthansa Cargo chief commercial officer Ashwin Bhat said that air cargo capacity is expected to reach pre-Covid levels in around 2023. As the demand will continue to rise, this demonstrates that equilibrium probably occur around 2025

According to some statistics from the latest International Air Transport Association (IATA), the constrained capacity still boosted global air cargo demand by 2.9% in February, compared to February 2021.

IATA also noted that the growth rate of the capacity decelerated in February from the 8.7% year-on-year expansion in December, due to the volatility of the Lunar New Year.

The container port congestion, rise in e-commerce demand, the general and progressive relaxation of COVID-19 travel restrictions, reduction in flight cancellation and fewer winter weather operational disruptions will positively

influence air cargo in the coming future.

TIACA director general Glyn Hughes pointed out that higher interest rates could also benefit the air cargo market. This is because it causes the cost of capital and cargo on the ship for a long period to be quite expensive, which increases demand for air cargo.

In spite the fact the positive factors probably bring numerous opportunities for air cargo, there are still lots of challenges that may limit the expansion of air cargo. The war and related sanctions in the Russia's invasion of Ukraine, especially higher energy costs and reduced trade, adversely affected the performance of air cargo in February.

"Sanction-related shifts in manufacturing and economic activity, rising oil prices and geopolitical uncertainty will take their toll on air cargo's performance," said Willie Walsh, IATA's director general.

IATA also mentioned that zero-Covid policy in

mainland China and Hong Kong continues to create supply chain disruptions, owing to the labour shortages and flight cancellations and operational termination of manufacturers.

Kales Group chief executive Sebastiaan Scholte were concerned about the cost of living crisis. Higher inflation has impaired purchasing power. He thought that most of the people are likely to spend money on higher energy bills and travel. They have more choices under the environment with the opening up of more service sectors, which implies that they may spend less on products.

Lars Konggaard Sorensen, who is a head of airfreight Europe in Scan Global Logistics, agreed about the view and questioned the duration of pressure on the cost of living. He added that global demand on personal protective equipment, which had been enormous in air cargo volume over the last few years, was likely to decline this year.

When questioned on when that equilibrium could be reached, Seabury Cargo commercial director Jonathan Mellink said it was very hard to predict given the current uncertainties in the market. The world is changing every other week nowadays so nobody will know when exactly air cargo will be in sync.

"There is also big difference per region. Transatlantic will look very different compared with intra-Asia, or transpacific, or intra-Americas. "It will look very different depending on the trade portfolio and the commodities being traded and on the return of passenger demand," he said. Available capacity in Asia Pacific remains heavily constrained – up 15.5% compared to February 2021, but down 14.6% compared to February 2019.

Meanwhile Asia-Pacific airlines saw their air cargo volumes increase 3% in February 2022 compared to the same month in 2021.

European carriers saw a 2.2% increase in cargo volumes in February 2022 compared to the same month in 2021. This was slower than the previous month (6.4%), partially attributable to the war in

Ukraine which started at the end of the month. Seasonally adjusted demand on the Asia-Europe route, one of the most affected by the conflict decreased by 2% month on month. Capacity was up 10% in February 2022 compared to February 2021, and down 11.1% compared to pre-crisis levels (2019).

North American carriers posted a 6.1% increase in cargo volumes in February 2022 compared to February 2021. Capacity was up 13.4% compared to February 2021.

Middle Eastern carriers experienced a 5.3% year-on-year decrease in cargo volumes in February. The weak performance was attributed to a deterioration in traffic on several key routes, but data indicates that the region is likely to benefit from traffic being redirected to avoid flying over Russia, stated IATA. Capacity was up 7.2% compared to February 2021. Latin American carriers reported an increase of 21.2% in cargo volumes in February 2022 compared to the 2021 period, with some of the largest airlines in the region are benefitting from the end of bankruptcy procedures. Capacity in February was up 18.9% compared to the same month in 2021.

African airlines saw cargo volumes increase by 4.6% in February 2022 compared to February 2021. Capacity was 8.2% above February 2021 levels.





Sea and air freight in Vietnam are probably competitive

A 15% of volume increase of Vietnam's ports achieved during the first nine-months of last year to 18.6m teu, in spite of the worldwide impacts from COVID-19. Following recent years of rapid volume growth, the government decided to upgrade Cai Mep. In the meanwhile, Vietnam's first cargo airline is moving closer to becoming operational. IPP Air Cargo anticipates transporting around 115,000 tons of cargo in the first year of operations, with a revenue of \$71m.

Expansion of Vietnam's busiest port

Cai Mep, one of the busiest deepwater container port in Vietnam, started expansion construction to pave the way for additional Asia-Europe calls. "In addition to the extra port capacity, it will allow the handling of two mega-ships side by side." The Vietnam's ministry of transport said.

VND1.42trn (\$62.17m) of investment will be input

to encourage larger vessels to berth at the five container terminals. The width and depth of the channel will be respectively expanded, from 310m to 350m, and from 14m to 15.5m.

Recently, Gemalink, which is the newest terminal at Cai Mep, started operations in January. The ministry believed that the new terminal can benefit carriers from adding express delivery service like Asia-Europe.

Gemalink now has three weekly Ocean Alliance calls, a weekly from Maersk and one bi-monthly from Cosco, all of which are transpacific services. But it has just added its first Asia-Europe express service from the UK's Ellerman City Liners, following the success of the revived brand's express transits from Shanghai, Ningbo and Shenzhen to Tilbury.

Ellerman commercial director Peter Andrews said: "This is a natural extension to our GB Express service, introducing much needed sea freight

capacity to the booming Vietnamese market.”

Current supply chain disruption in China also brings business opportunities for Vietnam’s ports. The Vietnamese government can help shippers in China speed up relocation in Vietnam. If carriers continue to struggle in China, then they might decide to increase the allocation given to their Vietnamese branches, allowing them to load much more export cargo from Vietnam, meaning current calls could be bigger and longer.

Air cargo will flourish in Vietnam in the future

The Vietnam’s ministry of transport is seeking approval from the prime minister to issue a licence to IPP Air Cargo, which was established on March 10, 2021 . The ministry mentioned this is the first cargo airline to the country’s transport services development strategy for 2030, which targeted the development of a fleet of 8-10 cargo aeroplanes, which would contribute to promoting the logistics industry.

The Civil Aviation Authority of Vietnam has evaluated that IPP Air Cargo’s application for an air transport business license complies with regulations.

A total investment of 2,400 billion VND will be input in the IPP Air Cargo Aviation Project. It is estimated that five cargo aircrafts from IPP Air Cargo anticipates transporting around 115,000 tons of cargo in the first year of operations with a revenue of \$71m.

It is also predicted that the cargo airline will contribute to the growth of cargo transport of Vietnamese airlines by around 10-15 per cent per year.

The ministry also said that Việt Nam’s participation in the ASEAN Single Aviation Market, an agreement on the liberalisation of air transport in 2015, was creating opportunities for IPP Air Cargo to expand markets and increase its competitiveness.

The operation of a cargo airline would also help generate foreign currency, facilitate goods flow and drive local economic growth.



Two port improvement projects done in USA

The completion of the port of Savannah and Terminal of Los Angeles Improvement projects will not only improve container-handling efficiency, but also accommodate larger container ships.

The Port of Savannah

Savannah Harbour Expansion Project commenced in September 2015 with adding 1.5 metres in depth to the shipping channel. The Georgia Port Authority (GPA) decided to cater the increasing demand on the port by inputting US\$530 million in this capacity expansion projects. Griff Lynch, who is a GPA executive director, noted that the goals of the strategy are enhancing operations, accommodating increased demand, and delivering world-class service and reliability.

Deepening the Savannah Harbour to 14.3 metres at mean low water provides ample draft for vessels carrying more than 16,000 TEU, allowing ships to transit the river with more containers each trip and during more hours of the day. More larger ships with approximately 1,000 containers not only increases efficiency in vessel transport, but also brings more opportunities, job growth and prosperity for the people of our state.



The project also conducted upgradation of port infrastructure, including construction of vehicle processing facilities, the expansion of Garden City Terminal West, establishment of a transloading facility with a cross-docking warehouse and order of seven new ship-to-shore cranes.

Georgia Governor Brian Kemp commented, "Completion of our harbour deepening is a

testament to a shared commitment between state and federal partners, like our previous governors and current and former members of Congress who worked tirelessly to help move this project forward to provide the infrastructure our economy needs to thrive."



Port of Los Angeles

Port of Los Angeles has announced the completion of the Everport Terminal Improvement Project, located at berths 226-236 along the Los Angeles main channel.

With US\$65 million the project, the terminal improvement project started in 2019 and included berth deepening to 16.1m alongside berths 226-229 and 14.3 metres alongside berths 230-232, mooring bollard and berthing fender upgrades, construction of an additional 6,070 m² of backland, electrical improvements for five new Alternative Maritime Power (AMP) connections, electrical infrastructure for three additional container cranes, as well as charging equipment for clean-energy, electric trucks.

"The completion of this project marks years of planning and perseverance through a challenging pandemic and unprecedented cargo surge," said Port of Los Angeles deputy executive director of development, Tony Gioiello.

Artificial intelligence is ready to address cargo handling

Improvement on ground handling speed and sustainability at Amsterdam Airport Schiphol

In April, Amsterdam Airport Schiphol has removed all paper station declaration with AI-driven declarations. Ground handlers no longer wait for freight to arrive before combing through paper documents.

Last year, Schiphol has tried to deploy new AI tool, developed by the Smart Cargo Mainport Program (SCMP) team, to automatically nominate a forwarder for each shipment before the plane has landed. This significant change towards digitalization at Schiphol has increased digital station declarations from 1,200 in October to 3,000 by the beginning of April.

David van der Meer, Schiphol cargo partnerships director, pointed out that Automatic nomination has improved not only the planning of the pickup of shipments, but also the security of the cargo flow. It has also notified the forwarders and airline customers earlier about expected arrival of shipments, so the customer service to 140 forwarders and the consignees would enhance.

The success of service improvement from AI depends on self-learning algorithm. The system will learn from manually inputting data into system and perform more nominations

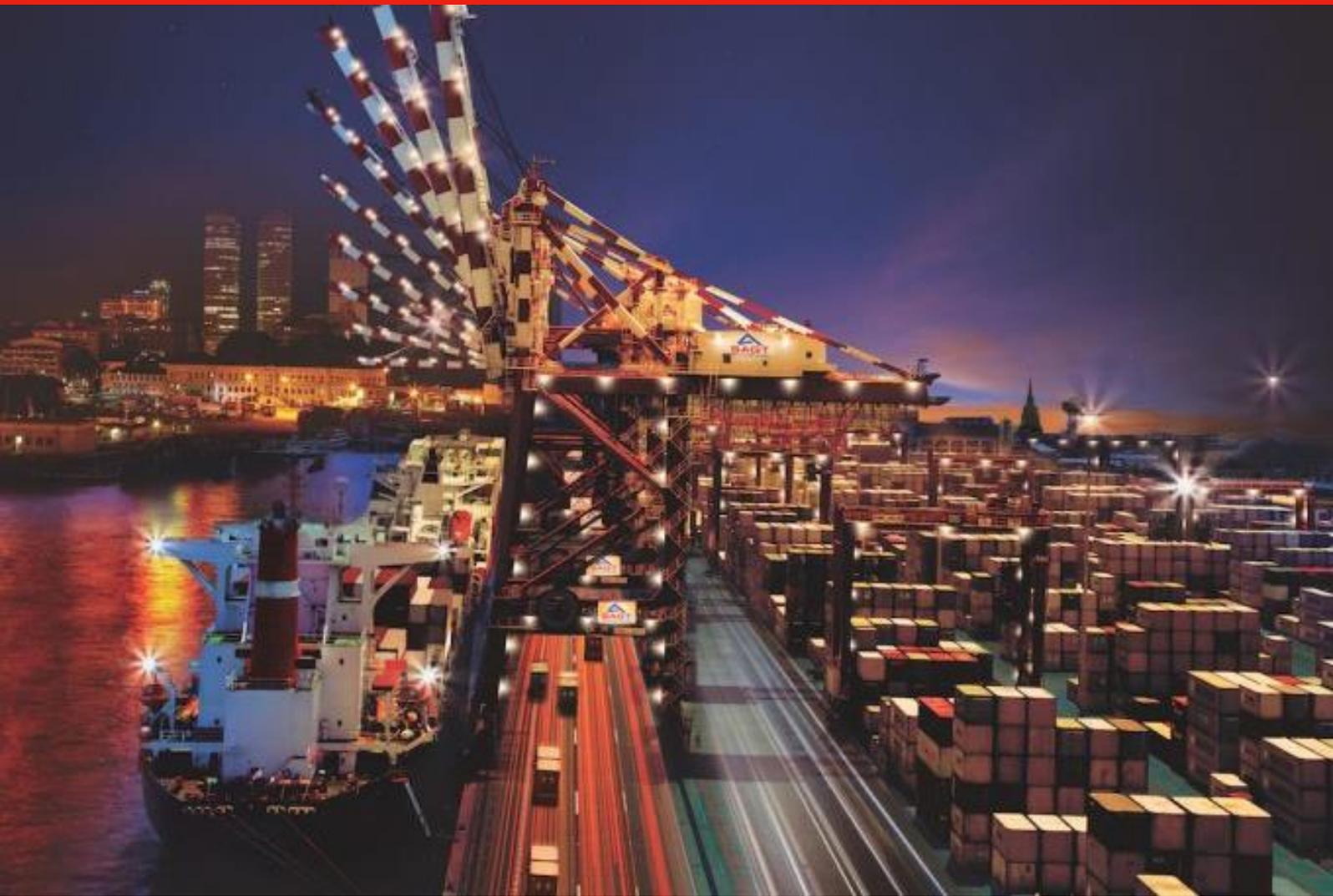


Large progress in autonomous sea freight

One Sea has planned to lead the way towards an operating autonomous maritime ecosystem by 2025 with Sea Machines Robotics. Based in Boston, it is a leading developer of autonomous command, control and advanced perception systems for vessels.

Sea Machines Robotics can help unlock new opportunities and enhance vessel safety, performance and efficiency. Arther Seaman, Product Manager, Government and Compliance, believed that One Sea stands at particular point in time when Sea Machines Robotics are ready transform the maritime industry. This is a crucial time for him to look forward the development of maritime industry in the future.

From its formation in 2016, the One Sea ecosystem has developed an advisory and advocacy role for stakeholders with an interest in the safety, efficiency and environmental gains available to the autonomous ship. Members include international maritime technology experts, such as, ABB, Cargotec, Finnpilot, Fintraffic, Haltian, Kongsberg, Monohakobi Technology Institute (MTI), TietoEVRY and Wärtsilä, as well as a range of stakeholders involved in aspects of vessel management.



Shift in transshipment flow in Colombo Port during the Sri Lanka's woes

The flow of Indian transshipment cargo over Colombo Port in Sri Lanka was confronted with disruption, due to deepening economic crisis that the country has been facing.

The pandemic has resulted in the collapse of mainstay tourism industry and perilously depleted foreign exchange reserves, which has caused this island nations to grapple with the worst economic quagmire. These have adversely affected the port of Colombo, a major transshipment hub for South Asia with locational advantage and competitive pricing.

"The shortage of diesel for transporters and infrastructure issues are slowing down the port operations in Colombo," Mr Vaswani, executive director of the Container Shipping Lines

Association, told. The electricity crunch was another issue to exert considerable pressure on terminal operations.

Colombo handles some 40% of Indian transshipment cargo and any disruptions there cause a ripple effect on Indian container trade, making it harder for cargo interests in the region to find other solutions, particularly when vessel capacity is so tight. According to a report from a market researcher CRISIL, shortsea or feeder lines operating out of smaller Indian port locations to Colombo could face difficulty adjusting their capacity deployments in line with the constant mainline transshipment route changes. And that means landing Indian transshipment cargo, already hit by sailing disruption, in further disarray. The shift in cargo carriage from smaller ports to Colombo was also cost-effective for some Indian shipping companies.

But CRISIL added: "Conversely, ports in India, particularly

those on the eastern and southern coast, are expected to see some benefit from the diversion of transshipment and other shipping activities from Colombo."

Maersk chose rail to tackle transshipment woes of Colombo port

Maersk Line was now more actively diverting export shipments out of India's east coast to west coast ports by dedicated block train, instead of port of Colombo. This move copes with the current port operation crisis of Colombo by circumventing transshipment delays and help customers get better transit times on available routes from Indian ports.

"We have run four block trains so far and more are in the pipeline," Maersk said. "We are constantly in dialogue with our customers to understand their priorities and requirements, and are working out options to ensure their supply chains face minimum disruption."

A PSA terminal manager at JNPT confirmed the proactive cargo rerouting step by Maersk, adding: "We recently received a fully loaded block train from Durgapur (Kolkata) on behalf of Maersk, with containers meant for its ME2 Service." The ME2

connects India, the Middle East and Europe.

"Sri Lanka is a transshipment port and it will not be easy for shippers to opt for alternative routes as those may not be feasible for international trade," said Sanjay Bhatia, co-founder of digital forwarder Freightwalla. Indian exporters and importers are making great effort to discuss how government/industry stakeholders at home work to take advantage of an "alternative hub opportunity" the Colombo crisis presents.



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