



# Market Report 12 2022





# Disruption

## General Disruption

### CHINA EASES COVID RESTRICTIONS

China is [amending](#) its strategies and protocols around Covid-19 after widespread protests throughout the country. For [example](#), less than 24 hours after violent protests erupted in Guangzhou, authorities in at least seven nearby districts lifted their temporary lockdowns.

China's top official in the fight against Covid-19 said the country's efforts are entering a new phase. International experts have [warned](#) that China's strategy of relying heavily on snap lockdowns and contact tracing, at the expense of ramping up vaccinations, has put the country's public health care system at risk of being overwhelmed.

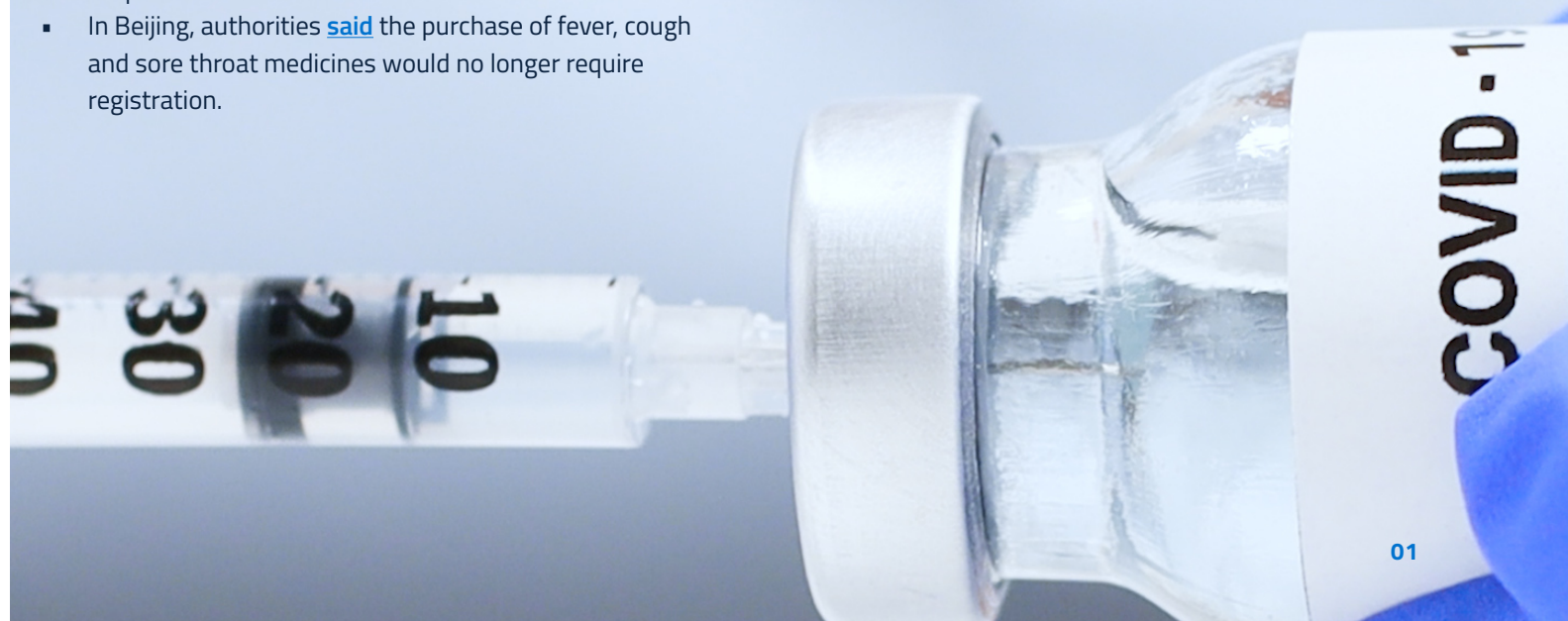


Image source: China News Agency, via Agence France-Presse — Getty Images

### KEY POLICY UPDATES

- People will no longer [need](#) to show negative virus tests or health codes in order to travel between different parts of the country.
- Unless Chinese authorities [designate](#) that an area is high-risk, work and local production cannot be stopped.
- Some residencies are now [allowed](#) to quarantine at home rather than being sent to a centralized location to quarantine.
- In Beijing, authorities [said](#) the purchase of fever, cough and sore throat medicines would no longer require registration.

Notably, China has [reported](#) around 5,500 COVID-19 fatalities among its population of 1.4 billion, whereas more than 1 million people have died in the U.S., which has less than 1/3 the population.

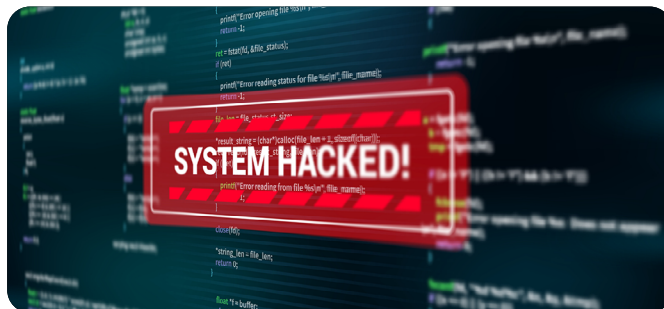


# Disruption

## General Disruption

**CYBERSECURITY:** The supply chain industry has [become](#) increasingly digitized and automated, making cyber security an inherent risk that shippers must consider more often. Because modern supply chains are highly [interconnected](#), a threat to one partner (i.e., a third-party vendor) constitutes a threat to the entire supply chain. The maritime industry [accounts](#) for over 80% of global trade and saw a 400% increase in cyberattacks from 2020-2022.

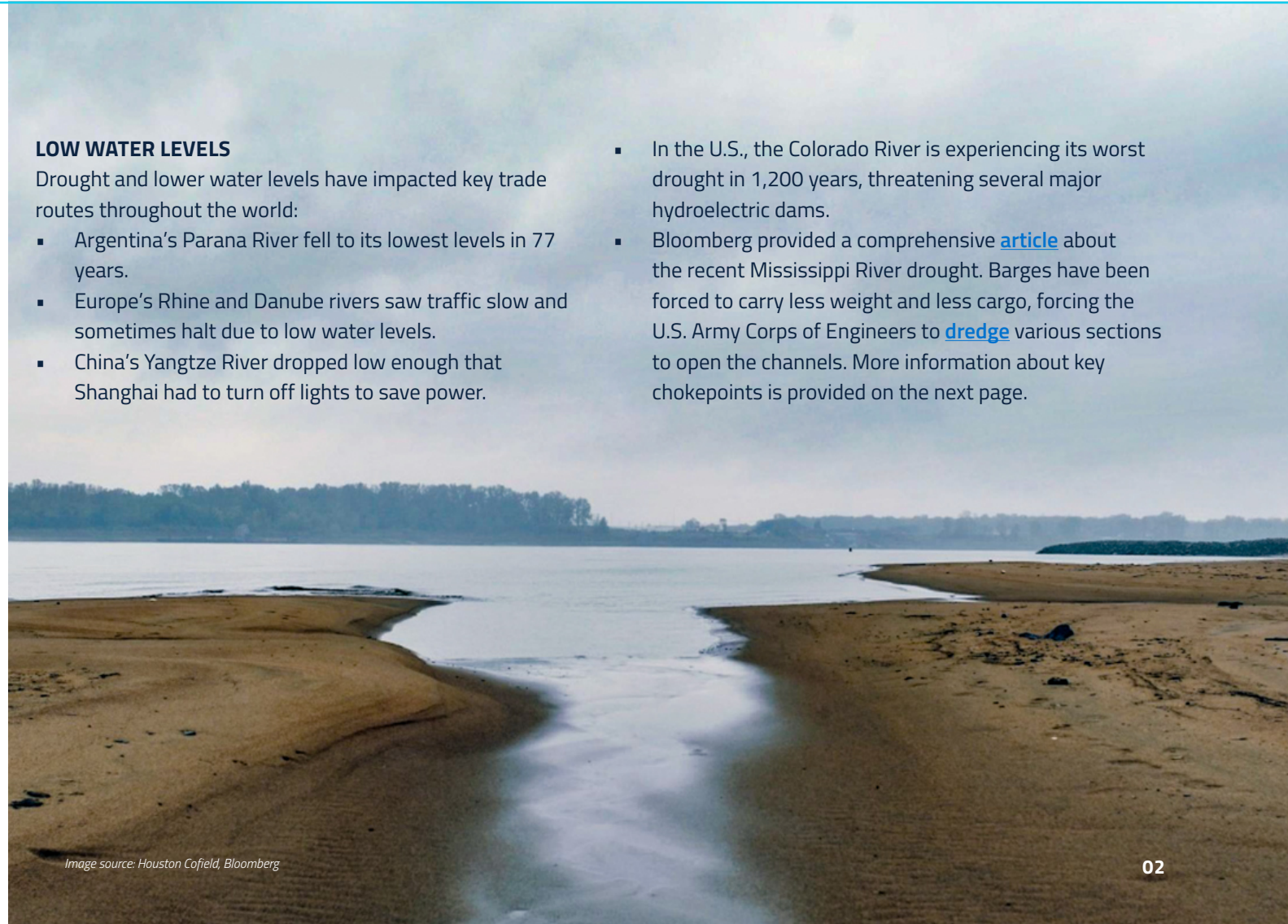
Recent examples: The U.S. Coast Guard [warned](#) that U.S. ports and marine terminals remain exposed to different kinds of cyberattacks while the UK's National Cyber Security Centre [published](#) updated guidelines.



### LOW WATER LEVELS

Drought and lower water levels have impacted key trade routes throughout the world:

- Argentina's Parana River fell to its lowest levels in 77 years.
- Europe's Rhine and Danube rivers saw traffic slow and sometimes halt due to low water levels.
- China's Yangtze River dropped low enough that Shanghai had to turn off lights to save power.
- In the U.S., the Colorado River is experiencing its worst drought in 1,200 years, threatening several major hydroelectric dams.
- Bloomberg provided a comprehensive [article](#) about the recent Mississippi River drought. Barges have been forced to carry less weight and less cargo, forcing the U.S. Army Corps of Engineers to [dredge](#) various sections to open the channels. More information about key chokepoints is provided on the next page.



*Image source: Houston Cofield, Bloomberg*



# Disruption

## Acute Disruption

### AUSTRALIAN TUGBOATS

Svitzer—Australia’s largest tug boat operator—gave [notice](#) of an indefinite lockout for all harbor towage employees covered under its 2016 National Towage Enterprise Agreement. The lockout means that no shipping vessels can be towed in or out of 17 Australian ports otherwise serviced by Svitzer.

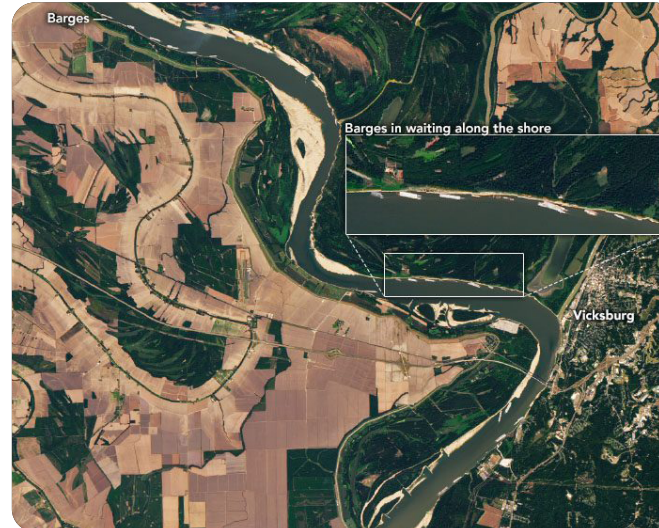


Image courtesy of NASA Earth observatory accessed via [Gcaptain](#)

### MISSISSIPPI RIVER CHOKEPOINTS

Water levels [remain](#) critically low in some areas of the Mississippi River. According to government data, the Mississippi River typically [moves](#) 500+ million tons of freight a year valued at more than \$100 billion, including core commodities such as grains, petroleum, coal, metals and fertilizer.

### KOREAN TRUCK DRIVERS

South Korean truck drivers [started](#) a major strike, [creating](#) disruption across the country’s supply chain, particularly in Uiwang, Busan, and Pyeongtaek. The nationwide strike has [caused](#) nearly 100 petrol stations across the country to run dry, and a national trade union recently announced it would launch a general strike in support of the drivers.



Image source: Yonhap, Reuters accessed via [Al Jazeera](#)



# Technology

## Port Infrastructure (APAC)

**GUANGZHOU, CHINA:** Guangzhou Port Group will [spend](#) more than \$1 billion to add 500,000 TEU of berth capacity at its Nansha terminals.

### Future Improvements:

- *New berth can also process 15.5 million tons of bulk and general cargo.*

**INDIA:** India's government [approved](#) development for two new container terminals at Tuna-Tekra in Deendayal Port (Kandla Port).

### Future Improvements:

- *The proposed terminal will accommodate deeper draught vessels with capacities ranging from 6,000-21,000 TEU and a draught of 14-18 meters.*
- *Estimated overall annual capacity is 2.19 million TEU.*

**MYANMAR:** Chinese investments in Myanmar will [create](#) opportunities for direct access to the Indian Ocean and open up landlocked parts of western China. Infrastructure projects are also expected to allow some Chinese shipments to avoid the congested Malacca Strait.

## Port Infrastructure (EMEA)

**SAUDI ARABIA:** Crown Prince Mohammed bin Salman [launched](#) the Global Supply Chain Resilience Initiative (GSRI) as the kingdom [aims](#) to [attract](#) investments in supply chains to and from Saudi Arabia.

**VALENCIA, SPAIN:** Valenciaport will [get](#) a fourth container terminal and [develop](#) a 5 million TEU facility on the port's north side. The Port Authority of Valencia is expected to [make](#) Gandia the first European port to be energy self-sufficient as a new infrastructure project will create a 990 MWh/year capacity.

**FÉNYESLITKE, HUNGARY:** The first 5G-operated logistics terminal in Europe [opened](#) in Fényeslitke, on the Hungary-Ukraine border. The new intermodal terminal offers significant capacity for the transshipment of agricultural products and the East-West Gate (EWG) is expected to become the largest rail hub for Ukrainian food exports.

## Transport Technology

The Harvard Business Review [published](#) a wide-ranging article summarizing how new technology could impact supply chain resilience.

### NYC & NJ DASHBOARD

The Port of New York & New Jersey launched an updated [Port Supply Chain Dashboard](#) that includes enhanced performance metrics. Now, the dashboard includes the number of trouble tickets as well as the two most requested data metrics: daily average turn times and weekly import container dwell times. The developers also expect to add metrics for rail dwell times in the future.



# Technology

## Port Infrastructure (Americas)

**CALIFORNIA, USA:** The state of California has [issued](#) \$1.2 billion in one-time state funding for port and freight infrastructure projects. California's Port and Freight Infrastructure Program aims to make long-term upgrades that will increase the capacity to move goods while lessening environmental impacts. In related news, NSF Railway will invest more than \$1.5B to construct a 4,500-acre rail facility at Barstow in southern California.

**TEXAS, USA:** South Texas officials want to [transform](#) the Anzalduas International Bridge into a full-service, cross-border commercial port. The \$83 million [project](#) will add multiple truck lanes and new cargo bays for inspection, allowing for more commercial vehicles to travel between the U.S. and Mexico.

Additionally, Laredo is already the number one inland port in North America, but it will now [add](#) a second international railway bridge, with Kansas City Southern funding the entire \$100 million project.

**CHARLESTON, SC, USA:** \$400 million will be [dedicated](#) to a new rail yard as well as \$150 million for barge operations.

**SAVANNAH, GA, USA:** The ocean terminal's docks will be [rebuilt](#) to provide 2,800 linear feet of berth space, capable of serving two large ships simultaneously. The port authority [plans](#) to add 3 million more container units by 2025 and the docks will be served by new ship-to-shore cranes.

**SEATTLE, WA, USA:** The Port of Seattle will [receive](#) a \$17 million federal grant to construct a new container storage yard and truck gate complex at Terminal 5, according to the Northwest Seaport Alliance.

**OTTAWA, CANADA:** Canada's federal government has [designated](#) \$136M for supply chain digitization to tackle Vancouver's 'critical' challenges. The government will [invest](#) \$75 million to build a second berth at Prince Rupert's Trigon Pacific facility—formerly known as Ridley Terminals—for clean-energy export. The bulk cargo facility primarily [handles](#) coal and will help diversify Ottawa's port capabilities.

## Transport Technology

### ASIA BETS ON HYDROGEN CARS

The Japanese government plans to have 800,000 hydrogen vehicles on roads by 2030 while China has set an ambitious target of 1 million by 2035. A hydrogen fuel cell electric vehicle [produces](#) its own electricity through a chemical reaction in its fuel cell stack. This electricity powers the motors for the wheels, with the only emission being water vapor. Hydrogen fuel cell cars are refueled at specific service stations, and building this wide-ranging infrastructure remains a critical challenge.

### CHINA STEERS U.S. TOWARD ELECTRIC BATTERIES

Chinese companies continue to [make](#) strategic investments that will increase America's dependence on battery-powered vehicles. The greater the number of battery-powered buses, trucks, and cars in the United States, the more batteries China can sell.

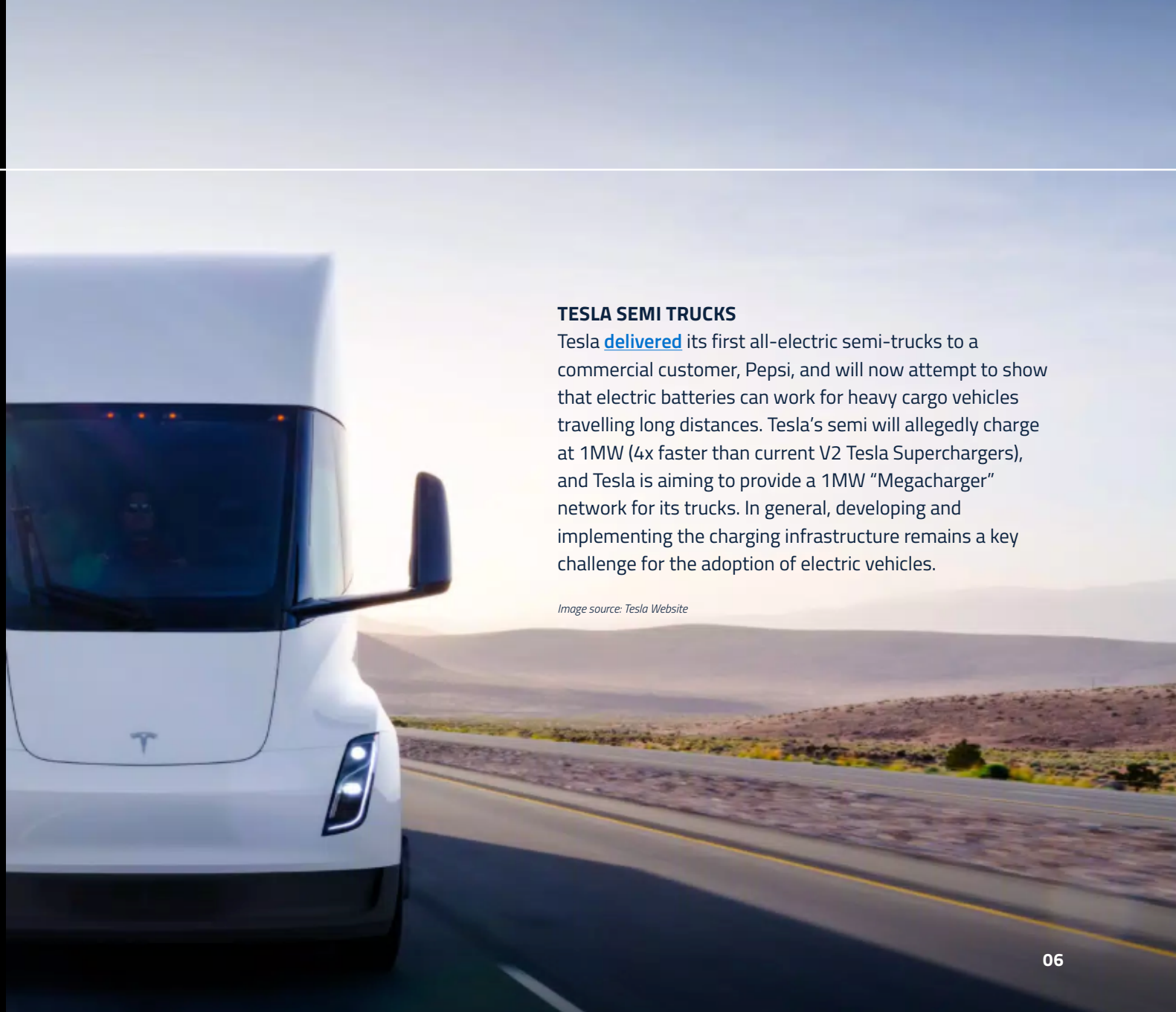


# Technology

## Transport Technology

**TUGBOAT PROPULSION:** The Port of Antwerp has [finished](#) converting a tugboat to methanol propulsion, which they state is a world first. The 'methatug' is part of the EU-funded Fastwater project, which aims to demonstrate the feasibility of methanol as a sustainable marine fuel. The first methane tug engine was [installed](#) on November 21.

Together, two U.S.-based companies have designed and built a fully electric tugboat that can be shipped via truck. The new electric tug is [intended](#) to support short-range logistics, public agencies, and private marine construction operations.



### TESLA SEMI TRUCKS

Tesla [delivered](#) its first all-electric semi-trucks to a commercial customer, Pepsi, and will now attempt to show that electric batteries can work for heavy cargo vehicles travelling long distances. Tesla's semi will allegedly charge at 1MW (4x faster than current V2 Tesla Superchargers), and Tesla is aiming to provide a 1MW "Megacharger" network for its trucks. In general, developing and implementing the charging infrastructure remains a key challenge for the adoption of electric vehicles.

*Image source: Tesla Website*



# Technology

## Sustainability

**INDIA INCENTIVES RENEWALS:** India will issue sovereign green bonds for renewables, clean transportation, and water and waste management projects. The green bonds will be used to meet established clean energy goals and to pay for infrastructure projects.

**GREEN FUEL INCENTIVE:** The International Chamber of Shipping (ICS) proposed a tax-and-reward system for early adopters of innovative green fuels. The proposed system would be paid via a levy on older fuels and use a flat rate contribution system calculated per ton of CO2 emitted by a ship. The aim is to keep the market-based measures relatively simple to avoid distortion or manipulation.

**TEUS TO TREES:** CMA CGM's newly launched incentives for early container returns will now expand to cover refrigerated and dry containers, as well as every ocean terminal in the U.S. where CMA receives empty containers.

**CALIFORNIA TARGETS DIESEL:** California is working to phase out older big rigs and ban diesel trucks from its ports by 2035, but truckers say the state's lack of charging stations remains a major obstacle. Notably, the Port of Long Beach recently became the first U.S. port to open a publicly accessible charging station for heavy-duty electric trucks. California's state regulatory board is expected to vote on the rule in spring 2023.

**UN SATELLITE SYSTEM:** The United Nations announced a new satellite-based system to detect methane emissions. The Methane Alert and Response System (MARS) is a data-to-action platform that governments and businesses will be able to use soon.

**SUSTAINABILITY BENCHMARKINGS:** The World Benchmarking Alliance (WBA) published its new Transport Benchmark highlighting sustainability gaps across the transport sector. The analysis comprises 90 companies—17 shipping companies and 33 multimodal companies—with Maersk and MISC leading the industry due to their in-house investments in alternative fuels.

The bottom of the list is largely Chinese and includes China State Railway Group, Cosco and China Post. Notably, few Asian countries have imposed any form of carbon tax and only China, South Korea and Australia have established nationwide emissions trading schemes.



# Technology

## Sustainability

**EU EMISSIONS TRADING SYSTEM:** A preliminary agreement was reached between the EU's top three institutions to include the maritime sector's greenhouse gas emissions—methane, Nitrous oxide (N<sub>2</sub>O), and CO<sub>2</sub>—into the EU's Emissions Trading System (ETS). The EU also proposed a mandate for a 2% blend of sustainable aviation fuels by 2025, with rising targets until 2050.

**CARBON REGULATIONS IMPACT MARKET:** Many industry analysts fear that the International Maritime Organization's carbon intensity indicator (CII) will trigger market changes, including modal shifts that harm the feeder and reefer trade. The economics for these smaller subsets will become increasingly difficult as new ships enter the market in 2023/2024 and available tonnage increases.

**FRENCH DECARBONIZATION:** In early 2023, CMA CGM will launch a call for projects to help decarbonize the French maritime industry. The company's CEO, Rodolphe Saadé, announced €200 million funding right after the French government allocated €300 million for the development of zero-emission vessels. Furthermore, France wants to abolish flights between cities that are linked by a train journey of less than 2.5 hours and has been given the green light to do so by the European Commission.

**CARBON CAPTURE STUDY:** The Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping issued a report with multiple case studies analyzing the potential for onboard carbon capture, either full or partial application, on large ocean-going vessels.

**UK'S CO<sub>2</sub> TERMINAL:** The Association of British Ports (ABP) plans to develop a new CO<sub>2</sub> terminal at one of the UK's largest ports to serve as a hub for collecting emissions from the country's industrial businesses, in addition to linking the hub to transportation for permanent offshore storage.



# Market Trends

## Air Services

**MAERSK AIR CARGO:** Maersk launched their in-house air cargo service in April 2022 and has since inaugurated a new airfreight gateway near Chicago's O'Hare Airport (ORD) designed to offer direct planeside recovery. Additionally, Maersk Air Cargo began South Korea to U.S. airfreight service via Rockford International Airport in Illinois and Greenville-Spartanburg airport in South Carolina.

**MSC AIR CARGO:** MSC Air Cargo is prepared to launch its weekly air service ahead of schedule, with some flights starting in December. Four MSC-branded Boeing 777-200F aircraft will be operated by Atlas Air to start.

**CATHAY PACIFIC LEAVES THE US:** Cathay Pacific Airways closed its last overseas outpost as the airline continues to trim expenses. The airline previously had pilot centers in New York, Los Angeles, San Francisco and Anchorage.

**AIR CANADA:** Air Canada Cargo expanded its U.S. freight network, adding trips to Dallas and Atlanta.

## Ocean Services

**ONE's PHX2 SERVICE:** Ocean Network Express (ONE) began a new weekly service, Philippines Express 2 (PHX2) which operates on a rotation of: Singapore–Manila (North)–Davao–Singapore. Two ships with a 1,000 TEU capacity will be deployed on the route.

**CMA's SHAKA 2 SERVICE:** CMA CGM is working to improve its coverage from Asia to South Africa via updates to the SHAKA 2 rotation. Shekou will be added to the Southbound rotation serving back South China, while Hong Kong will be taken out of the Northbound rotation.

## Business Performance

**SAAM TAKEOVER:** SAAM shareholders approved an agreement to sell 100% of the shares of its subsidiary, as well as real estate assets belonging to the logistics business, to Hapag-Lloyd in a transaction valued at roughly USD \$1 billion. Regulators must first approve the deal, with the legal process estimated to take 6-9 months.

**ATLAS ACQUISITION:** Poseidon Acquisition Corp. will acquire Atlas (NYSE: ATCO), the parent company of Seaspan Corp., the world's largest lessor of container ships, in an all-cash transaction estimated at USD \$10.9 billion.

**CETUS MARITIME:** Hong Kong's Asia Maritime Pacific (AMP) and Hamburg Bulk Carriers (HBC) are merging to create Cetus Maritime, a new name in the dry bulk trade.

**NORFOLK SOUTHERN EXPANSION:** Norfolk Southern plans to acquire Cincinnati Southern Railway, a railway line that it currently leases from the city of Cincinnati, for roughly USD \$1.6 billion.

# Market Trends

## Pricing

**SPOT PRICE FREEFALL:** Spot prices continue to drop, with the steepest declines shown on routes between Asia and the U.S. In general, Transpacific spot rates have [plummeted](#) and are expected to approach the pre-pandemic level of \$2,000 per FEU soon. Analysts have [witnessed](#) a major drop in demand for capacity, as well as aggressive rescheduling away from Asia outbound routes to instead pick up higher-paying cargo on the Transatlantic routes.

The National Retail Federation [lowered](#) its forecast for retail imports at major U.S. ports and U.S. imports in January 2023 are now forecasted to be down 8.4%, [according](#) to the Global Port Tracker.

**USPS RATE INCREASES:** The U.S. Postal Service will [increase](#) prices for multiple shipping services next year as the agency grapples with lower volumes and inflationary pressures. The rate adjustments will vary depending on the service and would take effect on Jan. 22, 2023. A detailed breakdown of the rate plans can be found [here](#).

**LNG PRICES SKYROCKET:** Pricing for liquefied natural gas (LNG) shipping started to [climb](#) over the summer and continues to be [impacted](#) by the Russia/Ukraine conflict. The EU [spent](#) a record €12.5 billion (USD \$13 billion) on Russian LNG from January to September 2022—5x [more](#) than a year earlier.

At the end of October, [spot rates](#) for ships commonly used to transport LNG landed near \$450,000, a sixfold increase since the start of 2022. LNG markets [remain tight](#) throughout the world, exemplified by [dozens](#) of ships [circling off](#) the Iberian coast and in the Mediterranean Sea that are unable to unload their cargo. The [traders](#) who control the tankers are often holding out for higher oil prices.



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# Market Trends

**NORTH EUROPE:** The top North European Ocean ports are [seeing](#) a considerable reduction in alliance calls from Asia and are therefore bracing for a significant drop in throughput.

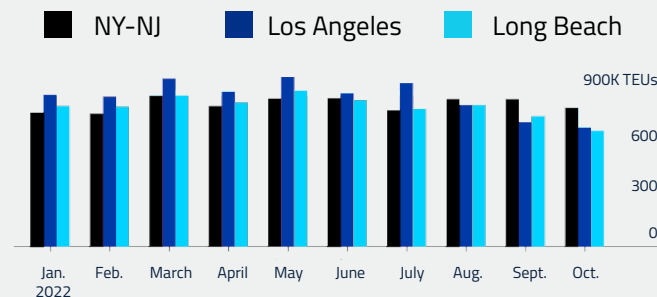
**APAC EXPORTS SLUMP:** Recent data [shows](#) that Asia Pacific's trade slump extends throughout the region and impacts more than just high-tech industries. It also applies to multiple modes of transport, with regional air cargo volumes [decreasing](#) due to a drop in demand.

- Taiwan's exports contracted in October at the worst pace in nearly three years.
- Hong Kong's shipments abroad fell for a sixth straight month.
- Vietnam's November exports saw their first monthly decline in 2022.
- Thailand's monthly exports fell for the first time since February 2021.

**U.S. INBOUND VOLUMES DROP AS EAST & WEST COAST PORTS COMPETE FOR BUSINESS:** U.S. inbound volumes [dropped](#) by 5.5% in September. The price index for U.S. imports also decreased 1.2% in September and 3.7% in Q3 of 2022, [according](#) to the U.S. Bureau of Labor Statistics.

West Coast ports [drove](#) these metrics. The Port of Long Beach [handled](#) 658,428 TEU in October, 16.6% lower than in 2021, while the Port of Los Angeles [reported](#) total throughput of 709,873 TEU in September, down 21.5% year on year.

New York and New Jersey, now the busiest ports in the U.S., [snagged](#) major cargo growth from West Coast rivals dealing with labor negotiations. Beth Rooney, Director of the Port of New York and New Jersey recently stated: "We estimate between 85% and 90% of our growth this year [2022] actually is West Coast cargo. Our focus now is on retaining that cargo that has shifted here."



Source: Port of New York and New Jersey; Port of Los Angeles; Port of Long Beach.  
Note: TEUs = 20-foot equivalent units

## DIESEL TANKER DEMAND

Limited access to Russian oil has [increased](#) the overall distance that vessels carrying gasoline and diesel will have to sail, so oil tankers are [poised](#) for their biggest demand surge in three decades.

Clarkson Research Services estimates that 'ton miles' will surge by 9.5% in 2023, with 'ton miles' being a key metric that shows the volume of cargo transported multiplied by the distance it sails. This is the largest annual increase for tankers hauling refined fuels since 1993.

# Trade & Compliance

## Laws/Legislation

**NEW U.S. CUSTOMS REQUIREMENTS FOR XINJIANG, CHINA:** U.S. Customs & Border Protection (CBP) has posted the latest [ACE Development and Deployment Schedule](#). Notably, there is a new requirement: importers of China-origin articles must declare the Chinese postal code associated with a company's Manufacturer Identification Code (MID).

The additional data point will help CBP screen for compliance with the [Uyghur Forced Labor Prevention Act](#). Companies should review the new requirements and plan accordingly.

**RUSSIAN OIL SANCTIONS:** This comprehensive and helpful [article](#) details what you need to know about Russian oil, including current Western sanctions and the commodity's future outlook

**KOREAN RATE INDEX:** The South Korean government will [launch](#) a Korea-centric index for freight rates as the government believes the Shanghai Index doesn't adequately reflect local conditions.

**FMC TARGETS D&D:** As part of the Ocean Shipping Reform Act, the Federal Maritime Commission (FMC) will [receive](#) resources to add 30-50 new employees, some of whom will be investigators.



*Image source: Tim Rue, Bloomberg News*

Additionally, the FMC [released](#) a 58-page [proposed rule](#) on new demurrage and detention (D&D) billing requirements. If adopted, ocean carriers and marine terminals would face stricter and potentially costlier requirements when charging shippers for late containers. The rule would [require](#) ocean carriers to bill D&D charges to the contracting party only (shipper or NVOCC), which would [relieve](#) trucking companies' longstanding burden of paying customers' D&D charges when a container cannot be returned to the terminal.

## Tariffs/Surcharges

**HOUSTON DWELL FEE:** Aiming to [minimize](#) container dwell time, Port Houston planned to [implement](#) two new tariffs—a sustained dwell fee and an excessive dwell fee—starting on 1 December 2022, but port has [postponed](#) implementation due to issues with an external software developer.

Houston has several [major challenges](#), from vessel congestion and clogged terminals to depleted chassis pools and low container storage space.

**SAN PEDRO BAY DWELL FEE:** Once again, the Port of Los Angeles (POLA) and the Port of Long Beach (POLB) have [postponed](#) the implementation date for their ocean carrier Container Dwell Fee. The fee will not be [considered](#) again until 16 December.