

Market Report October 2022



Disruption

General Disruption

U.S. RAIL STRIKE: Key negotiators temporarily averted a rail shutdown, which could have frozen [almost 30% of all U.S. cargo shipments](#). The White House [helped broker a deal](#), but the tentative agreement only delays a potential work stoppage and is not a panacea. Many shippers remain unconvinced that ratifying the agreements will actually [improve service](#).



CHINESE COVID LOCKDOWNS: During an opening speech at the twice-a-decade Communist Party Congress, President Xi Jinping gave no indication of changing China's zero-Covid policy and said that strict rules protect lives.

During the week of 10 October 2022, 30+ Chinese cities were under various degrees of lockdown, affecting roughly 195 million people. [Zhengzhou](#), [Ningbo](#), Tianjin and Chengdu are some [of the latest examples](#) amongst a growing list of cities.

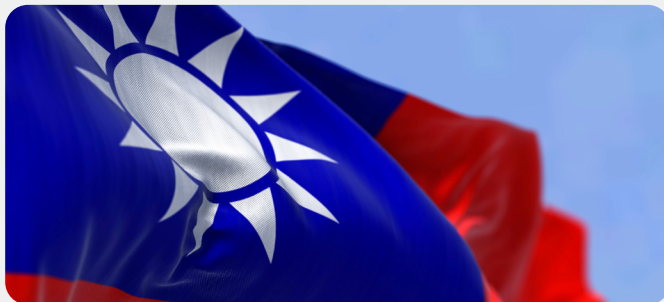


Disruption

Acute Disruption

GERMAN NORTH SEA: Roughly [2% of the global shipping capacity](#) is at a standstill outside of [Germany's North Sea ports](#). Congestion has continued to climb at Bremerhaven and Hamburg: the recent 60-day average ocean dwell time at Bremerhaven was 9.3 days and 9.5 days at Hamburg (imports, exports, & transshipments).

TAIWAN STRAIGHT: China continues to [conduct military activities](#) near Taiwan, including drills and simulated attacks, creating a precarious situation in one of the world's most active trade pathways. Additionally, Taiwan's [three-day mandatory quarantine](#) for all international arrivals ends on 13 October 2022.



MISSISSIPPI RIVER DROUGHT: The Mississippi River and its tributaries [serve](#) as a critical freight artery in the U.S., with [low water levels](#) halting commercial shipments of commodities. A [backup](#) of 2,000+ boats and barges is currently being cleared.

FELIXSTOWE & LIVERPOOL WORK STOPPAGES:

Felixstowe handles some 48% of the United Kingdom's [container goods](#).

Dock workers at the Port of Liverpool are planning two more weeks of [work stoppages](#) from Oct. 24 - Nov. 7. Rhetoric between the two sides has [escalated](#) recently, with the union arguing that the latest offer from Peel Ports Group (PPG) was essentially a wage cut amidst [inflation](#).



Technology

Port Infrastructure

LONG BEACH, USA: The Long Beach Harbor Commission [has approved](#) a significant dredging project to help move cargo more efficiently, as [recommended](#) by the U.S. Army Corps of Engineers.

Future Improvements:

- Deepen the approach channel depth from 76ft. to 80ft.
- Deepen parts of the west basin from 50 to 55ft.
- Construct an approach channel and turning basin to Pier J South (55ft. Depth)
- Improve the breakwaters at the entrance to Pier J

CHARLESTON, USA: The terminal is [now capable](#) of efficiently handling three 14,000-TEU vessels simultaneously.

Recent Improvements:

- Added 15 ship-to-shore cranes, rising 155 feet above the wharf deck at Wando Welch Terminal
- Port now has five cranes to a berth

BOSTON, USA: Massport's \$850M [infrastructure investment](#) is complete. Conley Terminal now offers direct connectivity to China, North Europe, Southeast Asia

including Vietnam and India, the Mediterranean, Middle East, and Latin America through five services.

SINGAPORE: The Tuas mega port is set to become the world's largest container port once it is fully operational in the 2040s.

Recent Improvements:

- Opened [three additional berths](#) in 2022
- 66 total berths planned, stretching about 16 miles

EUROPE: The European Commission has launched [a call for proposals](#) under the Connecting Europe Facility (CEF) for Transport Program which makes available €5+ billion for transport infrastructure projects. The money [will support projects](#) across all EU member states along the Trans-European Transport Network (TEN-T).

ROTTERDAM, NETHERLANDS: The port announced plans for a large expansion of its container capacity after [new investments](#) from key groups.

Future Improvements:

- Roughly [7 million additional TEU](#) when operations begin in 2027
- 2.6 kilometers of dock space added to the terminal's north end

Transport Technology

UPS AIR FLEET: UPS is rapidly expanding and modernizing its air freighter fleet. UPS and Boeing [announced](#) an order for eight more Boeing B767F freighters, due to be delivered by 2025. The order increases the company's B767F aircraft fleet to 108.

GERMAN AUTONOMOUS TRAINS: Siemens is leading a €23m research project called [safe.trAI](#)n to develop automatic regional train operations aided by artificial intelligence. The German Federal Ministry for Economic Affairs and Climate Action is providing funding as part of its "New Vehicles and System Technologies" program.



Technology

Sustainability

The European Parliament adopted the FuelEU Maritime report, voting in favor of a 2% [mandate](#) for green shipping fuels by 2030. The [sustainability targets](#) would apply to ships with a gross tonnage of 5000 or more. A detailed press release is [linked here](#).

For the first time, a [study](#) demonstrates that Greenland's ice sheet can [no longer sustain](#) its current size due to the prevailing Arctic climate. Under current temperatures, Greenland's ice loss is expected to raise global sea level by at least 10.8 inches (27.4 centimeters).

The U.K. Government announced funding for the [third](#)

[round](#) of the clean maritime demonstration competition (CMDc), which will run from April 2023 to March 2025. Roughly \$60 million of funding will go to the UK maritime industry to [reduce emissions](#), with U.K. companies competing for a share.

The Methane Abatement in Maritime initiative is a [technology acceleration program](#) aimed at identifying, accelerating, and advocating technology solutions to measure and manage methane emissions, commonly known as 'methane slip'. A [recent study](#) shows the benefits of renewable LNG may be outweighed by demand growth and methane slip, at least in the near term.

Funding has been identified as one of the major challenges in decarbonizing shipping. According to a [new report](#) by UK maritime consultancy UMAS, the international shipping industry requires a staggering \$1-1.4 trillion in capital expenditure to achieve a 50% cut in emissions by 2050. Most of these investment (87%) would be required for upstream projects.

Starting in September 2022, Lufthansa Cargo will be the [first cargo airline](#) to use a new type of film, one micrometer thinner than previous films and consisting of 10% recycled plastic. The end goal is a closed-loop system of recyclable materials.

Market Trends

Service Offerings

Mediterranean Shipping Co. (MSC), the world's largest container line, will [expand into air cargo](#) using four Boeing wide body [freight planes](#). The [new solution](#) will become available in early 2023.

Maersk has [suspended](#) a key Asia-U.S. east coast loop. The [termination](#) follows the suspension of [2M's TP3/Sequoia loop](#), Matson's CCX service, and CU Lines' TPX service.

Business Performance

In a historic move, Germany's government will [nationalize Uniper SE](#) to rescue the country's largest gas importer and avert a collapse of its energy sector. So far, it is Germany's biggest step to protect itself from blackouts and energy rationing as the country lessens its dependence on Russian oil.

Singapore ground handler SATS has [acquired air cargo handler](#) Worldwide Flights Services (WFS) from Investment firm Cerberus Capital Management in a deal worth €2.25 billion. In a statement to the Singapore Stock Exchange, SATS said the deal would "create the world's largest ground handler and significantly strengthen its presence outside the APAC region."

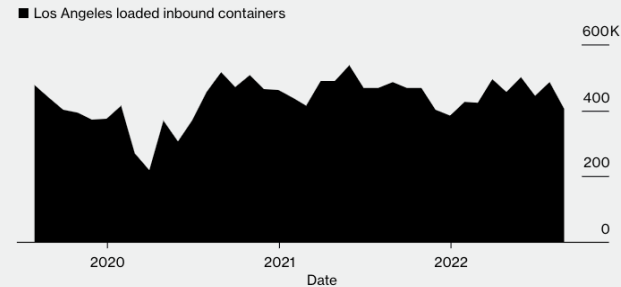
Market Trends

Pricing Rates

The cost of shipping goods from China has slumped to the lowest level in more than two years. The cost to send a 40-foot container from Shanghai to Los Angeles has halved in the last three months, and the Shanghai Containerized Freight Index (SCFI) recently **declined** for five consecutive weeks. Shanghai's port processed 8.4% less cargo in August than a year earlier.

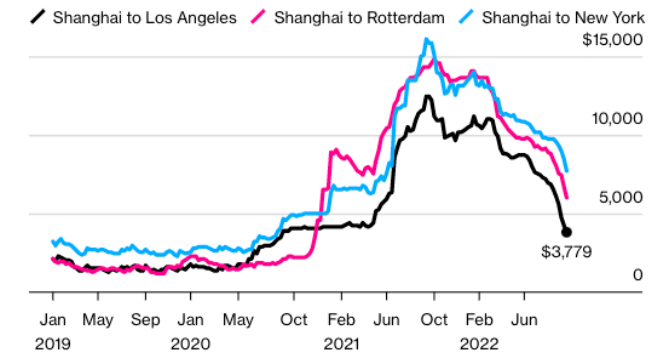


All figures shown in U.S. dollars (USD); Source: Drewry Shipping Consultants accessed via [Bloomberg](#)



Source: Port of Los Angeles accessed via [Bloomberg](#)

Recent data from the Xeneta Shipping Index **reveals** that long-term contracted rates fell by 1.1% in September, the first drop since January 2022. It's important to note that these declines still **varied greatly** between different markets. The **steady fall** in spot container rates is putting pressure on carriers that previously pushed to sign more long-term contracts as those prices soared.



Source: Drewry World Container Index accessed via [Bloomberg](#)

Trade & Compliance

Tariffs/Surcharges

Parcel delivery giants FedEx and the United States Postal Service (USPS) both recently announced their seasonal cost increases. FedEx Corp. announced a 6.9% general rate increase (GRI) for 2023, the largest year-over-year increase in company history.

Beginning 30 October 2022 and ending 14 January 2023, UPS customers billed for more than 20,000 packages will see a "Peak/Demand Surcharge" applied to certain UPS Air Residential, Ground Residential and SurePost shipments.

Amazon is enacting its inaugural peak season fee on its fulfillment services for third-party sellers.



Laws & Legislation

FMC ATTEMPTS TO LIMIT CARRIERS' LEVERAGE: The Federal Maritime Commission (FMC) is proposing a rule aimed at preventing ocean carriers from locking out customers from carriers' available vessel space. The notice of proposed rulemaking (NPRM) has a provision that prohibits ocean carriers from unreasonably refusing to negotiate vessel space.

EU PROPOSES NEW PROTOCOL DURING EMERGENCIES: The European Commission has drafted legislation that would give the bloc considerable power in declaring an emergency, which would subsequently trigger a series of interventionist measures in key industries. Essentially, the commission wants to force companies to fill orders within the EU first during a time of crisis, or risk fines if they don't comply. Several countries have already warned that the bill could overstep the bloc's authority.



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