Premiere Era

NEWSLETTER

DECEMBER 2021

IN THIS ISSUE:

1. Freighter strengthens Hungary to China trade

2. Southern California's Container-Ship Backlog Moves Farther Out to Sea

3. Cargo booms at UK's East Midlands Airport

4. India opts for a hi-tech solution to empty box crisis at main ports

5. Taiwan carriers eschew multi-year contracts in favour of 'customer choice'

6. HKIA cargo volume growth continues

Freighter strengthens trade from Hungary to China

By Rebecca Jeffrey

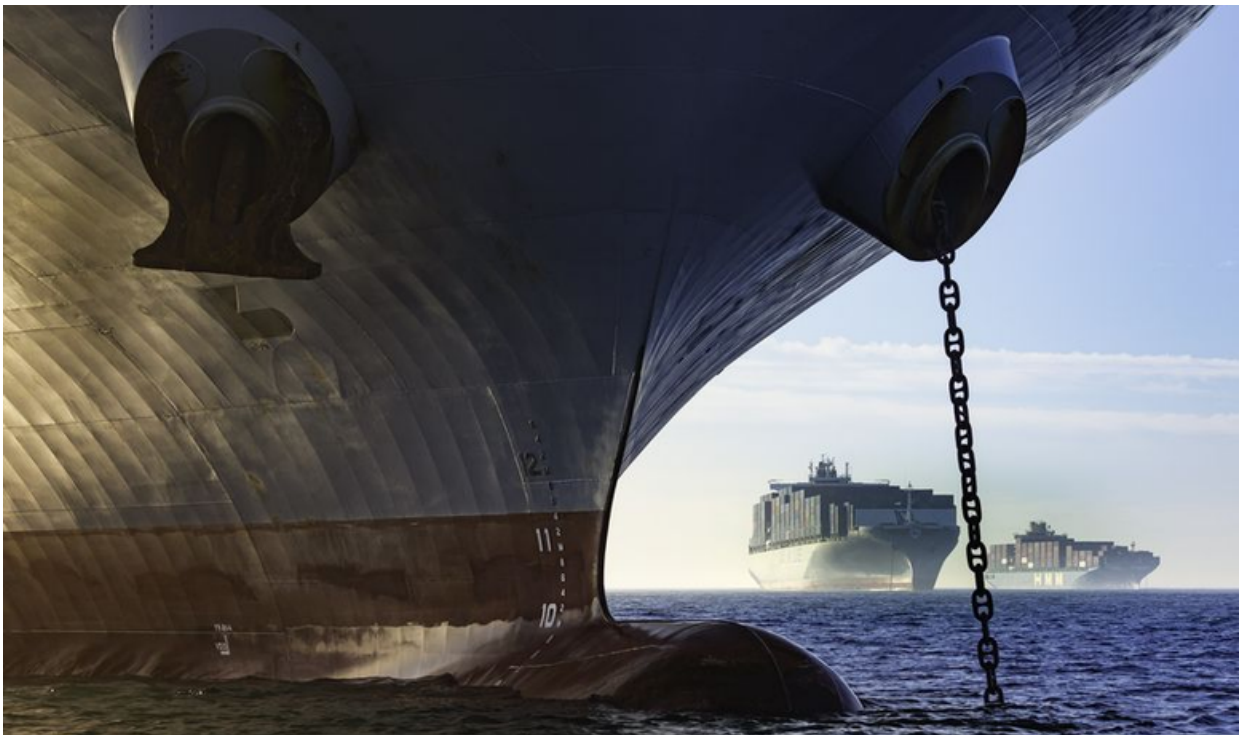
The Hungarian Government's new freighter has started commercial operations between Hungary and China.
Acquired from Qatar Airways in 2020, the A330-200 full freighter aircraft is being operated by low-cost Hungary-headquartered airline Wizz Air three times a week on the 'Aerial Silk Road' between Budapest Airport in Hungary and Zhengzhou Airport in China.

On a LinkedIn post, Budapest Airport (BUD) said its capacities will "help to boost export-import airfreight between the regions".

The airfreight service has previously been used to help shift medical supplies such as vaccines between Hungary and China and will now be used to increase the supply of commercial goods like IT-product and automotive parts between the countries.

This initiative launches as ports and terminals remain congested with delays on shipping routes, which has seen more investment in air cargo capacity to get goods moving as fast as possible. China has already put significant effort on maritime investments in Europe through the Belt and Road Initiative (BRI).

Launched in 2004, Wizz Air operates in the Central and Eastern European region. It operates a fleet of 119 ultramodern Airbus A320 family aircraft. It flies to 151 airports in 51 countries and has over 700 routes.
BUD achieved record cargo volumes in the first half of 2021. The airport aims to grow its cargo business in the coming years.



Southern California's Container-Ship Backlog Moves Farther Out to Sea

Paul Berger

Authorities say strong winds and rough seas have forced them to keep ships farther apart and away from the ports of Los Angeles and Long Beach

The backup of container ships waiting to enter the nation's busiest port complex isn't letting up. But it has moved far away from shore.

Only about 30 vessels sat within sight of the ports of Los Angeles and Long Beach this week, waiting for berths at a gateway that has come to symbolize U.S. supply-chain bottlenecks. More than 60 others destined for the port complex remained in waters farther out to sea, some hundreds or even thousands of miles away, including ships that already slow down during their voyage from Asia to delay their arrival.

The ships are complying with a voluntary system set up last month by maritime officials because of worries the ports can't safely accommodate the crush of waiting vessels as winter weather sweeps in with strong winds and rough seas.

Container ships are very tall and blow around a lot in the wind," said Kip Louttit, executive director of the Marine Exchange of Southern California, which monitors ship movements in the area. "The numbers were not decline, so therefore we needed to find a solution to spread the ships out."

Before the new system was announced, many ships rushed across the Pacific to secure a berth at a container terminal by sailing a line 20 nautical miles from the ports, said Jessica Alvarenga, a spokeswoman for the Pacific Merchant Shipping Association, which represents ocean carriers and West Coast terminal operators.

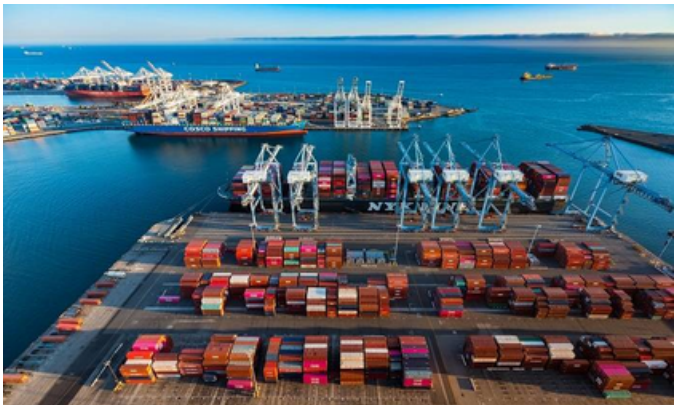
Under the new system, ships are listed on a wait list once they discharge from their last port of call, often in China. That provides captains an estimated date for a berth and allows them to slow their trip to the U.S., Ms. Alvarenga said.

The system has hidden from view a big part of the armada of cargo ships waiting to unload. But the backup at the biggest gateway for U.S. container imports remains as large as ever, with the lineup of vessels now stretching across the Pacific, signaling that big volumes of cargo are still heading for port terminals, warehouses and transportation networks that have been swamped by the imports.

From January to September, the neighboring ports handled the equivalent of 7.7 million loaded import containers, an increase of 21% compared with the same month of 2019, before the pandemic, according to research and consulting firm Beacon Economics.

The Biden administration and maritime officials have sought to reduce the backlog with measures that included an attempt to extend the hours truckers pick up containers. The measures have had limited impact, in part because of insufficient workers, trucking equipment and the sheer volume of boxes going into and out of the ports.

A month ago, a then-record 86 container ships waited at anchor or in special drift areas within 40 miles of the port complex. By this week, the number of ships waiting for a berth in the area had decreased to 30, according to the Marine Exchange, while another 66 ships were moving toward the port at reduced speeds, known in the industry as slow-steaming, or were waiting outside a new safety zone.
Jim McKenna, chief executive of the Pacific Maritime Association, which represents West Coast terminal operators in labor negotiations, said some ships now take 22 to 24 days to complete a voyage from Asia that used to take 10 to 14 days.
Mr. McKenna said the new system is benefit for the environment because it keeps pollution from idling ships far from densely populated Southern California and because ships burn less fuel when they adopting slow steaming.



Ships approaching California from Asia are required to stay over 150 miles from shore, while vessels arriving from the north or the south are asked to stay 50 miles from shore so they can spread farther apart from each other and avoid collisions.

Nahal Mogharabi, a spokeswoman for the South Coast Air Quality Management District, an air-pollution agency, said that although the new system reduces the number of ships close to shore, near-shore congestion remains higher than it was before the pandemic.
The California Air Resources Board, another air-pollution agency, estimates that the cargo surge has caused a 60% increase in smog-forming emissions from port activity, Ms. Mogharabi said.

Mr. Louttit said the safety need for the new system was illustrated in November when winds of 40 to 50 knots caused eight ships to drag their anchors along the seabed, while one ship burned out the motor on equipment used to raise its anchor. No damage was caused during that incident, Mr. Louttit said.
Separately, the U.S. Coast Guard is investigating whether an oil spill close to the port complex in October was resulted by a waiting ship's dragged anchor hitting an underwater pipeline.
Mr. Louttit said that strong winds sweep across the San Pedro Bay waters off the ports at least once a month during this time of year and that it was "unacceptable to have this many vessels this close together through the winter."

Cargo booms at UK's East Midlands Airport

By Rebecca Jeffrey

Growing e-commerce demand coupled with container shipping congestion and cost is driving growth in air cargo at East Midlands Airport (EMA).
EMA said that in addition to supporting e-commerce, accommodating a shift from sea to air and aiding just-in-time supply chains across the UK, a lack of bellyhold capacity for goods on passenger planes means its cargo operation is in more demand than ever before.

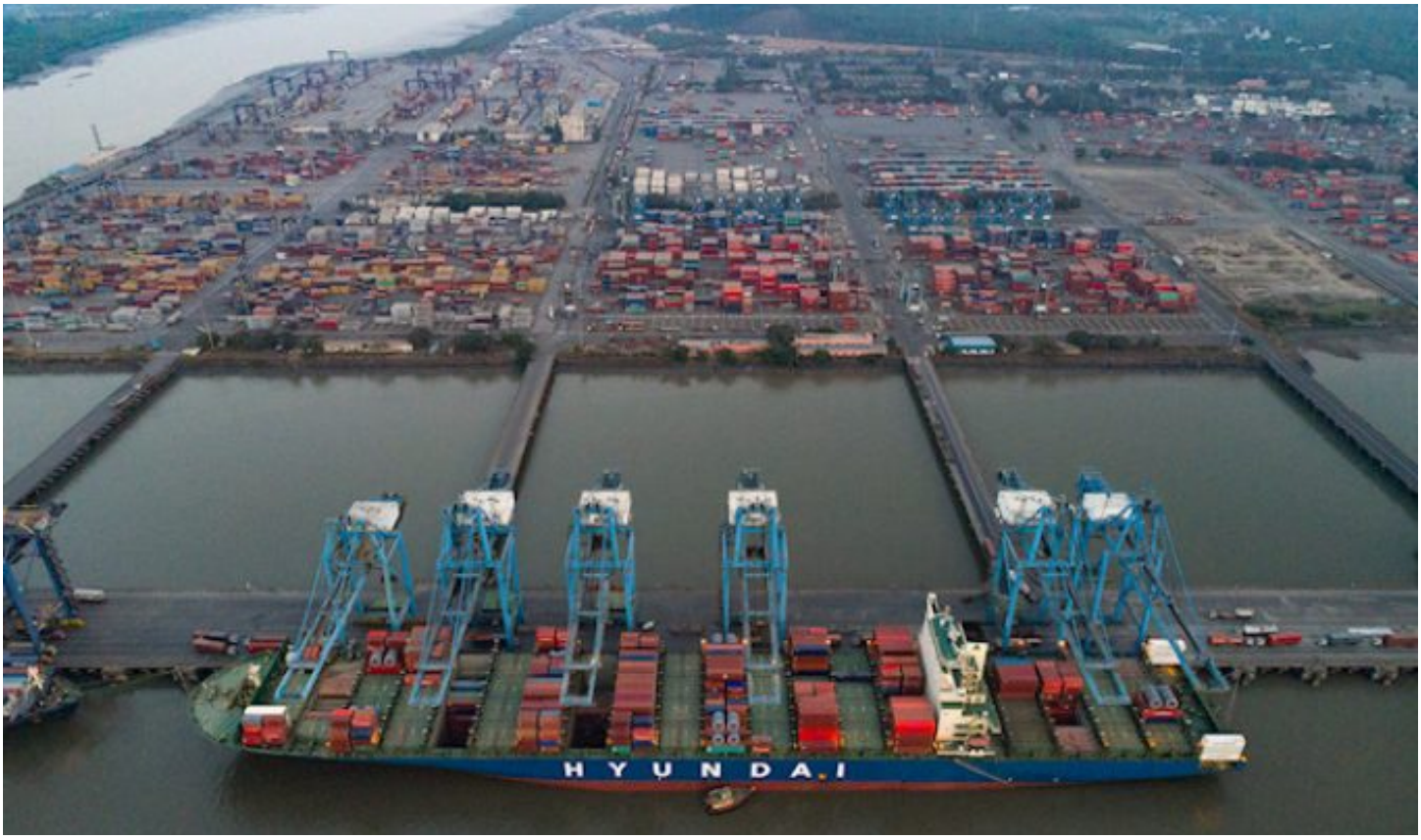
EMA said based on current trends it predicts that by the end of the financial year 470,000 tonnes of goods will have been handled at EMA compared with 438,000 tonnes last year, and 370,000 tonnes pre-pandemic.
On December 9, UK Government aviation minister, Robert Courts MP visited the EMA cargo operation as the airport prepares for what it anticipates will be a record-breaking festive freight operation.

Courts said: "Over the past eighteen months, airfreight has played a essential role in maintaining the country's medical and PPE supplies moving.

Having spent time on the East Midlands Airport airfield on one of its busiest nights, it's easy to see why the airport's 24-hour operation is such a key factor of UK trade. The importance of this regional airport is also hugely beneficial in terms of local economic growth and job creation."
While at the airport, the aviation minister also spent time with EMA-based RVL Aviation, which operates a specialist aircraft on behalf of the Maritime and Coastguard Agency (MCA). The autumn is the airport's 'peak season' for cargo, when a surge in demand is driven by Black Friday and Christmas. Fast movement of goods also continues to be key to shift time-critical medical supplies around the world.

East Midlands Airport's managing director, Clare James, added: "At times, during the pandemic, East Midlands Airport was the tenth busiest airport in Europe as it remained open for business to allow the frictionless movement of goods including critical medical supplies and PPE during lockdown. EMA's role as a global gateway for trade is central to the region's Freeport bid, the final business case for which is submitted to Government next month."

India select for a hi-tech solution to empty containers crisis at main ports



By Angelo Mathais, India Correspondent

As equipment availability continues to remain tight, Indian logistics leaders are pulling out all the stops to restore equilibrium in an unbalanced market.

The latest action is a digital play to react to carriers' persistent reluctance to share data on empties.
Officials have begun working to install RFID [radio-frequency identification]-enabled tools across container storage yards in and around Jawaharlal Nehru Port Trust (Nhava Sheva) and Mundra Port to track box turnarounds.

Equipment data visibility became a challenge for authorities after the Container Shipping Lines Association (CSLA) – the lobby group representing foreign carriers in India – turned down requests for information on yard inventory levels.

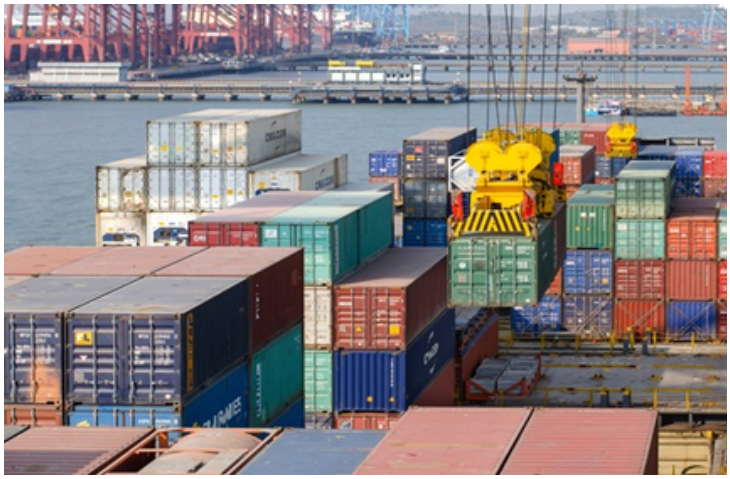
Officials said NICDC Logistics Data Services, which leads countrywide port-centric container data management systems, identified 45 yards for RFID reader deployment, based on a survey. It also suggested that, rather than waiting for data that may not materialise, the yards at JNPT and Mundra should be equipped with RFID support.

JNPT and Mundra depots together account for about 65% of total container movements and CSLA representatives said shipping lines were not obliged to provide the number of empty boxes stored at these yards because of "broader competitive factors".

Sunil Vaswani, CSLA executive director, told The Loadstar: "The shipping lines do not own any empty storage yards. CSLA has, therefore, furnished the details of the empty storage yards to NICDC and advised them to contact the yards directly. The shipping lines have even offered to assist by writing to the concerned yards, if required."

According to CSLA, carriers repositioned empties equivalent to about 1.3m teu into India in the first nine months this year, at considerable additional cost, to keep pace with a strong rebound in export loadings.
Although the repositioning push arguably did ease the growing pressure on equipment supply, accompanying sailing cancellations and port call changes have further cut into vessel space on major tradelanes, exacerbating the pain points for cargo owners scrambling to get shipments through the country's main container docks at JNPT and Mundra.

Despite government's proactive measures to mitigate the equipment crisis, CSLA and shippers, mainly led by the Federation of Indian Export Organisations, have been at odds with each other at the consultation table, as a consequence of the heightened mismatch between high trade expectations and what supply chain providers could deliver in the current situation.



Taiwan carriers avoid multi-year contracts in favour of 'customer choice'

Evergreen and Yang Ming are not following the contractual stance of rival operators, including Maersk and Cosco which are locking-in customers to multi-year contracts. The two Taiwanese carriers believe that they should not bind their customers.

Yang Ming president Patrick Tu said: "We have to consider customers' wishes. They may think freight rates may not remain at the same high levels over the next two to three years. However, if customers are sure rates will remain high in the medium term, we're open to discussing fixed-rate contracts and the duration."
And an Evergreen spokesperson told *The Loadstar*: "If our customers request multi-year contracts, we are glad to negotiate based on such terms, and welcome the discussions."

Meanwhile, South Korean carrier HMM was non-committal when contacted by The Loadstar. a representative said: "We are thoroughly considering internal and external factors. We will continue to review multiple options, reflecting the ever-changing market conditions and characteristics of the main east-west trades."

This week, Alphaliner reported that Cosco planned to increase the proportion of its contract business on the main Asia-Europe route above 45% next year. The Chinese state-controlled liner giant will also have more two- and three-year contracts with shippers, and it is understood it will begin negotiating long-term transpacific contracts in March.
Some US retailers, having notice it difficult to ensure shipping slots and seeing freight rates increasing, took the initiative and approached liner operators to sign multi-year shipping contracts. These, which can last up to 10 years, are usually based on one of the rate indices or open-ended, with rates reviewed annually.

Currently, container shipping remains an operator's market, and the contractual rate for Asia-US west coast shipments is between $5,000 and $6,000 for a 40ft container, while to the east coast, it is around $8,000. Freight benchmarking firm Xeneta's statistics show that in February, when the last contract negotiations began, average Asia-US spot rates were $3,456 (USWC) and $4,604 (USEC) for a 40ft container. These figures rose to $7,940 and $9,344 in October as port congestion worsened.

China cabin cargo ban will add to pressure on air capacity and freight rates

By Alex Lennane

Cargo load in aircraft passenger cabins will no longer be accepted by China in the coming year – a move expected to keep air freight rates high. China's Civil Aviation Administration (CAAC) said "only anti-epidemic-related items are allowed to be loaded in the cabin".

It added: "At the same time, the new regulations also require that cabin seats cannot be removed to increase cargo space. Aircraft that have removed seats or are undergoing modification projects should be restored to their original configuration."

The CAAC said the reason was "mainly for safe transport considerations, to avoid hidden transport safety hazards caused by the inability of the cargo in the cabin to be effectively fixed".

But the authority acknowledged it would lead to additional pressure on the shipping industry.

"This new regulation will further reduce air cargo capacity and aggravate the current air capacity shortage. The superimposed fuel price is still high," it said.

"On the other hand, the tightness of air transport capacity may lead to part of the demand for air transport being transferred to shipping, leading to a further increase in shipping rates and, overall, freight prices are expected to continue to rise."

The three major state-owned Chinese carriers stated that they have started the process in returning the airplane to their original configuration.

However, both the European Union Aviation Safety Agency (EASA) and US Federal Aviation Administration (FAA) have extended their exemptions for cargo in cabins until July 2022, indicating that non-Chinese airlines will continue to use them – but not in China, outside of Covid-related equipment.

Covid-related shipments however are currently creating large volumes. The past fortnight has seen a "tremendous increase" in demand, according to one Shanghai forwarder.

"It's been caused mainly by one commodity – Covid rapid testing kits – for which there has been huge demand in Europe, It's like what happened last year with PPE. Factory order books are full, so it doesn't sound like the peak will soften soon."

He added that this had caused a differences in rates out of mainland China, where PPE is manufactured, and Hong Kong, which is focusing on general cargo and is seeing lower rates.

"Hong Kong is busy, but not as crazy as the mainland."

On the mainland, he said capacity remained low, with the majority of charters now taking place on passenger freighters, with the CAAC approving perhaps only half of all charter applications.

"A big shortage of capacity will remain a major issue. The new passenger freighter ban will be very strict and certainly reduce capacity, and elevate prices."

He also warned of challenges for supply chains once the Beijing Winter Olympics begin in early February.

"There will be a big impact on Beijing flights. Normally, [when there is an event in China] trucks are limited in their movements – no dangerous goods can be moved, no charters are approved and flights reduced to a minimum.

"We do not think there is any space for the government relaxing the current strict quarantine regulations until after the games, so there will be limit opportunity to get more flights or capacity into the market."

The transpacific market remains tight, he said, "the worst market". Cargo destined for South America is going via the US, as "there is very little capacity via Europe", leaving rates very high – "around $18 to $20 per kg", said the forwarder. Pure freighter charter rates are currently "sky high", at some $1.8m to $2m.

The forwarder said rates had risen 10%-15% this week and "we are looking at the highest ever rate level now, which is similar already to the record of last year" adding: "It's funny that even courier door-to-door prices could now be cheaper than air freight – but couriers are severely delayed too."

December 2021 Newsletter

premiere. | logistics

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, CHIANA